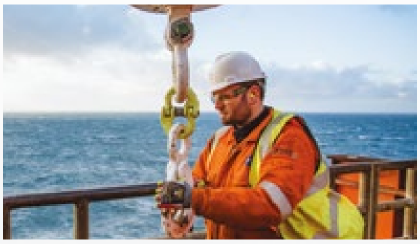

Harbour Energy plc
Annual Report & Accounts
2023

Harbour Energy's aim is to build a large-scale, geographically diverse, independent oil and gas company, focused on safe and responsible operations, and creating value for our stakeholders.

WHAT'S INSIDE?

Strategic report

1–65



Governance

66

Financial statements

109

Additional information

177

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We made significant progress in 2023. We improved our safety performance, generated material free cash flow and maintained our capital discipline. This enabled shareholder returns over and above our base dividend while retaining the flexibility that allowed us to announce a transformational acquisition in December.

LINDA Z. COOK
CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER'S STATEMENT
READ MORE ON PAGE 6

2023 HIGHLIGHTS

Safety and the environment[1]

0.7/million hours
TRIR[2]
(2022: 0.8/million hours)

Zero Tier 1 & 2
Process safety events
(2022: One Tier 1 & 2)[4]

23kgCO_2e/boe
GHG intensity
(2022: 21kgCO_2e/boe)

Operational

186kboepd
Production
(2022: 208kboepd)

$16.4/boe
Operating costs
(2022: $13.9/boe)

880mmboe
2P reserves + 2C resources at year end 2023
(2022 year end: 865mmboe)

Financial

$2.7bn
EBITDAX[3]
(2022: $4.0bn)

$1.0bn
Free cash flow[5]
(2022: $2.1bn)

0.1x
Leverage ratio[6]
(2022 year end: 0.2x)

$400m
Shareholder returns approved
(2022: $600m)

KEY PERFORMANCE INDICATORS
READ MORE ON PAGE 16

1 We report our safety and the environment metrics on a gross operated basis.
2 Total Recordable Injury Rate, measured on a per million hours worked basis.
3 EBITDAX is a non-IFRS measure calculated by taking earnings before tax, interest, depreciation and amortisation, impairments, remeasurements, onerous contracts and exploration expenditure. This is a useful indicator of underlying business performance.
4 Comprising zero Tier 1 events and one Tier 2 event.
5 Free cash flow is operating cash flow less cash flow from investing activities less interest and lease payments.
6 Leverage ratio is a non-IFRS measure calculated by net debt at year end/last twelve months of EBITDAX.

At a glance

Creating stakeholder value...

Harbour is building a large-scale, geographically diverse, independent oil and gas company.

Harbour's global footprint

Today, Harbour is the UK's largest oil and gas producer and has assets and growth opportunities in Indonesia and Mexico. Harbour is also progressing two UK carbon capture and storage (CCS) projects. These include Viking, one of the largest planned CCS projects in the world.

OUR STRATEGY & BUSINESS MODEL
READ MORE ON PAGE 10

In December 2023, we announced an agreement to acquire substantially all of Wintershall Dea's upstream oil and gas assets. Upon completion, the transaction will transform Harbour's scale and diversity, adding material positions in Norway, Germany, Argentina and Mexico.

OPERATIONAL REVIEW
READ MORE ON PAGE 18

Our purpose is to play a significant role in meeting the world's energy needs through the safe, efficient and responsible production of hydrocarbons, while creating value for our stakeholders.

Our role in meeting the world's energy needs

Oil and gas are critical to meeting global energy demand while we transition to lower carbon sources of energy. Harbour has grown to become the UK's largest oil and gas producer by acquiring assets from motivated sellers and investing in those assets to extend field life, contributing meaningfully to domestic energy security.

Our ambition has been to grow and diversify internationally, establishing material production in at least one other region through the acquisition of additional high quality, cash generative producing assets.

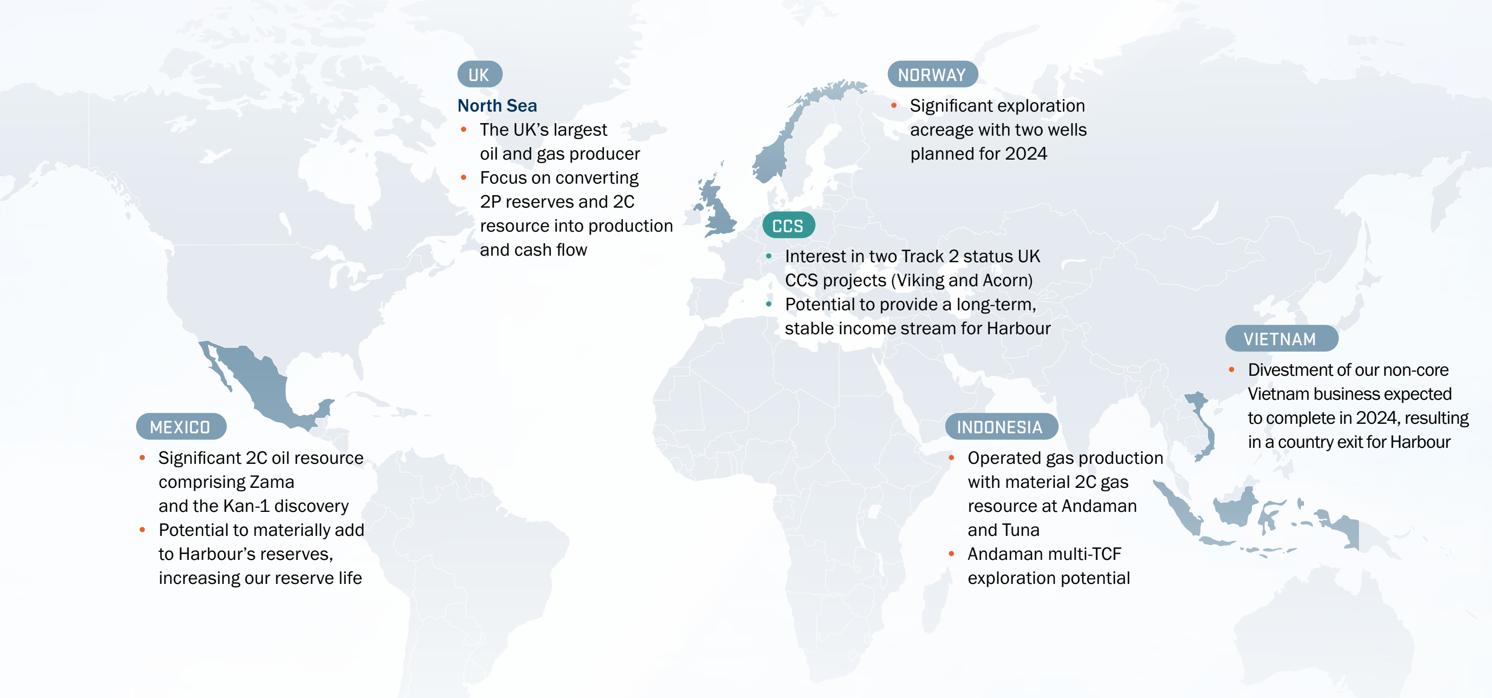
MARKET OVERVIEW
READ MORE ON PAGE 8

Making a positive impact
We have committed to achieving net zero across Scope 1 and 2 greenhouse gas (GHG) gross operated emissions by 2035, with an interim target of a 50 per cent reduction versus a 2018 baseline by 2030.

Net zero
By 2035

Our primary SDGs
We're supporting the United Nations' Sustainable Development Goals through our management practices and performance.

...safely and responsibly



A safe, efficient and responsible operator

The role of Harbour is not just to help meet global energy demand but to do so safely and efficiently while making the most of our resources and reducing the environmental impact of our operations.

We are also supporting broader, global ambitions through investing in CO_2 transportation and storage opportunities.

The UK's ambition is to capture 20-30 million tonnes of CO_2 per year by 2030 via carbon capture and storage (CCS). Harbour's Viking CCS project in the Humber region has the potential to deliver one third of this target.

ESG REVIEW
READ MORE ON PAGE 32

Creating value for all our stakeholders

We strive to create value for all our stakeholders. For our employees and contractors, this means offering a fulfilling career and competitive rewards. For investors, we aim to deliver capital return including through shareholder distributions.

Our business also supports a large network of joint venture (JV) partners, suppliers and customers, as well as contributing materially to the prosperity of our local communities and host governments.

ENGAGING WITH OUR STAKEHOLDERS
READ MORE ON PAGE 12

Transparent ESG reporting and measurement

We report in accordance with GRI and in compliance with the TCFD for UK companies. Additionally we report against the SASB indicators, using the Oil & Gas Exploration and Production industry standard demonstrating strong ESG practices.

We target full transparency of our environmental impact and overall ESG reporting, disclosing through CDP, with a 2023 corporate ESG rating of 'B'.

> Harbour is well positioned for future success as a large-scale, global, diversified oil and gas producer and is committed to playing an essential role in the energy transition.

R. BLAIR THOMAS
CHAIR

Dear fellow shareholders,

I am pleased to report that 2023 was a year in which Harbour Energy made significant progress against its strategic goals, culminating with the announcement of a transformational acquisition.

This was against an economic and geopolitical backdrop which, while not as volatile as in 2022, remained unpredictable. In addition to Russia's ongoing war in Ukraine, a new conflict in the Middle East has created additional instability. Economically, there has been some respite from high inflation in the developed world, although it remains elevated compared with recent trends. Furthermore, expectations around central banks' policy responses continue to create uncertainty around future economic growth rates.

Another significant factor impacting our industry is the need to transition to lower carbon energy sources to limit climate change. This will be a complex transition, and one in which oil and gas producers have a dual role to play: first, by providing vital energy supplies with lower carbon intensity, and second, by deploying their skills and infrastructure to deliver the carbon capture and storage (CCS) projects that will be critical for countries to achieve their commitments. Another impact of climate change on the sector has been the general decline in lender and investor appetite for oil and gas companies, a trend that is particularly noticeable in Europe.

Energy remains the consummate global industry, so all these trends impact Harbour. As we look to build a resilient, sustainable and successful business in an unpredictable world, they are among the key considerations weighed by Harbour's Board in setting strategy and in our decision-making.

It has become clearer than ever that, to succeed, energy companies require scale and diversification, stronger balance sheets and credit quality, as well as a meaningful energy transition plan. These are essential to ensure market relevance and access to low cost sources of capital to fund our businesses.

Since Harbour Energy was created in 2014, we have made no secret of our desire to build a global, diversified, independent oil and gas company. Having successfully completed three acquisitions, and then listed in the UK in 2021, we remained keen to continue to grow and diversify further through M&A. This ambition was reinforced after the introduction of a punitive additional tax in the UK, where our business is currently concentrated.

Our purpose is underpinned by four core values.

Our four values represent who we are and what we stand for. These are the values that Harbour expects colleagues to abide by and demonstrate in all their business dealings with internal and external stakeholders, and they are reinforced through our reward and performance management processes.

Integrity

We always aim to do the right thing in a professional, respectful and honest way.

Responsibility

We believe in personal responsibility and accountability. Safety is a shared responsibility, as is reducing our impact on the environment.

Innovation

We encourage our people to be creative to improve our business.

Collaboration

By working together, we can successfully execute our business plans and achieve our strategic goals.

FIND OUT MORE ONLINE
HARBOURENERGY.COM/ABOUT-US/VALUES-CODE-OF-CONDUCT

However, the disruption to energy markets in 2022 made deal-making all but impossible, as buyers and sellers struggled to reach a shared view on value. We were determined to be patient, and to only transact where we could see a value-creating transaction aligned with our strategy.

As markets settled during 2023, we saw a significant increase in consolidation in the sector, with a wave of multi-billion dollar deals being announced. For our part, in December, we reached agreement to acquire substantially all of Wintershall Dea's upstream assets from its owners, in what is a truly transformational deal for Harbour, as Linda outlines in her statement on the next page. This is an ambitious acquisition that will transform Harbour into a global producer, and demonstrates how focused the Board and Leadership Team are on delivering our growth strategy in a disciplined manner.

The acquisition is expected to be put to shareholders at a General Meeting in Q2, and your Board has no hesitation in recommending it to you.

That we were able to agree such a significant acquisition that more than doubles the size of our business is a testament to the sustained quality of our operational and financial delivery over time, and to our unwavering focus on disciplined capital allocation. I would like to thank our employees, Leadership Team and Board for their continued hard work and dedication, and our investors for their patience.

Looking ahead, 2024 promises to be another unpredictable year, with around half of the world's population going to the polls in national elections, including in the UK and the US. Meanwhile, the landscape for oil and gas producers continues to evolve, with sometimes conflicting signals. On the one hand, climate pressures continue to grow, while on the other, energy demand is still increasing and concerns for energy security remain high.

Against this backdrop, the Board remains convinced there is a long-term role for safe and responsible producers of oil and gas through the energy transition.

We are confident that Harbour's strategy and purpose remain relevant and that the company is well positioned for future success as a large-scale, global, diversified oil and gas producer.

For the remainder of 2024, we are focused on completing the acquisition of the Wintershall Dea asset portfolio, targeting completion in Q4. We will also remain alert to the still rich opportunity set for M&A and retain the flexibility to execute should a value-creating opportunity arise.

Thank you for your support for Harbour Energy in 2023, and please be assured that the Board and Leadership Team are resolutely focused on delivering our strategy and creating value for our shareholders and all our stakeholders.

R. Blair Thomas
Chair

Well positioned for value creation

It is nearly three years since Harbour Energy listed on the London Stock Exchange. Since then, we have faced numerous geopolitical, economic and fiscal headwinds. Despite these, we have stayed true to our purpose and strategy: playing a significant role in meeting the world's energy needs safely and responsibly, and building a global, diversified, independent oil and gas company through M&A.

Critical to our success and ability to deliver our strategy is safe and responsible operations. Therefore I am proud to report an improved safety performance in 2023, with our Total Recordable Injury Rate reducing from 0.8 to 0.7 per million hours worked. In addition, we achieved two firsts in 2023 for Harbour – zero lost time injuries and no serious (Tier 1 or 2) process safety events. However, we are never complacent when it comes to safety and we continue to strive for continuous improvement. In reflection of that, for 2024 we've expanded the process safety metric on our annual scorecard – which determines the bonus for all employees – to include Tier 3 Loss of Containment process safety events.

In line with our strategy, we have continued to maximise the value of our producing assets by progressing high return, short cycle drilling opportunities to help offset natural production decline and underpin future cash flow.

These efforts continue to be supported by active management of our cost base and leveraging our scale in the UK through strategic relationships with a smaller number of suppliers.

Last year also saw us complete a review of our UK organisation, which has streamlined our structure and standardised operating practices offshore. Meanwhile in our corporate centre, we've made good progress in systems integration and simplification, including the rollout of our enterprise management system. Together, these activities will help us realise cost savings and create a business that is scalable and ready for future growth.

We continued to invest in our international growth opportunities in Mexico and in Indonesia, which have the potential to add materially to our reserves and to diversify our company over time. Notably we made a significant gas discovery at the Layaran prospect on the South Andaman licence in Indonesia, while in Mexico we received regulatory approval for the Zama field development plan and made an oil discovery at the Kan prospect south west of Zama. In addition, we have seen good momentum on our two UK CCS projects, the Harbour-led Viking project and Acorn. These projects were awarded Track 2 status by the UK Government in 2023, allowing them to mature into the FEED phase and closer to potential investment decisions.

Underlying all of this is a strong financial position and a disciplined approach to capital allocation. In total, we spent around $1 billion in capex during 2023. Even with this large amount of spend, we generated free cash flow of $1 billion which allowed us to materially reduce our net debt to $0.2 billion and supported significant shareholder returns over and above our base dividend.

It is this sustained operational and financial delivery and capital allocation discipline that also enabled us, over the three years since our formation, to reduce our debt by c.$2.7 billion, return $1 billion to shareholders and retain flexibility to agree a transformational $11.2 billion acquisition.

Since becoming a public company in 2021, we have been clear about our aim to establish material production outside the UK by acquiring cash generative assets that improve our reserve life, margins and GHG intensity. We believed that this in turn would strengthen our credit quality and support enhanced shareholder returns over the longer run. We maintained our disciplined approach for the last three years and, at the end of 2023, were excited to announce the acquisition of substantially all of Wintershall Dea's upstream oil and gas assets. This transaction will mark our fourth major acquisition since our foundation in 2014 and the most transformational step yet in our journey.

The transaction will transform our scale and diversity by increasing production and adding significant positions in Norway, Germany, Argentina and Mexico. Importantly, it will lengthen our reserve life and is immediately accretive to free cash flow on a per share basis, supporting a sustainable increase in our dividend. In addition, the acquisition furthers our energy transition goals by shifting our portfolio towards natural gas, significantly lowering our greenhouse gas intensity and expanding our already strong CCS position into new European markets.

The quality of the portfolio together with the creative way we've structured the transaction mean that we expect to receive investment grade credit ratings upon completion. This is another important step in our journey, allowing us access to broader and lower cost sources of capital to support our future growth.

Our strong Leadership Team is vital to our growth and future success.

ALEXANDER KRANE
CHIEF FINANCIAL OFFICER

KEY RESPONSIBILITIES

Directing company-wide controls, processes and decision-making frameworks for financial business planning, capital allocation, financing activities and reporting.

GUSTAVO BAQUERO
EVP STRATEGY, BUSINESS DEVELOPMENT & ENERGY TRANSITION

KEY RESPONSIBILITIES

Developing Harbour's strategy, assessing and executing new business development opportunities, and enabling the energy transition by delivering CCS projects.

SCOTT BARR
EVP NORTH SEA

KEY RESPONSIBILITIES

Leading Harbour's largest producing region, comprising assets and people offshore, supported by specialist technical and business support functions in Aberdeen.

STEVE COX
EVP SOUTHEAST ASIA

KEY RESPONSIBILITIES

Leading our organisations, production operations and future development opportunities in Indonesia and Vietnam.

HOWARD LANDES
GENERAL COUNSEL

KEY RESPONSIBILITIES

Managing Harbour's legal, compliance and governance matters globally, underpinned by our commitment to ethical business conduct.

ANDREW OSBORNE
EVP SPECIAL PROJECTS

KEY RESPONSIBILITIES

Leading M&A and financing activities including through the debt and equity capital markets. Andrew will be stepping down from his role in April 2024.

GILL RIGGS
CHIEF HUMAN RESOURCES OFFICER

KEY RESPONSIBILITIES

Empowering Harbour's people to achieve their full potential, through talent acquisition, career development, reward and making Harbour an inclusive place to work.

PHILIP WHITTAKER
EVP GLOBAL SERVICES

KEY RESPONSIBILITIES

Delivering world-class business and information systems, and provision of strategic corporate HSES, supply chain, corporate assurance and integration capabilities.

FIND OUT MORE ONLINE
HARBOURENERGY.COM/ABOUT-US/OUR-SENIOR-TEAM

Our priorities for 2024 are very simple: the safe and responsible operation of our existing portfolio, and the successful completion of the Wintershall Dea acquisition. Looking further ahead, our ambition to continue to grow through M&A remains unchanged and we remain well-positioned for future opportunities. However, we will maintain our disciplined approach to capital allocation, balancing any growth opportunities alongside a commitment to competitive shareholder returns.

I am proud of what we achieved in 2023, which is all the result of the skill, hard work and commitment of our people. I am equally excited about the opportunities we have in front of us as we continue to build a uniquely positioned, large-scale, geographically diverse, independent oil and gas company of the future.

Linda Z. Cook
Chief Executive Officer

2023 saw a record year in upstream M&A activity amid a more stable commodity price environment.

Equity markets around the world recovered in 2023 with market volatility abating. However, uncertainty around the global economic outlook persisted and geopolitical tensions heightened towards the end of the year.

Geopolitical events, including the ongoing war in Ukraine and the outbreak of conflict in the Middle East, kept commodity prices in focus during 2023 although prices were materially less volatile than in the year before.

2023 also saw continued macroeconomic uncertainty. Inflationary pressures persisted and interest rates rose across developed markets for much of the year as central banks strove to bring inflation back to targeted levels. Interest rates finally paused in the fourth quarter, by which point they had increased to levels not seen since before the Global Financial Crisis.

UK equity markets closed the year broadly flat while European and US equity markets recorded double digit growth. This difference was driven in part by – in the UK – inflation remaining higher for longer, continued recessionary concerns, a strong sterling and continued political uncertainty.

Against this uncertain backdrop, global M&A activity declined compared to 2022. However, M&A activity in the energy sector defied this trend, reaching record highs as commodity prices stabilised and sector participants leveraged their equity and improved balance sheets to address investors' desire for growth and long-term cash returns.

Mergers and acquisitions

Summary

2023 was a record year for upstream oil and gas M&A activity, with more than $300 billion of deals announced, more than double that in 2022. Notably, the second half of 2023 saw a massive and rapid consolidation in the US oil and gas industry, predominantly involving the onshore shale players. This was driven by companies looking to achieve economies of scale, lengthen their reserve life and maintain market relevance with investors increasingly focused on the longevity and sustainability of cash returns.

Along these themes, two US mega deals were announced in 2023 – ExxonMobil purchasing Pioneer Natural Resources and Chevron acquiring Hess – with both buyers taking advantage of premium rated equity to fund all stock transactions. European energy M&A also picked up towards the second half of the year, albeit on a lower scale.

Our response & opportunity

During 2023, we evaluated numerous material M&A opportunities. We were disciplined in our approach and, in December, agreed the acquisition of substantially all of Wintershall Dea's upstream oil and gas portfolio for $11.2 billion, the largest announced upstream deal outside North America.

Given the way we have been able to structure this acquisition, we are well positioned for further M&A and the opportunity set remains rich: majors are expected to consolidate their portfolios on the back of large acquisitions, private companies are struggling for liquidity and smaller companies are looking for scale and relevance. However, our immediate focus is on completing the Wintershall Dea acquisition and the subsequent successful integration of the portfolio into our business.

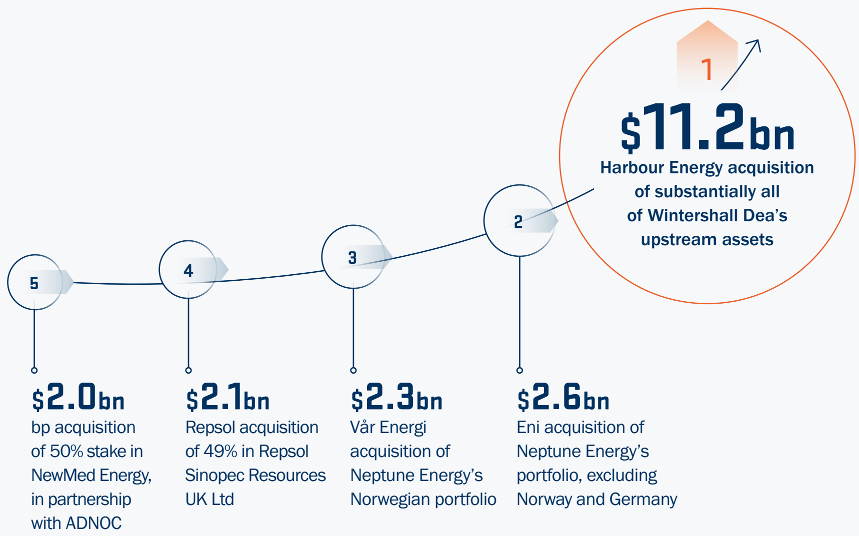
FIND OUT MORE ONLINE
HARBOURENERGY.COM/INVESTORS/ACQUISITION-OF-WINTERSHALL-DEA-ASSET-PORTFOLIO

c.$125bn
The value of the two largest upstream oil and gas transactions in 2023

>40%
Of oil and gas transactions announced in 2023 involved US-based companies

c.100%
Increase in value of oil and gas transactions announced in 2023 versus 2022

The top 5 non-North American upstream M&A deals announced in 2023[1]



1 As per Dealogic.

Commodity prices

Brent oil price: summary
During 2023 Brent crude prices averaged $83/bbl and were significantly more stable than in 2022, reflecting a broadly balanced market. While geopolitical tensions and concerns around crude oil demand resulted in some price fluctuations in the second half of the year, Brent ended the year at $78/bbl, $4/bbl below the start of 2023.

Global oil markets adjusted to new trade dynamics, with crude oil from Russia finding destinations outside the EU. In addition, 2023 saw strong production growth from non-OPEC countries, primarily the US, Guyana and Brazil. On the demand side, global crude oil demand increased, but fell short of expectations. In part, this was due to economic headwinds continuing to weigh on global economic growth while China's economic recovery was also slower than anticipated. These dynamics offset the impacts of supply cuts by OPEC+, mainly Saudi Arabia.

UK gas price: summary
After the unprecedented volatility of 2022, 2023 saw a return to a more predictable, albeit still elevated, price environment for UK natural gas with UK NBP averaging 99 pence/therm during the year.

UK NBP fell during the first half of the year reflecting a mild winter, demand destruction and continuation of larger LNG supplies into Europe resulting in high storage levels. Uncertainty on the supply side due to shutdowns and threatened strike action at LNG facilities kept prices around 70 pence/therm during the summer. Prices then spiked briefly in the fourth quarter with the outbreak of conflict in the Middle East before paring back gains to close the year at c.85 pence/therm.

Our response & opportunity
We have a good balance of oil and gas in our portfolio with our production split broadly evenly. We hedge to support more predictable cash flows which allows us to invest through the commodity price cycle while protecting the balance sheet and our commitment to shareholder returns.

In 2023, we realised post-hedging oil and gas prices of $78/bbl and 54 pence/therm, reflecting that c.30 per cent of our liquids production and c.65 per cent of our gas production was hedged. For 2024, our hedging reduces with c.25 per cent of our estimated liquids production hedged at an average price of $84/bbl and c.45 per cent of our estimated gas production hedged at an average price of 67 pence/therm.

OPERATIONAL REVIEW
READ MORE ON PAGE 18

Oil and gas fiscal regime

Summary
UK independent oil and gas companies continued to be materially impacted in 2023 by the ongoing fiscal and political uncertainty in the UK. This follows the introduction and subsequent increase and extension of the Energy Profits Levy (EPL) in 2022.

The Energy Security Investment Mechanism (ESIM) – which was announced in June 2023 and would disapply the EPL if both average oil and gas prices fall below $71.40/bbl and 54 pence/therm for six consecutive months – did little to restore confidence, given the level of the ESIM threshold prices. While legislation for annual licensing rounds in the UK has been announced and the North Sea Transition Authority (NSTA) granted its consent for the development of the Rosebank field in September, the regulatory and fiscal environment for oil and gas companies remains uncertain, especially given the expected UK General Election in 2024.

Our response & opportunity
The EPL has continued to impact our business, reducing our cash flow and impacting our availability of debt, as well as weighing on our share price. It has also caused us to scale back our activities in certain areas and to undertake a review of our UK organisation, which we completed in 2023.

In addition, fiscal uncertainty in our largest producing region has reinforced the importance of our strategic goal to diversify and establish a material base of production in at least one other region outside the UK.

UK Emissions Trading Scheme prices

Summary
The UK Emissions Trading Scheme (ETS) carbon allowance price averaged £54/mt in 2023, falling from £65/mt in January 2023 to £37/mt in December 2023. The reduction in price was mainly driven by an expectation of an increasing surplus of allowances, including the planned 2024 auction of previously unallocated allowances, amid a background of softening industrial emissions through 2023. Government policy developments remain a key driver of pricing of the UK ETS carbon allowances.

Our response & opportunity
Harbour purchases UK ETS carbon allowances, as required, over and above its annual government issued allocation to meet the compliance requirements of the scheme. During 2023, Harbour's operating cost benefitted from the lower cost of carbon. We continue to look to actively manage our exposure to UK ETS carbon allowance prices through hedging and participation in auctions.

Strategically driven...

Delivering value creation, cash flow and shareholder distributions.

OUR LONG-TERM STRATEGIC DRIVERS

RESPONSIBILITY

Ensure safe, efficient and environmentally responsible operations

PROGRESS IN 2023

- Improved safety record, with reduced TRIR, zero LTIR and zero serious (Tier 1 and 2) process safety events
- Completed UK organisation review and formed new strategic supply chain partnerships
- Embedded a new, scalable enterprise management system into our business
- Announced acquisition of Wintershall Dea asset portfolio which will lower GHG intensity and expand CCS position

PRIORITIES FOR 2024

- Continuous improvement in our safety and environmental performance
- Maintain a competitive cost structure as assets mature
- Top quartile operational performance, including safe and efficient execution of planned maintenance campaigns

QUALITY

Maintain a high quality portfolio of reserves and resources

PROGRESS IN 2023

- Partial reserve replacement supported by additions at our UK operated hubs
- Progressed organic growth opportunities in the UK (Talbot, Leverett), Mexico (Zama, Kan) and Indonesia (Layaran)
- Agreed divestment of non-core Vietnam business
- Announced acquisition of Wintershall Dea asset portfolio which will improve reserve life and margins

PRIORITIES FOR 2024

- Execution of capital programme, including successful production start-up from Talbot around year end
- Mature high quality infrastructure-led investment opportunities, especially around J-Area (UK)
- Complete the Wintershall Dea transaction and ensure a healthy pipeline of longer-term organic and inorganic investment options to replace/grow reserves

FROM PLANNING TO DELIVERY, SUSTAINABILITY IS EMBEDDED THROUGH EVERYTHING WE DO:

Safe · Responsible · Fair

DIVERSIFICATION

Leverage our full cycle capability to diversify and grow

PROGRESS IN 2023

- Regulatory approval for Zama field development plan and oil discovery at Kan-1 (Mexico)
- Material offshore gas discovery at Layaran-1 in South Andaman (Indonesia)
- UK CCS projects awarded Track 2 status by the UK Government
- Announced acquisition of Wintershall Dea asset portfolio adds significant positions in Norway, Germany, Argentina and Mexico

PRIORITIES FOR 2024

- Complete acquisition of Wintershall Dea asset portfolio
- Advance international growth opportunities in Mexico and Indonesia including exploration and appraisal drilling
- Agree terms of the economic licences for our CCS projects with the UK Government

DISCIPLINE

Ensure financial strength through the commodity price cycle

PROGRESS IN 2023

- Net debt reduced to $0.2 billion; successful amendment and extension of RBL facility to 31 December 2029
- Significant free cash flow generation supported $0.4 billion of shareholder distributions
- Acquisition of Wintershall Dea asset portfolio is expected to deliver investment grade credit ratings

PRIORITIES FOR 2024

- Continued execution of hedging strategy
- Deliver on commitment to shareholder distributions
- Protect expected investment grade rating on completion of the Wintershall Dea acquisition

...to grow and diversify

HOW WE CREATE VALUE

Our business model is driven by our purpose and underpinned by a focus on capital discipline and sustainability

WHO THAT VALUE BENEFITS

Our employees

88%

Believe Harbour is truly committed to the health and safety of our people

Government & regulators

$0.4bn

Paid in taxes during 2023

Our investors & shareholders

$0.4bn

Of shareholder returns announced in 2023

Our lenders

$0.6bn

Reduction in net debt during 2023

Our JV partners, suppliers & customers

>$2.0bn

Of spend across our supply chain in 2023

Wider society

>$3.9bn

Of economic value created

ENGAGING WITH OUR STAKEHOLDERS
READ MORE ON PAGE 12

Working together to create shared value.

We engage with our stakeholders in order to understand and respond to the issues that are important to them.

Section 172(1) statement
The disclosure on the following pages (12 to 15) describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the Directors' statement required under section 414CZA of the UK Companies Act 2006.

Information regarding our assessment of environmental and community issues associated with our operations, including how we maximise our positive impacts and minimise the negative impacts, can be found in the ESG review on pages 32 to 55.

E OUR EMPLOYEES

Why is it important to engage?
Harbour's success depends upon our ability to attract and retain talented employees who engage in our purpose and strategy. In 2023, a review of our UK organisation, triggered by changes to the fiscal environment, created uncertainty, making it even more crucial to hear and respond to employee concerns.

How do we engage?
We engage through face-to-face and digital channels. The CEO and senior leaders host regular town halls, as well as smaller, informal events. Our elected staff forums meet frequently, including with the CEO and other directors. Our employee-led networks, each sponsored by a member of the Leadership Team, provide peer support. We carried out our second global engagement survey in 2023.

What issues are important to them?
- Health, safety and wellbeing
- Opportunities to engage with our leaders
- Reward and recognition
- Career development

How are we responding with clear actions?
Our 2023 priorities were shaped by feedback from our 2022 global employee engagement survey. First, we found employees rated very highly our efforts related to safety, so we've continued to focus and engage in that area. Regarding leadership engagement, we created new opportunities such as informal Let's Chat events and Huddles. We committed to open and transparent communications during the UK organisation review, with regular updates throughout the process. We've also made some improvements to our reward framework, expanded training opportunities and initiated the rollout of enhanced career development tools.

OUTCOMES
We had a high response to our 2023 survey, which again showed a very strong safety culture. Scores improved in the area of career development reflecting programmes implemented during the year. However, levels of overall engagement declined somewhat in the UK, likely reflecting uncertainty caused by the organisation review, and in Vietnam, where we announced a decision to exit. The survey findings have been shared with our staff forums. Action plans to address areas of concern are being implemented in 2024.

G GOVERNMENT & REGULATORS

Why is it important to engage?
Key government and regulatory stakeholders in countries where we operate or seek to grow make decisions that materially impact our business. In the UK, we engage with No. 10, HM Treasury, the Department for Energy Security and Net Zero and the North Sea Transition Authority. In Indonesia, we engage with our regulator SKK Migas and the Ministry of Energy and Mineral Resources.

How do we engage?
Harbour engages through direct meetings with ministers, their advisers and officials, by contributing to government consultations and via trade bodies, such as Offshore Energies UK and the Indonesian Petroleum Association.

What issues are important to them?
- Energy security and supply
- Investment in the energy sector to drive trade
- Accelerating the energy transition
- Environmental responsibility

How are we responding with clear actions?
In 2023, Harbour delivered c.15 per cent of UK oil and gas production. We progressed our Viking CCS project which has the potential to meet one third of the UK Government's CO_2 storage target by 2030, as well as the Acorn CCS project in which we are a partner. We made submissions to the UK Government on the investment climate, the need for fiscal stability for energy security and the energy transition, the impacts of materially higher UK taxation, and the regulations related to CCS deployment. We worked with key stakeholders to progress opportunities in other countries as well, including proposing new fiscal terms for the development of marginal fields in Indonesia, and the development of the Zama project in Mexico.

OUTCOMES
We provided constructive policy inputs to the UK Government, including on the regulatory environment for CCS and the impact of the EPL on energy security and the energy transition. After the award of Track 2 status, Viking CCS progressed to FEED. In Indonesia, we secured changes to Production Sharing Contracts (PSC) for Natuna Sea Block A and Tuna, increasing their value. We gave input on how to make Indonesia more competitive for investment. New regulations on fiscal terms for PSCs are under consideration.

I OUR INVESTORS & SHAREHOLDERS

Why is it important to engage?
Harbour seeks to develop an investor base of long-term shareholders and debt providers who are supportive of our strategy. By ensuring our strategy and objectives are well understood and by delivering against them, we maintain access to long-term providers of capital.

How do we engage?
We engage regularly with our shareholders, bondholders and potential investors through meetings, conferences and investor events. Over 300 investor meetings and calls were held in 2023. The CEO, CFO, Investor Relations and Group Treasurer are primarily responsible for this engagement. Other Board members engage on areas such as our Remuneration Policy and they are also available to shareholders at Harbour's AGM.

What issues are important to them?
- Financial and operational performance
- Fiscal regime and political outlook in the UK
- Capital allocation, including shareholder returns
- M&A strategy and progress
- Our net zero commitment and CCS projects

How are we responding with clear actions?
We delivered operationally and financially in line with our 2023 guidance. We listened to feedback on capital allocation, balancing our commitment to our dividend policy and returning excess capital to shareholders while retaining the flexibility for meaningful M&A opportunities.

Consultation and feedback from institutional shareholders also shaped the evolution of our Remuneration Policy.

OUTCOMES
We have continued to build trust with the capital markets through proactive engagement, delivering against guidance, remaining true to our strategy and focusing on the things we can control. We have attracted new shareholders, enabling legacy pre-Premier merger investors to reduce their holdings. The announcement of a transformational acquisition in December of assets from Wintershall Dea, in line with our strategy, resulted in a c.20 per cent rise in our share price on the day of announcement.

LINDA Z. COOK
CHIEF EXECUTIVE OFFICER

Our success relies on strong relationships with key stakeholders, including amongst our Harbour colleagues, shareholders, lenders, JV partners, suppliers, host governments and society at large.

L OUR LENDERS

Why is it important to engage?
The upstream oil and gas industry is a capital-intensive business. By maintaining supportive relationships with our lenders, and ensuring our strategy and objectives are well understood, we can ensure access to long-term debt financing that enables us to invest in high quality investment opportunities that generate cash flows and support shareholder returns.

How do we engage?
We undertake regular dialogue with the syndicate banks, both bi-laterally and via an annual bankers' presentation. Members of the Leadership Team give performance updates at these sessions, followed by questions and answers. Quarterly management reports are shared with the reserve based lending (RBL) syndicate banks. We also engage with debt investors through meetings and conferences hosted by banks in Europe and the US.

What issues are important to them?
- Financial and operational performance
- Fiscal stability
- Safeguarding the balance sheet
- Financial risk management, including hedging
- M&A strategy and progress
- Sustainability and ESG considerations, including the impact of our operations

How are we responding with clear actions?
We have a disciplined financial framework and capital allocation policy to ensure we maintain significant liquidity. This includes ensuring that leverage remains below 1.5x on average through the commodity price cycle and hedging to protect against price volatility.

OUTCOMES
We maintained a supportive senior bank lending group and completed a successful redetermination, and subsequent amendment and extension, of our reserve based lending facility. We continue to have access to significant debt capacity, and ESG disclosure agency CDP reaffirmed our corporate B rating in 2023.

J OUR JV PARTNERS, SUPPLIERS & CUSTOMERS

Why is it important to engage?
The upstream oil and gas industry relies on joint venture (JV) partners and a complex value chain of suppliers who enable us to deliver oil and gas to our customers. Maintaining strong relationships across this value chain enables access to the resources, labour and the specialist goods and services we require to carry out our business safely, responsibly and efficiently.

How do we engage?
We have structured engagement plans in place for these key stakeholders. For example, Operating Committee Meetings (OCMs) are the forum for joint venture partner decision-making, while we regularly engage with our contractors through scheduled reviews and supplier audits. Meanwhile, our in-house marketing and trading team maintains an open dialogue with our global customers.

What issues are important to them?
- Asset stewardship and life of field programmes (JV partners)
- Personal and process safety and operational performance
- Financial capability
- Pre-award transparency and opportunity (supply chain)
- Quality and reliability of supply (customers)

How are we responding with clear actions?
During 2023, we began implementing a strategic approach to supply chain management. We identified and awarded a number of long-term strategic supplier partnerships, and significantly reduced our overall number of suppliers. We implemented our new enterprise management system in 2023, simplifying our supplier interface.

OUTCOMES
By implementing a more strategic and long-term approach to supply chain management, Harbour has deepened relationships across its supply chain, joint venture partners and customers, enabling collaborative working relationships that help us manage risk, improve our business processes and minimise our environmental impact, and this ultimately delivers better value for Harbour.

W WIDER SOCIETY

Why is it important to engage?
A company's employees, customers and suppliers are part of the communities and wider society in which they operate. We aim to be a good corporate citizen, offering high quality jobs and a safe work environment, supporting a large supplier network, reducing our environmental impact and contributing to the communities in which we operate.

How do we engage?
Harbour supports local communities through its business activities, which contribute to economic vitality, supported by philanthropic activities and sponsorships. Where projects impact on local communities, such as our Viking CCS project in the Humber, we engage with them to explain how they will share in the economic value created. We support key industry bodies and events to promote the economic wellbeing of our communities and host countries. We help disadvantaged communities through local outreach and charitable giving.

What issues are important to them?
- Creating a fair and shared economic value
- Energy security and a just transition
- Social investment

How are we responding with clear actions?
We continue to deliver energy safely and responsibly, supporting energy security. We made progress on our Net Zero 2035 commitment and are investing in CO_2 capture and storage, a key enabler of the energy transition. We support local communities with social investment in projects that meet our giving aims (education, affordable energy, health, safety and the environment). Our sponsorship budget supports the promotion of a safe and responsible oil and gas industry.

OUTCOMES
Harbour produced c.15 per cent of the UK's oil and gas and generated c.$3.9 billion of economic value in 2023, through employment, payments to suppliers, tax payments to host governments and social investment. Our investment in CCS will help secure high-value jobs in industrialised areas. Social investment and sponsorship totalled $1 million. For example, in Indonesia's Anambas Islands, over 20 years we've supported local business growth, a new primary school, access to electricity and online medical education.

We aim to engage openly and honestly on issues of importance to our stakeholders and to establish strong and enduring relationships with the key stakeholders upon whom our business success relies.

The three case studies on these pages demonstrate how our Board considers stakeholders' interests in its decision-making.

The duty of our Board is to promote the success of Harbour for our shareholders whilst having due regard for the interests of other stakeholder groups. In discharging this duty, the directors must consider the likely consequences of their decisions in the long term whilst maintaining our corporate reputation and adhering to the highest standards of business conduct.

Our board of directors carries out its decision-making with this key duty in mind. Central to this is ensuring it understands the views of our stakeholders on key issues and how those stakeholders will be impacted by a particular course of action.

While the Board sets the parameters by which we develop, maintain and enhance relationships with our stakeholders, engagement cannot be undertaken by the Board alone, and our Leadership Team also engages and fosters positive relationships with our key stakeholders. The Board considers stakeholder views when making key decisions. For example, the information is used in investment papers, strategy documents and budget proposals, to ensure that decisions are made with due consideration of all stakeholders.

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY | QUALITY | DIVERSIFICATION | DISCIPLINE

Board discussions

In support of the company's strategy to grow and diversify through acquisitions, the Board evaluated a number of advanced M&A opportunities during the year. Discussions specific to the proposed acquisition of the Wintershall Dea asset portfolio took place over the course of eight Board meetings in 2023.

Board's consideration of stakeholder impacts in reaching its decision

The proposed acquisition of the Wintershall Dea assets is a complex, multi-jurisdictional transaction, and the Board was sensitive to the potential impact of this acquisition on a wide range of stakeholders, including shareholders and investors, employees, governments and regulators, and lenders.

In the early part of the process the Board considered whether the transaction would meet Harbour's M&A strategic criteria and provide tangible value to Harbour's shareholders. The Board considered the complexities related to Wintershall Dea's ownership, and how the transaction could be structured to accommodate the sellers' objectives while protecting Harbour's interests. A technical asset overview, including an assessment of the operators in light of the largely non-operated portfolio, was presented to the Board for discussion.

The Board concluded that the transaction met Harbour's key M&A criteria: it would increase production and reserve life, improve our operating costs and lower our GHG intensity. Further, the high quality nature of the portfolio together with the careful structuring of the transaction would result in expected investment grade credit ratings for Harbour, delivering significant financial synergies that would benefit shareholders and other stakeholders.

The Board discussed the impact of the proposed transaction on stakeholders including employees, shareholders, lenders and governments, and made plans to engage with them, including by obtaining irrevocable undertakings from certain shareholders to approve the transaction.

Overall, the Board judged the transaction would advance Harbour's stated strategy materially, and strengthen the company by providing scale and geographic diversification, advancing our energy transition goals, and enhancing financial strength, enabling us to create value for all stakeholders. On the back of this compelling strategic and financial rationale, the Board approved the transaction.

OUR KEY STAKEHOLDER GROUPS

E Our employees **G** Government & regulators **I** Our investors & shareholders **L** Our lenders **J** Our JV partners, suppliers & customers **W** Wider society

OUR STRATEGIC PILLARS

RESPONSIBILITY
Ensure safe, reliable and environmentally responsible operations

QUALITY
Maintain a high quality portfolio of reserves and resources

DIVERSIFICATION
Leverage our full cycle capability to diversify and grow further

DISCIPLINE
Ensure financial strength through the commodity price cycle

To improve the efficiency of our UK Business Unit so it remains competitive and sustainable

KEY STAKEHOLDER GROUPS IMPACTED:
E G I

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY QUALITY DIVERSIFICATION DISCIPLINE

Board discussions

In 2022, the UK Government enacted the Energy Profits Levy, which increased the tax rate on UK oil and gas producers significantly. This led to reductions in Harbour's activity levels in the UK. The Board discussed how to maintain competitive unit operating costs and margins in view of the fundamentally changed outlook for the UK business. The Board approved the decision to carry out a UK organisation review, and subsequently reviewed project progress during several Board meetings, with further oversight of progress and outcomes from two Board committees.

Board's consideration of stakeholder impacts in reaching its decision

In reaching its decision to endorse the UK organisation review, the Board considered the likely impact on a range of stakeholders. It had to balance the company's responsibility for providing high quality employment opportunities to employees on the one hand, with the need to remain competitive and sustainable for the future in order to maintain the confidence of shareholders and debt holders to enable continued access to capital to support the business.

The Board considered feedback from our global engagement survey, where colleagues pointed to the complex systems and processes that were a legacy of previous mergers. It also considered an external benchmarking exercise which suggested there were opportunities to become more efficient in many areas of the business. The Board concluded that carrying out the UK organisation review and complementary Performance Improvement projects focused on rationalising systems and simplification, were necessary for Harbour to remain competitive and sustainable in the future.

The company committed to carrying out the review fairly and transparently, with care for all those affected. It proactively communicated with employees and consulted with the staff forums throughout. The process was kept under review by the Board until its conclusion in September, with particular attention paid to DE&I metrics to ensure everyone was treated fairly. Although the process resulted in a reduction in some 400 roles in Harbour's UK operations, thanks to measures such as closing vacancies and a voluntary redundancy programme, we were able to keep the number of people who left the business involuntarily to 109.

To endorse a strategic approach to supply chain, including contract rationalisation

KEY STAKEHOLDER GROUPS IMPACTED:
I J

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY QUALITY DIVERSIFICATION DISCIPLINE

Board discussions

As a result of Harbour's history of growth by acquisition, the company had an oversized supply chain and a large portfolio of contracts. The volumes were difficult and resource-intensive to manage. The Board agreed a project to simplify the contract portfolio, develop a category management strategy and form strategic partnerships, in order to deliver better value for the company.

Board's consideration of stakeholder impacts in reaching its decision

The oil and gas industry has a complex value chain. Specialist suppliers and contracts are required for numerous activities that are impractical or inefficient to manage in-house. Harbour values the relationships it has with suppliers and contractors, which are essential to the provision of the services and equipment needed to carry out much of our business.

However, these suppliers and contractors all require management by the business to ensure they operate to the required standard and deliver value for money. Operating in a safety-critical sector, developing strategic partnerships with fewer providers was an opportunity to create a more consistent and stable operating environment. Suppliers were invited to tender for the provision of key services – ranging from shorebase and quayside, aviation, asset integrity, subsea, engineering and construction – on five-year contracts with options to extend, providing them and us with stability and the opportunity to build a long-term relationship.

As a result of this initiative, six strategic partnerships were formed in 2023, and the number of contracts was reduced by around 25 per cent. In 2024, we are targeting 12 strategic partnerships and a further reduction in contracts. The programme should reduce risks, improve efficiency and deliver value for suppliers and for Harbour.

Key performance indicators

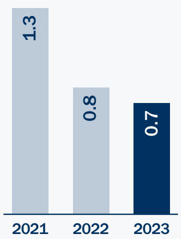
Measuring our performance.

Safety and the environment[1]

LINK TO STRATEGIC PILLARS:
- RESPONSIBILITY
- QUALITY
- DIVERSIFICATION
- DISCIPLINE

Total Recordable Injury Rate (TRIR)

0.7
per million hours worked



Objective

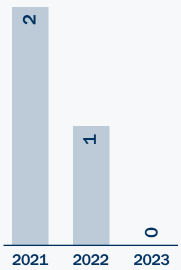
Harbour is committed to ensuring our people are kept safe and well, particularly colleagues working in inherently hazardous locations offshore.

2023 progress

- Our TRIR reduced to 0.7 (2022: 0.8), reflecting a reduction in the frequency of injuries. For the first time in Harbour's history, we recorded no lost time injuries
- The Anoa FPSO (Indonesia) surpassed 10 years without a lost time injury while the Solan platform (UK) surpassed 7 years
- Following the introduction of our Back to Basics campaign, high potential incidents materially reduced to 3 (2022: 13)

Process safety[2]

Zero
Tier 1 & 2 events



Objective

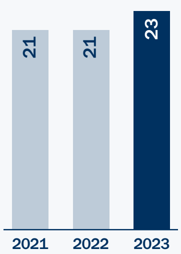
Harbour aims to maintain the highest standards of operational integrity to prevent any release of hazardous material from primary containment.

2023 progress

- No Tier 1 or Tier 2 process safety events, a first in Harbour's history
- Continued to embed Process Safety Fundamentals across the company, including it as a theme for our annual HSES day and holding an internal major hazards awareness training programme

GHG intensity (Scope 1 and 2)[3]

23
kgCO$_2$e/boe



Objective

Harbour is committed to proactively addressing its environmental impact and taking action to achieve our Net Zero 2035 goal.

2023 progress

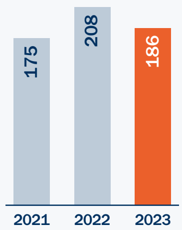
- While our absolute emissions were broadly flat year on year at 1.3 mtCO$_2$e, our GHG intensity increased to 23 kgCO$_2$e/boe, driven by lower production volumes
- Agreed sale of non-core Vietnam business, which includes our most emissions-intensive asset
- Continued momentum at our UK CCS projects, including our operated Viking project which is on track to store 10 mtpa of CO$_2$ by 2030

Operational

LINK TO STRATEGIC PILLARS:
- RESPONSIBILITY
- QUALITY
- DIVERSIFICATION
- DISCIPLINE

Production

186
kboepd



Objective

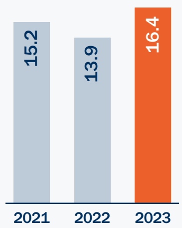
Harbour aims to maximise value from its UK producing asset base and grow and diversify internationally including via acquisition of high quality, producing assets.

2023 progress

- Production of 186 kboepd, reflecting natural decline and fewer new wells on-stream, partly due to the deferral of drilling at our partner operated hubs
- Continued strong performance at Greater Britannia while Tolmount production was boosted by the start-up of Tolmount East in the fourth quarter
- The acquisition of Wintershall Dea asset portfolio is expected to increase production to c.500 kboepd[4], adding significant positions in Norway, Germany and Argentina

Operating costs

$16.4
/boe



Objective

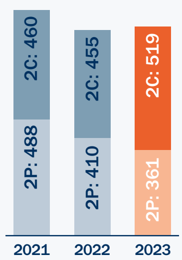
Harbour strives for competitive operating costs without compromising on health, safety and the environment, enabling robust margins through the commodity price cycle.

2023 progress

- Operating costs increased to $16.4/boe, reflecting lower production volumes
- Operating costs on an absolute basis were broadly flat year-on-year at $1.1 billion (2022: $1.1 billion) with strong cost control and lower UK ETS cost offsetting inflationary pressures
- The acquisition of the Wintershall Dea asset portfolio is expected to materially reduce the company's unit operating costs

Reserves and resources[5]

880
mmboe



Objective

Harbour aims to add reserves as well as convert reserves and resources into production via targeted investment in its existing asset base. We seek to replace reserves mainly through value accretive M&A.

2023 progress

- 2P reserve additions, including at GBA, AELE and J-Area in the UK, partially offset the impact of production
- The addition of the Layaran gas discovery (Indonesia) and the Kan oil discovery (Mexico) to 2C resources was partially offset by revisions, transfers to 2P and licence relinquishments
- The acquisition of the Wintershall Dea asset portfolio is expected to triple our combined reserves and resources and increase our reserve life to c.8 years

OUR STRATEGIC PILLARS

RESPONSIBILITY
Ensure safe, reliable and environmentally responsible operations

QUALITY
Maintain a high quality portfolio of reserves and resources

DIVERSIFICATION
Leverage our full cycle capability to diversify and grow further

DISCIPLINE
Ensure financial strength through the commodity price cycle

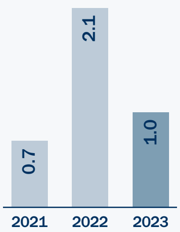
Financial

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

Free cash flow[6]

$1.0 billion



Objective

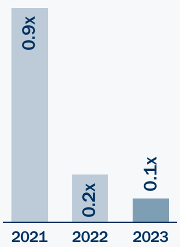
Harbour aims to deliver predictable and reliable cash flow, supported by prudent risk management, to enable financial strength, investment and shareholder returns through the commodity price cycle.

2023 progress

- Harbour generated $1.0 billion of free cash flow, lower than in 2022, reflecting lower production and commodity prices offset by an improvement in our hedge position
- We continued to progress high return infrastructure-led investment opportunities to support production and cash flow near term
- The acquisition of the Wintershall Dea asset portfolio is free cash flow accretive in the short, medium and long term, and will support enhanced and sustainable shareholder returns

Leverage ratio[6]

0.1x at year end



Objective

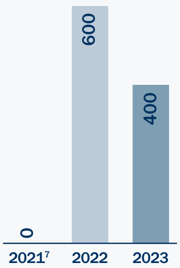
Harbour aims to keep leverage below 1.5x on average through the commodity price cycle supported by prudent capital allocation and a disciplined hedging programme. We seek to repay debt when prices are high, ensuring capital discipline, financial resilience and capacity to take advantage of M&A opportunities.

2023 progress

- Leverage reduced in 2023, with net debt reduction more than offsetting lower EBITDAX[6]
- Net debt reduced by c.$0.6 billion to c.$0.2 billion and, with our reserve based lending (RBL) facility undrawn, we have significant debt capacity
- Successful outcome of RBL facility amendment and extension on favourable terms

Shareholder returns approved

$400 million



Objective

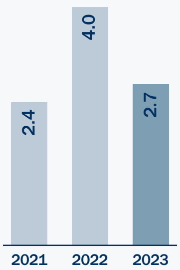
Harbour aims to deliver both growth and yield to its shareholders. Shareholder returns are one of our three capital allocation priorities, along with ensuring both balance sheet strength and a robust and diverse portfolio.

2023 progress

- We approved $400 million of shareholder returns, comprising our $200 million annual dividend and $200 million of share buybacks, resulting in c.$1 billion of shareholder distributions since 2021
- Our 2023 share buyback programme resulted in us repurchasing 76.8 million shares during 2023, equating to 9 per cent of our issued share capital, and driving dividend per share growth of 9 per cent

EBITDAX[6]

$2.7 billion



Objective

Harbour aims to deliver strong earnings before interest, tax, depreciation and amortisation, delivered by proactive cost control and prudent risk management.

2023 progress

- Revenue was lower in 2023, due to lower oil and gas volumes and lower realised UK gas prices while operating costs were broadly flat year on year
- A review of our UK organisation was completed in October 2023 and is expected to deliver cost savings from 2024

INTRODUCING AN ADDITIONAL KPI
We have introduced EBITDAX[6] as a KPI to give investors an insight into the profitability potential of the business and the sustainability of its margins. This is a useful indicator of underlying business performance.

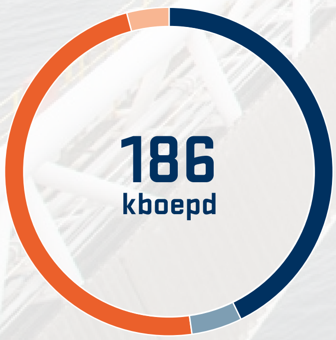
1 We report our safety and the environment metrics on a gross operated basis.
2 Reported as per the IOGP's Process Safety – Recommended Practice on Key Performance Indicators, report 456, 2018.
3 Our 2023 GHG intensity includes our Scope 1 and 2 emissions on a gross operated basis. For more details please see the ESG review on page 32.
4 Based on 2023 production numbers.
5 Volumes reflect management estimates. ERCE as a competent independent person have evaluated the Group's working interest 2P reserves and 80 per cent of the Group's 2C resources and consider Harbour's estimates to be fair and reasonable.
6 Non-IFRS measure – see Glossary for the definition.
7 Harbour's 2021 Annual Report disclosed a $100 million final dividend for 2021, which was approved in 2022 and is included in the $600 million.

Maximising the value of our production base while advancing our organic growth opportunities.

2023 GROUP PRODUCTION

We currently operate c.70 per cent of our production, including five key hubs in the UK and our assets in Indonesia and Vietnam. Our non-operated interests are in high quality, long life UK assets such as Elgin Franklin and Clair where we are partnered with well-established operators.

While more than 90 per cent of our production is currently from the UK, we have a diversified asset base with no single hub accounting for more than 20 per cent of our production or cash flow. We also have a balance of liquids and gas. Our material organic growth opportunities are in Indonesia and Mexico.



- Oil 43%
- NGLs 5%
- UK gas 48%
- International gas 4%

Asset/hub	2023 (kboepd)	2022 (kboepd)
J-Area	34	30
Greater Britannia Area	27	31
AELE	22	27
Catcher Area	16	19
Tolmount Area	13	14
Elgin Franklin	19	24
Buzzard	11	15
West of Shetland[1]	14	14
Beryl Area	14	11
Other North Sea[2]	6	10
North Sea[3]	**175**	195
International	**11**	13
Total	**186**	208

1 West of Shetland comprises Clair, Schiehallion and Solan, which is operated.
2 Other North Sea includes East Irish Sea, Galleon, Ravenspurn North and Johnston.
3 Because of rounding, some totals may not agree exactly with the sum of their component parts.

Production averaged 186 kboepd (2022: 208 kboepd), split 52 per cent natural gas and 48 per cent liquids and in line with guidance.

In the UK, we delivered higher production from our operated J-Area hub, supported by new wells on-stream around the end of 2022, while our operated Greater Britannia Area (GBA) continued to outperform expectations. This was offset by the deferral of drilling at partner-operated hubs resulting in fewer wells on-stream later in the year. Production was also impacted by some extended shutdowns in the second half of the year, including at our operated AELE hub and the East Irish Sea assets.

Operating costs for the year were $1.1 billion (2022: $1.1 billion), reflecting active management of our cost structure, including a reduction of staff in our UK operations and the further development of strategic supply chain partnerships and consolidation of contracts. On a unit of production basis, operating costs were higher at c.$16/boe (2022: $14/boe) due to lower production. 2023 total capital expenditure was c.$1.0 billion (2022: $0.9 billion) reflecting higher international exploration activity offset in part by the deferral of certain UK opportunities in response to the Energy Profits Levy (EPL).

Safe and responsible operations

In 2023, Harbour delivered an improved safety performance, with our Total Recordable Injury Rate reduced to 0.7 (2022: 0.8) per million hours worked. In addition, we achieved two firsts for Harbour: zero lost time injuries and no serious (Tier 1 or 2) process safety events. This improvement was supported by the company-wide Back to Basics safety campaign initiated in 2022 and now fully embedded throughout our business.

In 2023, our gross operated greenhouse gas emissions reduced to 1.3 million tonnes, representing a c.30 per cent reduction compared to 2018 while our GHG intensity increased to 23 kgCO_2e/boe (2022: 21 kgCO_2e/boe) due to lower production. In January 2024, we signed the United Nations Environment Programme Oil and Gas Methane Partnership 2.0 memorandum of understanding.

During 2023, we successfully plugged and abandoned seven wells bringing the total that Harbour has decommissioned in the UK since 2014 to 161.

Harbour also executed numerous seabed clearance and remediation campaigns during the year with onshore dismantlement and processing of removed infrastructure resulting in a recycling rate in excess of 97 per cent.

Maximising the value of our UK producing assets

The majority of Harbour's capital programme is focused on infrastructure-led opportunities, designed to optimise production and cash flow. These opportunities are typically low risk, high return, short cycle investments with low GHG intensity.

Within our operated portfolio, we delivered first gas from Tolmount East in November, increasing production rates from Tolmount. At J-Area we completed development drilling at Talbot, a three-well subsea tie-back to the Judy platform with first oil on track for around the end of 2024. We also approved plans to drill a well and retrofit three producing wells for gas lift, targeting improved recovery from the Judy Chalk. At our AELE hub, we approved an infill well at North West Seymour which, together with plant modifications, is expected to extend producing life of the Armada field beyond 2030.

At our operated Greater Britannia Area, Harbour progressed plans to return to drilling at the satellite fields, including an infill well at Callanish, which spudded in February 2024, and an appraisal well at Brodgar. In addition, we successfully appraised the Leverett gas discovery in 2023 with the potential development via a subsea tie-back to the Britannia platform now being evaluated.

In our partner-operated portfolio, Beryl production was boosted by initial high rates from two new wells online in the second quarter. However, production on a full year basis was impacted by the operator's decision to pause further subsea and platform drilling in response to the EPL. Production from our West of Shetland assets was supported by four wells drilled across Clair Phase One and Clair Ridge, and a further three wells at Schiehallion. Further drilling at both Clair and Schiehallion is planned for 2024. In addition, the operator continues to optimise the Clair Phase 3 development, which is expected to target Clair South.

As at 31 December 2023, Harbour's proven and probable (2P) reserves on a working interest basis were 361 mmboe (2022: 410 mmboe). This reflects the impact of production (c.68 mmboe) partially offset by over 20 mmboe of additions across our UK operated J-Area, AELE and GBA hubs following the approval of several new wells.

Attractive international growth projects with potential for material reserves replacement

During 2023 we continued to invest in our international growth opportunities in Mexico and Indonesia. These have the potential to materially add to our reserves and production and diversify our company over time.

In Mexico, the unit development plan for Zama was approved by the regulator in June and the Zama unit partners have formed an integrated project team to manage the delivery of the development. Good progress was also made on the various commercial agreements. FEED is planned to begin in 2024. The Zama unit has the potential to add reserves equivalent to a year's worth of Harbour's current production. South west of Zama, in Block 30, we made a significant oil discovery with the Kan-1 well in April. The appraisal plan has been approved by the regulator with drilling scheduled for the second half of 2024. In parallel, early engineering studies are being undertaken on a potential Kan development.

In Indonesia, we made a significant gas discovery at Layaran-1 on the South Andaman licence (Harbour 20 per cent interest) in December following the Timpan-1 gas discovery on the Andaman II licence (Harbour 40 per cent operated interest) in 2022. Post year end, the rig moved to drill the Halwa and Gayo prospects on Andaman II where operations are nearing completion. The Halwa-1 well encountered low gas saturations while a small gas discovery has been made at Gayo. Once the Gayo testing programme is complete, the rig will return to South Andaman to drill the shallower Tangkulo prospect to the south of Layaran aiming to prove up additional volumes. In addition, Mubadala, operator of South Andaman, intends to add a fifth well to the campaign to appraise the Layaran discovery.

Harbour's 2C resource increased to 519 mmboe as at 31 December 2023 (2022: 455 mmboe), driven by the addition of the Layaran gas discovery and the Kan oil discovery. As a result, 2023 saw significant growth in our international (non-UK) resource base which now accounts for over 60 per cent of our 2C resources, underpinning future potential reserve replacement and diversification of our company.

Strong financial position and disciplined capital allocation

During 2023, we generated significant free cash flow of c.$1 billion, enabling Harbour to reduce its net debt (excluding arrangement fees and related costs) to $0.2 billion, from c.$0.8 billion at the end of 2022. We also successfully amended and extended on favourable terms our RBL facility which was undrawn as at year end. This strong financial position allowed our Board to return $249 million through share buybacks during the year, in addition to our $200 million annual dividend.

The Board has declared a final dividend of $100 million in respect of the 2023 financial year to be paid in May 2024, equating to 13 cents per share, subject to shareholder approval. Given our share buyback programme, this represents full year on year dividend per share growth of 9 per cent.

Since becoming a public company in 2021, our sustained operational and financial delivery along with our disciplined approach to capital allocation has enabled us to reduce our net debt by $2.7 billion and return c.$1 billion to shareholders while retaining the flexibility to reach agreement on a transformational acquisition.

Responsibly reducing our impact

Investing in CCS to enable the energy transition

2023 saw good momentum on our two UK CCS projects – the Harbour-led Viking CCS project (Harbour 60 per cent interest) and Acorn (Harbour 30 per cent non-operated interest) with both awarded Track 2 status as part of the UK Government's regulatory process.

These projects have a critical role to play in the UK's transition to a lower carbon economy and provide a potential long-term stable income stream for Harbour.

The Harbour-led Viking project aims to transport and store 10 million tonnes of CO_2 emissions per annum by 2030 and up to 15 million tonnes per annum by 2035, making it one of the largest planned CCS projects in the world.

The project allows for scalable transportation and storage of CO_2 emissions from the Humber, the UK's most industrial emissions intensive region, and also for shipped CO_2 emissions from emitters both in the UK and in Europe.

Material progress on Viking during 2023 included: the Development Consent Order for the 55 km onshore CO_2 transportation pipeline being submitted and accepted for examination; the award of two CCS licences adjacent to Harbour's existing Viking licences, potentially increasing the project's independently verified 300 million tonnes of gross storage capacity by more than 50 per cent; and the project securing its first potential CO_2 shipping customer. In addition, bp joined the project as a partner in early 2023, with a 40 per cent interest. Post year end, in January, the FEED contract was awarded, marking another important milestone for Viking as it progresses towards a final investment decision.

A transformational acquisition aligned with our strategy

On 21 December 2023, Harbour announced the acquisition of substantially all of Wintershall Dea's upstream oil and gas assets for $11.2 billion. The acquisition will be funded through porting of existing investment grade bonds from Wintershall Dea, Harbour equity and cash.

The acquisition is expected to increase our production to c.500 kboepd[1] and adds significant positions in Norway, Germany, Argentina and Mexico.

The Acorn CCS project plans to transport CO_2 from emitters across Scotland to storage reservoirs offshore, targeting at least five million tonnes of CO_2 per year by 2030. There is also the potential for shipped CO_2 volumes via the Peterhead port. In September 2023, the project was awarded two further CCS licences, covering the East Mey and Acorn East areas. FEED on the Transportation and Storage System is expected to commence in 2024 ahead of a potential investment decision.

Importantly, the acquisition will lengthen our reserve life and is accretive across all key metrics on a per share basis, supporting enhanced and sustainable shareholder returns.

In addition, the acquisition advances our energy transition goals, significantly lowering our GHG emissions intensity and expanding our already strong CCS interests into new European markets. Further, the acquisition is expected to transform our capital structure and deliver investment grade credit ratings upon completion.

The acquisition is subject to Harbour shareholder approval and we plan to publish a prospectus and shareholder circular setting out the details of the shareholder meeting to approve the acquisition in the second quarter of 2024. Harbour has received irrevocable undertakings from shareholders which, as at 6 March 2024, represented c.35 per cent of our issued share capital to vote in favour of the acquisition.

The acquisition is also subject to, amongst other things, regulatory, anti-trust and foreign direct investment approvals. Substantially all necessary filings required for such approvals have been submitted in the relevant jurisdictions, including in the UK and Germany, and are progressing as expected.

Regarding the financing of the transaction, in February 2024, Harbour and Wintershall Dea's finance subsidiaries successfully completed a bondholder vote to amend certain terms and conditions of Wintershall Dea's c.$4.9 billion investment grade bonds and subordinated notes to reflect the anticipated group structure. Over 80 per cent of bondholders participated in the vote and the amendments were approved with significant bondholder support across all five bond tranches. The consent is subject to final technical implementation.

In March 2024, Harbour successfully completed the syndication of the $3 billion revolving credit facility (RCF) and $1.5 billion bridge facility with strong support from both existing relationship banks and new banks resulting in oversubscription for both facilities. This reflects strong lender support for Harbour's strategy going forward and is testament to the high quality credit profile of the pro forma company.

Harbour continues to expect the acquisition to complete in the fourth quarter of 2024.

1 Based on 2023 production numbers.

Outlook

On a standalone basis and before any contribution from the acquisition and assuming a Brent oil price of $85/bbl and a reduced UK gas price of 70 pence/therm, we expect to be marginally free cash flow positive for 2024. This is after a higher capital investment programme to support future production and c.$1.0 billion of cash tax payments, reflecting the full utilisation of our available UK corporate tax losses in the first half of 2024 and phasing of the UK EPL payments.

Looking to 2025, we anticipate production remaining broadly stable, with increased volumes from new wells and projects substantially offsetting natural decline, and our total capital expenditure to be materially lower. As a result, we expect to generate significantly higher free cash flow in 2025 compared to 2024 and to build a net cash position by year end.

As we look to the future, we have a strong balance sheet, our asset base is generating robust cash flow and we have good momentum on our organic growth opportunities and UK CCS projects. At the same time, we are on track to complete the acquisition of the Wintershall Dea asset portfolio in the fourth quarter of 2024 which will transform our scale and asset diversification as well as our capital structure.

Our ambition to grow through M&A remains unchanged and we are well positioned for future opportunities. However, we will maintain our disciplined approach to capital allocation, balancing any future growth opportunities alongside a commitment to an investment grade balance sheet and competitive shareholder returns.

Optimising the value of our existing asset base.

SCOTT BARR
EVP NORTH SEA

We continue to maximise the value of our UK North Sea assets. Active management of our cost structure and disciplined capital allocation in 2023 enabled material free cash flow generation. Projects to improve recovery efficiency and investments in short cycle, high return opportunities designed to support future production were also progressed.

NORTH SEA OPERATED

J-Area

34kboepd
2023 production

J-Area was Harbour's largest producer in 2023 averaging 34 kboepd (2022: 30 kboepd). This increase was driven by improved uptime and the contribution from new wells on-stream at the end of 2022 and early 2023. Drilling at the Talbot development, a multi-well subsea tie-back to the Judy platform, was completed in 2023 with first oil on track for around the end of 2024. Other 2024 activities include the Jocelyn South exploration well and, at Judy, two infill wells and a rig-based well intervention campaign. Planning for additional wells to further increase recovery from J-Area is also underway.

Greater Britannia Area

27kboepd
2023 production

Greater Britannia Area (GBA) was Harbour's second largest producer in 2023 at 27 kboepd (2022: 31 kboepd). Natural decline was moderated by continued outperformance at satellite fields Callanish and Brodgar, coupled with a high level of operational efficiency. The successful appraisal of the Leverett discovery saw good flow rates achieved on test with the potential to be tied back to the Britannia platform in the future. We will return to infill drilling at Callanish and Brodgar in 2024, with further exploration planned at Brodgar North and Gilderoy all within tie-back distance of existing infrastructure.

AELE

22kboepd
2023 production

Production from Armada, Everest, Lomond and Erskine (AELE) averaged 22 kboepd (2022: 27 kboepd). Production efficiency was lower in the second half due to extended shutdowns at Everest and Lomond. Well intervention activities executed late in 2023 are expected to help partially offset natural decline in 2024. Further, Harbour plans to drill the North West Seymour well in 2024 which, together with plant modifications, has the potential to extend Armada's producing life beyond 2030.

Catcher Area

16kboepd
2023 production

The Catcher Area averaged 16 kboepd net to Harbour (2022: 19 kboepd), reflecting natural decline partially offset by a full year of production from the Catcher North and Burgman Far East wells which came on-stream in 2022. Harbour, alongside its partners, is assessing additional drilling opportunities at the Catcher Area with a view to returning to drilling in 2025. A 4D seismic campaign is planned for 2024 to inform future reservoir management plans and identify and de-risk potential future infill opportunities. Post period end, Catcher completed its 200th cargo offload after producing c.100 mmboe, exceeding the mid-point reserves case set out in the original field development plan.

Tolmount Area

13kboepd
2023 production

The Tolmount Area averaged 13 kboepd net to Harbour (2022: 14 kboepd), reflecting better than anticipated underlying reservoir performance after having come off production plateau early in 2022. The Tolmount East development well, completed in late 2022, was tied into production in December 2023, increasing rates from the Tolmount Area. Other activity in the area included the Dana operated Earn exploration well which made a small gas discovery, the potential commerciality of which is now being evaluated.

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NORTH SEA NON-OPERATED

Elgin Franklin

19kboepd
2023 production

Production from Elgin Franklin averaged 19 kboepd in 2023 (2022: 24 kboepd). This reflected natural decline from the existing well stock and a return to more normal levels of uptime compared to the exceptionally high level achieved in 2022. Production was also impacted by the operator's decision to defer the EIH well, which was originally expected online towards the end of the year, in response to the introduction of the EPL.

Beryl Area

14kboepd
2023 production

Production from the Beryl Area averaged 14 kboepd during 2023 (2022: 11 kboepd). Higher production in 2023 was driven by improved operational uptime and strong performance from two new wells, Storr-3 and Buckland South West, online in the first half of the year. However, production on a full year basis was impacted by the operator's decision to defer the subsea and platform drilling campaigns in response to the introduction of the EPL in the UK. Discussions are ongoing with the operator and the regulator with regards to future drilling and other investment opportunities to maximise economic recovery from the area.

West of Shetland

14kboepd
2023 production

Harbour's West of Shetland assets which comprise our interests in Clair, Schiehallion and Solan produced 14 kboepd (2022: 14 kboepd) during 2023. Production was supported by four wells drilled across Clair Phase One and Clair Ridge, and a further three wells at Schiehallion. Drilling continues at Clair Ridge following the completion of the five-yearly rig recertification in Q3, with up to four wells planned in 2024. Further wells are also planned at Schiehallion this year.

Buzzard

11kboepd
2023 production

Buzzard production averaged 11 kboepd net to Harbour (2022: 15 kboepd). Lower production was driven by natural decline compounded by extended shutdowns within the year. In 2024, natural decline will be partially offset by the two new North Terrace manifold wells, expected online in the first quarter of the year.

Southeast Asia: operated

7kboepd
2023 production

Indonesia: Natuna Sea Block A
The Natuna Sea Block A fields averaged 7 kboepd in 2023 (2022: 9 kboepd) reflecting natural decline partially offset by two infill wells that were completed in Q4 2022. Production was lower in the second half of the year reflecting weak Singapore demand for our gas. This followed the Singapore Government's introduction of a temporary price cap on power prices which resulted in the preferential utilisation of LNG inventories over pipeline.

4kboepd
2023 production

Vietnam: Chim Sáo
Our Chim Sáo fields in Vietnam averaged 4 kboepd in 2023 (2022: 4 kboepd), with additions from new wells online offsetting natural decline. In August we announced the sale of our business in Vietnam to Big Energy Stock Company for $84 million. The divestment is expected to complete during 2024 and will result in a country exit from Vietnam for Harbour, as we continue to ensure that our capital and resources are deployed in line with our strategy.

Growing and diversifying through organic opportunities.

STEVE COX
EVP SOUTHEAST ASIA

In Indonesia, we have built on last year's success at Timpan-1 with a significant gas discovery at Layaran-1 in late 2023, the first of a four-well campaign across our Andaman Sea licences targeting a multi-TCF play.

GUSTAVO BAQUERO
EVP STRATEGY, BUSINESS DEVELOPMENT & ENERGY TRANSITION

We have organic growth opportunities in Mexico, with the potential development of the giant Zama oil field having the ability to replace over a year's worth of Harbour's current production, and the Kan-1 oil discovery to the south west of Zama.

We also achieved good momentum in our UK carbon capture and storage projects. These have a key role to play in the UK's transition to a lower carbon economy and provide a potential long-term, stable income stream for Harbour.

INDONESIA

Andaman Sea licences

130mmboe

Net 2C resource

In late 2023 we announced a significant gas discovery with the Layaran-1 well on our non-operated South Andaman licence (Harbour 20 per cent interest). Layaran-1 is the first of a multi-well exploration campaign over 2023/24 targeting a major gas play across our Andaman Sea licences. This follows the material gas discovery at Timpan-1 in 2022. The Layaran gas discovery added 48 mmboe to our 2C resources which, together with the Timpan discovery, takes our total booked 2C resources for the area to 130 mmboe. Post year end, drilling at the Halwa and Gayo prospects on Andaman II commenced with operations ongoing. Once completed the rig will return to South Andaman to drill the shallower Tangkulo prospect to the South of Layaran aiming to prove up additional volumes.

MEXICO NON-OPERATED

Zama

93mmboe

Net 2C resource

The Zama unit development plan was submitted in March 2023 and approved by the regulator in June. 2023 also saw good progress on several commercial workstreams, while the initiation of FEED and a refresh of cost and schedule estimates are planned for 2024. A final investment decision for the project would result in c.75 mmboe of 2C resources moving into 2P reserves, replacing over a year's worth of Harbour's current production. The completion of the acquisition of the Wintershall Dea asset portfolio will increase our interest in Zama from c.12 per cent to c.32 per cent.

CCS PROJECTS

Viking CCS

180mt

Net CO_2 storage capacity (2C resource)

Working with a wide range of emitters, the Harbour-led Viking project is aiming to transport and store 10 million tonnes of CO_2 emissions per annum by 2030 and up to 15 million tonnes by 2035, making it one of the largest planned CCS projects in the world. Viking made significant progress in 2023 with the project being included in Track 2 of the UK Government's regulatory process enabling the award of FEED. In addition, Viking secured its first potential CO_2 shipping customer in December 2023.

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Tuna

53mmboe
Net 2C resource

The plan of development for our operated Tuna project was approved by the Indonesian Government in December 2022. Planned 2023 progress was materially impacted by EU/UK sanctions which prevented us, as operator, from undertaking certain further work on the project, including FEED, whilst our Russian joint venture partner is on the licence. We are working constructively with our partner and the Indonesian Government to find a path forward for the project.

Block 30

29mmboe
Net 2C resource

Harbour has a 30 per cent non-operated interest in Block 30 to the southwest of Zama. We completed two exploration wells in 2023, targeting the Kan and Ix prospects. The Kan-1 well made an oil discovery and resulted in the addition of 29 mmboe to our 2C resource at year end. A plan to appraise the Kan discovery in 2024 has been approved by the regulator. The second commitment well, Ix-1EXP, was unsuccessful and has been plugged and abandoned. As a result of the acquisition of the Wintershall Dea asset portfolio, Harbour will become operator of Block 30 with a 70 per cent interest.

NORWAY

Exploration acreage

17
Licences (including six that are operated)

During 2023, we drilled one exploration well targeting the JDE prospect on Equinor's operated PL 1058. The well was unsuccessful and was plugged and abandoned. Post year end, in January 2024, we drilled the Harbour-operated Ametyst exploration well which encountered gas in the secondary target. The acquisition of the Wintershall Dea asset portfolio will transform Harbour's position in Norway, adding a large-scale, gas-weighted, producing portfolio with low operating costs and GHG emissions.

Acorn

30%
Partner

Harbour is a 30 per cent partner in the Acorn project which, along with the Harbour led Viking project, was awarded Track 2 status by the UK Government in July 2023. FEED on the Transportation and Storage System is expected to commence in 2024.

ESG REVIEW
READ MORE ON PAGE 32

We ended the year in a strong position supported by a cash generative asset base, a robust balance sheet, disciplined capital allocation and a prudent approach to risk management.

ALEXANDER KRANE
CHIEF FINANCIAL OFFICER

Strong financial position and disciplined capital allocation

$2.7bn
EBITDAX[1]

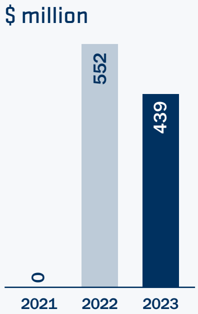
$1.0bn
Free cash flow[1]

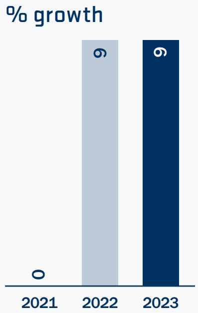
- Continued robust financial performance including focus on rigorous cost control
- Significant free cash flow generation, enabling a reduction in net debt in the period
- Since becoming a listed company in 2021, Harbour has reduced net debt by $2.7 billion and returned $1.0 billion to shareholders

Shareholder distributions

$439m
Shareholder returns paid[1]

9%
Dividend per share growth year on year





1 Non-IFRS measure – see Glossary for the definition.

Summary of financial results

	Units	2023	2022
Production and post-hedging realised prices			
Production	kboepd	**186**	208
Crude oil	$/boe	**78**	78
UK natural gas	p/therm	**54**	86
Indonesia natural gas	$/mscf	**13**	14
Income statement			
Revenue and other income	$ million	**3,751**	5,431
EBITDAX[1]	$ million	**2,675**	4,011
Profit before taxation	$ million	**597**	2,462
Profit after taxation	$ million	**32**	8
Basic earnings per share	cents/share	**4**	1
Other financial key figures			
Total capital expenditure[1]	$ million	**969**	908
Operating cash flow	$ million	**2,144**	3,130
Free cash flow[1]	$ million	**1,042**	2,105
Shareholder returns paid[1]	$ million	**439**	552
Net debt[1]	$ million	**(213)**	(704)
Leverage ratio[1]	times	**0.1**	0.2

1 See Glossary for the definition of non-IFRS measures. Reconciliations between IFRS and non-IFRS measures are provided within this review.

Income statement

	2023 $ million	2022 $ million
Revenue and other income	**3,751**	5,431
Cost of operations	**(2,357)**	(2,845)
EBITDAX[1]	**2,675**	4,011
Operating profit	**913**	2,541
Profit before tax	**597**	2,462
Taxation	**(565)**	(2,454)
Profit after tax	**32**	8

	Cents/share	Cents/share
Basic earnings per share	**4**	1

1 Non-IFRS measure – see Glossary for the definition.

Revenue and other income

Total revenue and other income decreased to $3,751 million (2022: $5,431 million). This was driven by lower commodity prices, especially UK natural gas prices, and reduced production.

	2023 $ million	2022 $ million
Revenue and other income	**3,751**	5,431
Crude oil	**2,086**	2,792
Gas	**1,415**	2,322
Condensate	**179**	238
Tariff income and other revenue	**35**	38
Other income	**36**	41

Revenue earned from hydrocarbon production activities decreased to $3,680 million (2022: $5,352 million) after realised hedging losses of $911 million (2022: $3,185 million). This decrease was mainly driven by lower post-hedging realised UK natural gas prices and reduced production volumes.

Crude oil sales decreased to $2,086 million (2022: $2,792 million) after realised hedging losses of $93 million (2022: $753 million). This was driven by lower production volumes, with our realised post-hedging oil price stable at $78/bbl (2022: $78/bbl).

Gas revenue was $1,415 million (2022: $2,322 million), split between UK natural gas revenue of $1,284 million (2022: $2,142 million) including realised hedging losses of $818 million and international gas revenue of $131 million (2022: $180 million). The realised post-hedging price for our UK and Indonesia gas was 54 pence/therm (2022: 86 pence/therm) and $13/mscf (2022: $14/mscf), respectively.

Other income amounted to $36 million (2022: $41 million) which includes partner recovery on related lease obligations and a receipt related to the Viking CCS Development Agreement entered into with bp in March 2023.

Cost of operations

Cost of operations decreased to $2,357 million (2022: $2,845 million) driven primarily by a positive movement in hydrocarbon inventories and (over)/underlift balances.

	2023 $ million	2022 $ million
Operating costs		
Field operating costs	**1,171**	1,114
Non-cash depreciation on non-oil and gas assets	**(26)**	(26)
Tariff income	**(30)**	(30)
Total operating costs	**1,115**	1,058
Operating costs per barrel ($ per barrel)[1]	**16.4**	13.9
Movement in (over)/underlift balances and hydrocarbon inventories	**(225)**	181
Depreciation, depletion and amortisation (DD&A) before impairment charges		
Depreciation of oil and gas properties (cost of operations only)	**1,395**	1,508
Depreciation of non-oil and gas properties	**35**	37
Amortisation of intangible assets	**–**	1
Total DD&A	**1,430**	1,546
DD&A before impairment charges ($ per barrel)[1]	**21.1**	20.4

1 Non-IFRS measure – see Glossary for the definition.

Total operating costs were flat year on year at $1,115 million (2022: $1,058 million) driven by strong cost control in an inflationary environment. Operating costs were higher on a unit of production basis at $16.4/boe (2022: $13.9/boe) due to lower production volumes.

Depreciation, depletion and amortisation (DD&A) unit expense, which reflects the capitalised costs of producing assets divided by produced volumes, was $21.1/boe (2022: $20.4/boe).

EBITDAX[1]

EBITDAX[1] was $2,675 million (2022: $4,011 million), with the reduction mainly driven by lower revenue.

	2023 $ million	2022 $ million
Operating profit	**913**	2,541
Depreciation, depletion and amortisation	**1,430**	1,546
Impairment/(impairment reversal) of property, plant and equipment	**214**	(170)
Impairment of goodwill	**25**	–
Exploration and evaluation expenditure, and new ventures	**36**	42
Exploration costs written-off	**57**	64
Gain on disposal	**–**	(12)
EBITDAX[1]	**2,675**	4,011

1 Non-IFRS measure – see Glossary for the definition.

The Group has recognised a net pre-tax impairment charge on property, plant and equipment of $214 million (2022: $170 million net reversal). Approximately half of this is in respect of revisions to decommissioning estimates on mainly non-producing assets with no remaining net book value. The balance relates to the announced sale of our Chim Sáo asset in Vietnam and an impairment on two UK North Sea assets, one driven primarily by a significant reduction in the gas price outlook compared to the 2022 year-end view, and the other by a revised decommissioning cost profile. In addition there is a goodwill impairment of $25 million in respect of the Vietnam assets.

During the year, the Group expensed $93 million (2022: $106 million) for exploration and appraisal activities. This includes exploration write-off expense of $57 million (2022: $64 million) mainly in relation to the Ix-1EXP well in Mexico, the JDE well in Norway and costs associated with licence relinquishments and uncommercial well evaluations and a further $29 million (2022: $28 million) in relation to our UK CCS projects.

Net financing costs

Finance income amounted to $104 million (2022: $279 million), including derivative gains of $68 million (2022: $48 million loss) related to changes in the fair value of an embedded derivative within one of the Group's gas contracts. The reduction in finance income compared to 2022 is mainly due to unrealised foreign exchange gains of $202 million in 2022 which predominantly arose on the revaluation of open sterling denominated gas hedges as a result of the weakening of sterling against the US dollar in the period.

Finance expenses amounted to $420 million (2022: $358 million). This included interest expense incurred on debt facilities of $42 million (2022: $98 million), the reduction reflecting the impact of lower drawn down debt partially offset by higher interest rates. Other financing expenses include the unwinding of the discount on decommissioning provisions of $156 million (2022: $65 million) which increased due to higher cost estimates, bank and financing fees of $100 million (2022: $91 million) and $57 million of foreign exchange losses as a result of the strengthening of sterling in the year (2022: $202 million of foreign exchange gains).

Earnings and taxation

Profit after tax amounted to $32 million (2022: $8 million profit). This resulted in earnings per share of 4 cents (2022: 1 cent) after taking into account the weighted average number of ordinary shares in issue of 804 million (2022: 900 million) following the share buyback programme.

Harbour's tax expense decreased in 2023 to $565 million (2022: $2,454 million). The 2022 charge included a one-off non-cash charge of $1,469 million as a result of the revaluation of the deferred tax position on the balance sheet following the introduction of the EPL in the UK. The tax expense is split between a current tax expense of $677 million (2022: $706 million), which includes an EPL current tax charge of $525 million (2022: $326 million) and a deferred tax credit of $112 million (2022: $1,748 million expense including $1,469 million one-off non-cash deferred tax charge).

The effective tax rate is 95 per cent (2022: 100 per cent), materially higher than the standard UK tax rate for the period of 75 per cent. This is in part due to costs which are not fully deductible at the UK statutory rates. If these items had not arisen then we would have expected the effective tax rate for the period to be c.85 per cent.

Shareholder distributions

A final dividend with respect to 2022 of 12 cents per ordinary share was proposed on 9 March 2023 and approved by shareholders at the AGM on 10 May 2023. The dividend was paid on 24 May 2023 to all shareholders on the register as at 14 April 2023, totalling $99 million[1]. An interim dividend was announced on 24 August 2023 at 12 cents per share and was paid on 18 October 2023 at a value of $91 million[2].

In addition to these dividend payments, Harbour completed on 15 February 2023 the remaining $43 million of a $100 million share buyback approved by the Board in November 2022. The Board also approved a further $200 million share buyback scheme on 9 March 2023, which concluded on 28 September 2023. The purpose of these share buyback programmes was to reduce the company's share capital and all ordinary shares purchased as part of the programmes were cancelled. During 2023, we repurchased and cancelled 76.8 million of our own shares at a cost of $249 million[3] (2022: $361 million), equating to 9 per cent of our issued share capital at 1 January 2023.

The Board is proposing a final dividend with respect to 2023 of 13 cents per ordinary share to be paid in GBP at the spot rate prevailing on the record date. This dividend is subject to shareholder approval at the AGM, to be held on 9 May 2024. If approved, the dividend will be paid on 22 May 2024 to shareholders on the register as of 12 April 2024. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the company. The last date to elect for the DRIP in respect of this dividend is 26 April 2024.

Statement of financial position

	2023 $ million	2022 $ million
Assets		
Non-current assets, excluding deferred taxes	**8,074**	9,033
Deferred tax assets	**7**	1,406
Current assets	**1,482**	2,127
Assets held for sale	**334**	–
Total assets	**9,897**	12,566
Liabilities and equity		
Borrowings net of transaction fees	**509**	1,238
Decommissioning provisions	**4,021**	4,141
Deferred tax liabilities	**1,260**	397
Lease creditor	**673**	825
Derivative liabilities	**284**	3,450
Other liabilities	**1,368**	1,494
Liabilities directly associated with assets held for sale	**242**	–
Total liabilities	**8,357**	11,545
Equity	**1,540**	1,021
Total liabilities and equity	**9,897**	12,566
Net debt	**(213)**	(704)

Assets

The decrease in total assets of $2,669 million is mainly as a result of the move from a net deferred tax asset position of $1,009 million to a net deferred tax liability of $1,253 million primarily driven by the realisation of the hedging position, reduction in property, plant and equipment (PP&E) of $973 million, lower right-of-use assets, which have reduced by $148 million, partially offset by an increase to intangible assets of $292 million. Total assets included assets held for sale in respect of the Vietnam disposal of $334 million.

Liabilities

The reduction in total liabilities of $3,188 million is mainly driven by a reduction in derivative liabilities of $3,166 million following maturity of contracts and lower commodity prices in the year, a reduction in borrowings of $729 million mainly related to the repayment of the reserve based lending (RBL) facility and the move to a net deferred tax liability position mentioned above. The decommissioning provision decrease of $120 million was due to changes in cost estimates mainly driven by increased discount rates and spend in the year, partially offset by the unwinding of the discount. Total liabilities included liabilities directly associated with assets held for sale in respect of the Vietnam disposal of $242 million.

The net deferred tax position on the balance sheet is a liability of $1,253 million. This is primarily made up of a deferred tax liability in respect of the future profits which will flow from our PP&E of $2,901 million offset by a deferred tax asset in respect of future tax relief on decommissioning spend of $1,574 million. Whilst our future UK profits in the period to 31 March 2028 will be subject to 75 per cent taxation due to the EPL, UK decommissioning spend is not deductible for EPL and so relieved at 40 per cent.

1 Difference to the final dividend value declared of $100 million is due to FX adjustments on sterling denominated shares at the date of payment.
2 Difference to the interim dividend declared of $100 million is due to foreign exchange adjustments on sterling denominated shares and reduced share count in issue between the record date and the announcement driven by the repurchases of shares.
3 Total spend on share buybacks includes transaction fees and foreign exchange differences applied to the sterling denominated shares repurchased.

Equity and reserves

Total equity increased mainly due to the gains in comprehensive income related to favourable fair market value movements on cash flow hedges of $3,168 million (2022: $269 million), gains on currency translation of $103 million (2022: losses of $198 million), offset by movements in tax on cash flow hedges of $2,376 million (2022: gains of $1,006 million), share buybacks of $249 million (2022: $361 million) and dividend payments of $190 million (2022: $191 million) made in the year. Retained earnings increased by the profit after tax.

Net debt

As at 31 December 2023, net debt of $213 million (2022: $704 million) consisted of cash balances of $280 million (2022: $500 million), net of the $500 million bond (2022: $500 million) adjusted for unamortised fees of $7 million (2022: $9 million). Following net repayments of the RBL facility of $775 million and settlement in full of the exploration finance facility (EFF) of $11 million, the RBL facility is $nil (2022: $775 million less unamortised fees of $73 million) and the EFF is $nil (2022: $11 million). The remaining $61 million unamortised fees for the RBL have been reclassified to debtors.

The RBL facility was amended and extended in November 2023 which resulted in the debt availability of $1.3 billion. Available liquidity, being undrawn RBL facility plus cash balances of $0.3 billion, was $1.6 billion at the end of the year.

As at 31 December 2023, the leverage ratio[1] was 0.1x (2022: 0.2x) which has reduced primarily as a result of repayments of the RBL facility during the year resulting in nil drawdown at year end.

	2023 $ million	2022 $ million
Leverage ratio		
Net debt[1]	**213**	704
EBITDAX[1]	**2,675**	4,010
Leverage ratio[1]	**0.1x**	0.2x

1 Non-IFRS measure – see Glossary for the definition.

Derivative financial instruments

We carry out hedging activity to manage commodity price risk, to ensure we comply with the requirements of the RBL facility and to ensure there is sufficient funding for future investments. We have entered into a series of fixed-price sales agreements and a financial hedging programme for both oil and gas, consisting of swap and option instruments. Our future production volumes are hedged under the physical and financial arrangements in place at 31 December 2023. These are set out in the following table. Hedges realised to date are in respect of both crude oil and natural gas.

The current hedging programme is shown below:

Hedge position	2024	2025	2026
Oil			
Volume hedged (mmboe)	**7.32**	4.38	–
Average price hedged ($/bbl)	**84.37**	77.35	–
UK natural gas			
Volume hedged (mmboe)	**13.08**	7.38	1.55
Average priced hedged (pence/therm)	**67.19**	89.68	99.28

At 31 December 2023, our financial hedging programme on commodity derivative instruments showed a pre-tax negative mark-to-market fair value of $18 million (2022: $3,257 million), with no ineffectiveness charge to the income statement.

Statement of cash flows[1]

	2023 $ million	2022 $ million
Cash flow from operating activities after tax	**2,144**	3,130
Cash flow from investing activities – capital investment	**(718)**	(634)
Cash flow from investing activities – other	**25**	5
Operating cash flow after investing activities	**1451**	2,501
Cash flow from financing activities[2]	**(409)**	(396)
Free cash flow[3]	**1,042**	2,105
Cash and cash equivalents	**280**	500

1 Table excludes financing activities related to debt principal movements.
2 Interest and lease payments only, excludes shareholder distributions.
3 Non-IFRS measure – see Glossary for the definition.

Net cash from operating activities after tax amounted to $2,144 million (2022: $3,130 million) after accounting for positive working capital movements of $199 million, including movements in realised but unsettled hedges of $207 million (2022: $104 million). Capital investment was $718 million (2022: $634 million) which included property, plant and equipment additions of $496 million (2022: $477 million) and exploration and evaluation additions of $202 million (2022: $127 million).

Cash outflow from financing activities totalled $409 million (2022: $396 million) split between interest payments of $150 million (2022: $142 million) and lease payments of $259 million (2022: $254 million).

Shareholder distributions consist of dividends paid of $190 million (2022: $191 million) and $249 million (2022: $361 million) related to the repurchase of Harbour's own shares.

The Group made net tax payments of $438 million in the period (2022: $552 million) primarily in relation to the UK Energy Profits Levy.

Cash and cash equivalent balances were $280 million (2022: $500 million) at the end of the year.

Capital investment is defined as additions to property, plant and equipment, fixtures and fittings and intangible exploration and evaluation assets, excluding changes to decommissioning assets.

	2023 $ million	2022 $ million
Additions to oil and gas assets	**(482)**	(532)
Additions to fixtures and fittings, office equipment & IT software	**(29)**	(42)
Additions to exploration and evaluation assets	**(210)**	(111)
Total capital investment[1]	**(721)**	(685)
Movements in working capital	**(22)**	28
Capitalised interest	**7**	1
Capitalised lease payments	**18**	22
Cash capital investment per the cash flow statement	**(718)**	(634)

1 Non-IFRS measure – see Glossary for the definition.

During the year, the Group incurred total capital expenditure[1] of $969 million (2022: $908 million), split by capital investment of $721 million (2022: $685 million) and decommissioning spend of $248 million (2022: $223 million) respectively.

The capital investment in the UK mainly consisted of, for operated assets, development drilling in the J-Area, including at Talbot, the tie in of Tolmount East to Tolmount, the appraisal of the Leverett discovery which is close to the Britannia platform and long lead items for the Callanish and North Seymour infill wells at our GBA and AELE hubs respectively. For partner operated assets, capital investment consisted primarily of the tie in of two subsea wells at Beryl, and drilling at Buzzard, Clair and Schiehallion. In International, exploration wells were drilled at Layaran-1 in Indonesia, the JDE well in Norway and the Kan and Ix-1EXP wells in Mexico.

Principal risks

There are no significant changes to the headline principal risks from those disclosed in the 2023 half-year results. A full description of Harbour's principal risks can be found on pages 60 to 65.

Post balance sheet events

On 5 March 2024 Harbour signed a new $3.0 billion fully unsecured revolving credit facility (RCF) and $1.5 billion bridge facility which will be available at completion to fund the acquisition of the Wintershall Dea asset portfolio. The RCF has a $1.75 billion letter of credit sublimit, a five-year term from signing and will replace the existing RBL facility.

On 6 March 2024, the UK Government announced that the Energy Profits Levy (EPL) would be extended for a further 12 months to 31 March 2029 from the former end date of 31 March 2028. Harbour is currently assessing the potential impact of this announcement.

Going concern

The directors consider the going concern assessment period to be up to 30 June 2025. The Group monitors and manages its capital position and its liquidity risk regularly throughout the year to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced and sensitivities considered based on, but not limited to, the Group's latest life of field production and expenditure forecasts, management's best estimate of future commodity prices based on recent forward curves, adjusted for the Group's hedging programme and the Group's borrowing facilities.

The ongoing capital requirements are financed by the Group's $2.75 billion reserve based lending (RBL) facility that has a current borrowing base of $1.3 billion after the amendment and extension that was completed in November 2023, and $0.5 billion bond which matures in 2026. The amount drawn down under these facilities at 31 December 2023 was nil and $0.5 billion respectively, which together with cash of $0.3 billion, gave a total available liquidity of $1.6 billion. Further details can be found in note 21 on page 155. The RBL facility has a financial covenant relating to the ratio of consolidated total net debt to consolidated EBITDAX on a historic and forward-looking basis, which is tested semi-annually. The amount available under the facility is redetermined annually based on a valuation of the Group's borrowing base assets when applying certain forward-looking assumptions, as defined in the borrowing agreements.

The Group's latest approved business plan underpins the base case going concern assessment and is based upon management's best estimate of forward commodity price curves, production in line with approved asset plans, unavoidable committed fees in respect of the Wintershall Dea acquisition and the ongoing capital requirements of the Group that will be financed by free cash flow, the existing RBL and bond financing arrangements.

In December 2023 Harbour announced the Wintershall Dea acquisition transaction, which is anticipated to complete in Q4 2024 and will be accretive to Harbour's free cash flow. Once complete, Harbour is expected to receive investment grade credit ratings and to benefit from a significantly lower cost of financing, including the porting of existing euro denominated Wintershall Dea bonds with a nominal value of approximately $4.9 billion and a weighted average coupon of c.1.8 per cent. The Group would also have access to a new $3.0 billion revolving credit facility and $1.5 billion bridge facility. As part of the going concern assessment, a base case, sensitivities and reverse stress tests have been run on the enlarged group forecasts, which are supported by Harbour's acquisition due diligence work, and show that the probability of a liquidity deficit or covenant breach is remote.

The base case indicates that the Group is able to operate as a going concern with sufficient headroom and remain in compliance with its loan covenants throughout the assessment period.

In line with the principal risks that have been identified to impact the financial capability of the Group to operate as going concern, a single downside sensitivity scenario has been prepared reflecting a reduction in:

- Brent crude and UK natural gas prices of 20 per cent; and
- the Group's unhedged production of 10 per cent;

throughout the assessment period.

In this downside scenario when applied individually and in aggregate to the base case forecast, the Group is forecast to have sufficient liquidity headroom throughout the assessment period and to remain in compliance with its financial covenants.

Reverse stress tests have been prepared reflecting further reductions in commodity price and production parameters, prior to any mitigation strategies, to determine at what levels each would need to reach such that either the lending covenant is breached or liquidity headroom runs out. The results of these reverse stress tests demonstrated the likelihood that a sustained significant fall in commodity prices or a significant fall in production over the assessment period that would be required to cause a risk of funds shortfall or a covenant breach is significantly below the sensitivity test performed and hence remote.

Taking the above analysis into account and considering the findings of the work performed to support the statement on the long-term viability of the company and the Group, the Board was satisfied that, for the going concern assessment period, the Group is able to maintain adequate liquidity and comply with its lending covenants up to 30 June 2025 and has therefore adopted the going concern basis for preparing the financial statements.

Alexander Krane
Chief Financial Officer

1 Non-IFRS measure – see Glossary for the definition.

Our sustainability approach

Creating a positive impact is crucial to the long-term success of our company, as is supporting the responsible stewardship of our planet.

Safe

Prioritising safety

Committed to the safety and wellbeing of everyone who works with Harbour

- We promote a culture of safety and wellbeing across our operations
- We have comprehensive health and safety processes, and track and mitigate risks daily
- We are focused on continuous improvement and continue to work towards zero incidents

Responsible

Reducing our impact on the environment

Environmental sustainability underpins our strategy and operating model

- We are committed to net zero, and work actively to achieve our emissions reduction goals
- We are investing in carbon capture and storage, and aim to be a leader in this area in the UK
- We factor the environment – including biodiversity – into our plans, procedures and decision-making

Fair

Supporting a fairer world

Respectful, transparent and supportive of our people and communities

- We uphold the highest ethical and governance standards to maintain the trust of our stakeholders
- We promote diversity, equity and inclusion in our business and communities
- We help our people and communities prosper

Our approach is aligned with the UN Sustainable Development Goals (SDGs), with our primary SDGs shown here:

3 Good health and well-being · 8 Decent work and economic growth · 7 Affordable and clean energy · 13 Climate action · 5 Gender equality · 10 Reduced inequalities

OUR ESG REPORTING FRAMEWORK

SAFETY PAGE 34

- Process safety
- Occupational health and safety
- Emergency preparedness and crisis management

SOCIAL PAGE 48

- Value generation and distribution
- Employment practices
- Diversity, equity and inclusion
- Employee engagement
- Learning and development
- Local communities
- Human rights

GOVERNANCE PAGE 53

- Business ethics
- Tax
- Security
- Decommissioning
- Public policy and government relations
- Responsible supply chain management

CLIMATE CHANGE PAGE 39

- Climate change and energy transition
- Energy use and GHG emissions

ENVIRONMENT PAGE 47

- Discharges to air
- Effluents, spills and waste

How we report

Harbour's strategy is underpinned by the responsible management of the impact we have on our people, other stakeholders including our investors and local communities, and the environment. Therefore we believe our performance should be viewed holistically, incorporating these important dimensions. Reflecting this, rather than producing a standalone ESG report, we have integrated our sustainability reporting into this year's Annual Report & Accounts. We believe this integrated reporting will provide a better understanding of how we manage the impacts of our business to create value for all of our stakeholders.

To ensure our sustainability disclosures are transparent and appropriate, we align our reporting with recognised international reporting frameworks and sustainability initiatives, including:

- Global Reporting Initiative (GRI) 2021 and the Oil and Gas supplement
- Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Sustainability Accounting Standards Board (SASB) Oil & Gas Exploration and Production industry standard
- CDP (formerly the Carbon Disclosure Project)
- UN Sustainable Development Goals (SDGs)
- UN Global Compact (UNGC)

All environmental data in this report, unless noted otherwise, relate to Harbour-operated assets.

Materiality assessment

The materiality assessment contributes to the development of Harbour's sustainability strategy and ESG reporting. It allows us to identify and evaluate the current and emerging opportunities and risks to our business and also the impacts that are most important to our external stakeholders. This informs our sustainability approach and the choice of appropriate metrics in our reporting.

Our 2023 materiality assessment confirmed that our stakeholders' priorities remain largely unchanged from the previous year, with the most material topics being process safety and asset integrity. Our material sustainability topics are included in the 'Our ESG reporting framework' graphic on page 32 and addressed throughout this section.

Further sustainability information is included in our public financial reports, as well as our ESG data and reporting appendix available on our website.

Materiality assessment process

With support from third-party ESG experts and other stakeholders, we carried out a detailed review using data and input from a broad range of sources, as follows:

1. **Review** of the current and future ESG landscape with a focus on sustainability regulation, climate change and net zero transition plans. This included peer benchmarking, reviewing industry trends, ESG rating agency criteria, as well as current and future ESG reporting frameworks
2. **Internal engagement** including with subject matter experts across operations, management, health, safety, environment, supply chain, investor relations, risk management, security and human resources
3. **External engagement** with our shareholders and also with regulators, key suppliers and contractors, plus industry associations
4. **Finalisation and mapping** of material topics in collaboration with senior leadership

Increasing material topics

Our stakeholders identified the following topics as those likely to increase in significance in the future:

- **Human rights:** reflecting growing investor and other stakeholder focus on the issue, as well as potential increased risk, as Harbour looks to expand its portfolio in higher risk jurisdictions, for example through the announced Wintershall Dea acquisition
- **Local communities:** reflecting our continued commitment to engaging with local communities, particularly in Indonesia (carbon offsetting projects and local fishing communities) and with key stakeholders involved in the developing CCS projects in the UK
- **Marine biodiversity and ecosystems:** recognising the importance of these topics and increasing efforts to protect the variety of life in our oceans
- **Security:** reflecting the ongoing challenging external dynamics over both energy security and physical security of our assets

FIND OUT MORE ONLINE
HARBOURENERGY.COM

Safety

PHILIP WHITTAKER
EVP GLOBAL SERVICES

Nothing is more important than the health and safety of our workforce – it's our top priority. In 2023 we increased our front-line field verification programmes to test and assure the implementation of Harbour's process safety fundamentals. And we're proud of a significant reduction in both the frequency and severity of health and safety incidents in 2023 with, for the first time in Harbour's history, no lost time injuries and no Tier 1 or 2 process safety events.

OTHER RELEVANT PAGES

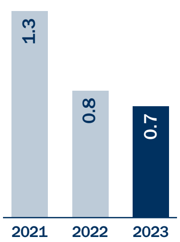
HSES COMMITTEE REPORT PAGE 80
CHIEF EXECUTIVE OFFICER'S STATEMENT PAGE 6

Ensuring our people are kept safe and well, particularly colleagues working in hazardous locations offshore, and achieving process safety excellence are our primary goals.

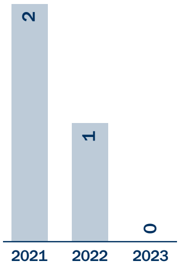
Zero
Lost time injuries
(2022: Four)

Zero
Occupational illness incidents
(2022: Zero)

Total Recordable Injury Rate (TRIR)
per million hours worked



Process safety incidents Tier 1 and Tier 2
number of incidents



Focus areas during 2023

- Embed process safety thinking into our day-to-day activities
- Reduce risks and ensure the safety of our personnel
- Maintain a trained and prepared emergency response capability
- Track leading and lagging process safety and asset integrity metrics to drive continuous improvement

Approach

Our purpose at Harbour is to help meet energy demand through safe, efficient and responsible operations. Given the potential hazards associated with offshore oil and gas operations, safety is one of the sustainability topics that is most material to our business and stakeholders. This is why the application of rigorous process safety, asset integrity and occupational health and safety practices is essential in all that we do. This focus helps us protect our employees and contractors; it also enables us to maintain operational continuity, regulatory compliance and our corporate reputation.

Our health, safety, environment and security (HSES) policy is implemented through our business management system (BMS) comprising a set of universal standards and procedures. Additionally, the HSES Management System Standard provides a consistent global framework across 14 elements that aim to minimise the likelihood and potential severity of process safety events and occupational health and safety incidents. Our HSES framework is aligned with external standards and management system models including ISO 14001, ISO 45001, the Energy Institute Process Safety Management Framework and the International Oil and Gas Producers (IOGP) Report Number 510.

The Board and HSES Committee (see pages 80 and 81) have oversight of HSES risk management and are supported by our CEO, other members of our Leadership Team, and our Business Unit and HSES leaders. Harbour's Leadership Team regularly reviews HSES performance via weekly updates plus monthly and quarterly meetings, the results of which inform our action planning, resource allocation and improvement efforts. Our corporate HSES team oversees the implementation of our HSES strategy and HSES policies, standards and procedures. We engage with our employees and contractors on HSES on a continual basis and explore our safety culture in our global engagement survey.

Safety metrics

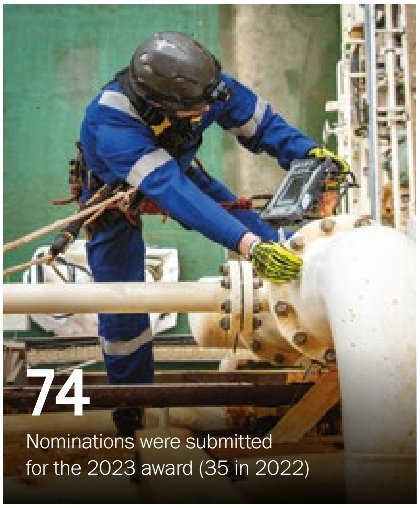
	2023	2022	2021
Recordable injuries^	**7**	9	15
Fatalities	**0**	0	0
Lost work day cases (LWDC)	**0**	4	8
Restricted work day cases (RWDC)	**3**	4	4
Medical treatment cases (MTC)	**4**	1	3
Recordable injury rate (TRIR)[1]^	**0.7**	0.8	1.3
High potential incidents (HiPo)[2]	**3**	13	8
High potential incident rate (HiPoR)[3]	**0.3**	1.1	0.7
Hours worked (million)^	**10.2**	12.0	11.8
Work-related occupational illness	**0**	0	1
Tier 1 process safety events^	**0**	0	0
Tier 2 process safety events^	**0**	1	2
Emergency response exercises	**42**	38	76
Incident management or emergency management team mobilisations	**2**	2	2

1 Total number of recordable work-related injuries divided by the number of hours worked (per million hours worked).
2 High potential incidents are work-related incidents with a high probability of causing a high-consequence injury.
3 Total number of high potential incidents divided by the number of hours worked (per million hours worked).
^ Indicates metrics that have undergone limited external assurance by our external auditor Ernst & Young LLP (EY).

CEO Safety Award

Open to individuals or teams, employees and contractors, the CEO Safety Award recognises outstanding contributions to health and safety across our global operations. Anyone can nominate individuals or teams for demonstrating good safety behaviours – from extended injury-free performance on an asset, to personal interventions to stop work or raise safety concerns, to the introduction of new ways of working or a change in facility design to reduce health and safety risks. Harbour donates on behalf of the winner and finalists to charities of their choice.

A total of 74 nominations were submitted for the 2023 award compared to 35 in 2022.



74

Nominations were submitted for the 2023 award (35 in 2022)

While all were worthy of recognition, the finalists were:

Category: Teams
- The winner was the Anomaly Integrity Barge Campaign Team in Indonesia, recognised for delivering excellent safety results through a shared commitment
- The runners up were two teams in the UK: the Tolmount East Team for safe project delivery under complex and harsh circumstances, and the Late Life Operations Team for reducing cumulative risk and addressing legacy enforcement notices from the regulator

Category: Individual
- The winner was Mr. Pak Jumihadi in Indonesia, recognised for making a safety intervention that may have prevented a major accident (ship collision)
- The runners up were Mr. Dang Ngoc Dam in Vietnam for sustained exemplary behaviour and being a true safety champion, and Mr. Iain Brown in the UK for his relentless focus and drive to reduce major accident hazard risk

Process safety

Approach

Process safety and asset integrity were confirmed as our most material ESG risk by our internal and external stakeholders, given the potential harms that could arise from a major incident to people, property and/or the environment. In addition, a serious incident could significantly impact production, impair financial performance, and damage the reputation of the company.

We strive to achieve process safety excellence and work continually to reduce the likelihood and potential severity of process safety events. This involves applying good practices in the design, commissioning, operation and maintenance of our equipment, and planning every stage of our operations with safety risks and the hierarchy of control in mind. We have documented processes to assess and manage risks which include implementing a preferred risk reduction hierarchy to ensure the most effective risk reduction controls are implemented (for example, removal of the hazard, engineered risk controls, reliance on processes and people to control the risk).

We base our process safety requirements on industry good practice including the Framework for Process Safety Management developed by the Energy Institute. Our process safety commitments and requirements are set out in our Corporate Major Accident Prevention Policy. We classify all process safety events in line with the IOGP's Tier 1 and Tier 2 definitions[1] and investigate and identify ways to prevent recurrence. To underline our commitment to process safety, we include the frequency of Tier 1 and Tier 2 events as a metric in our scorecard, which determines the level of bonus awarded annually. From 2024, we will also include some Tier 3 events in the scorecard, further emphasising our dedication to continuous safety improvement.

Knowledge-sharing is an important component in building a proactive process safety culture. We investigate incidents and near misses meticulously, and share and learn from the findings. For example, we systematically distribute Knowledge Share bulletins and host monthly global Safety and Learning Team meetings attended by onshore and offshore personnel representing all our operating assets. We give particular focus to ensuring we learn from high potential events.[2]

Performance

Throughout 2023, we continued to embed our Process Safety Fundamentals (PSFs) into procedures across our business. Our annual Global HSES Day focused on PSFs and on the foundational principle that 'HSES starts with me'. Additionally, we held an internal major hazards awareness training programme, delivered via both site-based and virtual reality modules.

We introduced updated safety case booklets and training to our Southeast Asia Business Unit, ensuring our standard approach to asset safety cases (derived from UK regulation) is extended throughout our global locations. We continued to conduct field verification as a key supervisory assurance process, focused on high-risk activities across our global operations. Each field verification is a discussion between an experienced verifier and the work team and includes the requirements of the Life-Saving Rules and PSFs. Field verifications are key daily assurance tasks for offshore leaders and it is expected that this process is examined by onshore senior leaders during offshore visits.

Asset integrity learnings from our North Sea Business Unit were shared with our Southeast Asia business through visits from experienced North Sea personnel. The visits focused on replicating processes and procedures to establish a common integrity management approach. Shared procedures included those for anomaly identification and prioritisation to assist our front-line inspection teams in categorising integrity anomalies on a consistent basis across all our global assets. We also supported the short-term secondment of the Indonesia Technical Authority to the North Sea business. We had no Tier 1 and Tier 2 loss of primary containment events in 2023.

Looking ahead

We will continue to emphasise process safety and major accident prevention in 2024 by:

- Introducing a revised global scorecard to also include some Tier 3 Process Safety Events (PSE); in addition to continued tracking of Tier 1 and Tier 2 PSEs
- Continued progression of our process safety culture, application of risk management systems and wider use of metrics globally
- Carrying out an HSES culture survey and actioning outcomes and updating safety case manuals in Indonesia
- Continuing the on-site major accident hazards awareness programme and the virtual reality modules for both onshore and offshore personnel
- Adopting and rolling out a process safety competence matrix globally, while embedding the PSFs into key procedures and emphasising contractor HSES management

Occupational health and safety

Approach

We continually work to ensure the health and safety of everyone working for us by setting clear leadership and performance expectations and rigorously implementing our policies, standards and procedures. We reinforce these through frequent training and competency assessments, raising awareness of occupational health and safety initiatives and sharing information.

Occupational safety targets are an integral part of Harbour's company-wide performance scorecard and affect the annual bonus payments for all employees, including the executive directors. Safety is also discussed at every one of the CEO's town halls, and features regularly on the agendas of Business Unit team meetings and other employee events. We recognise exceptional individual and team safety performance through our annual company-wide competition for the CEO Safety Award (see page 35). To promote the development and career progression of our HSES professional staff, an HSES technical career ladder has been rolled out.

Performance

In 2023, we continued our highly successful Back to Basics safety campaign covering behaviours, hazard recognition, work pack simplification, lifting, dropped object prevention, contractor engagement and recognising weak signals. In our Southeast Asia Business Unit we launched a health management review – evaluating ourselves against the IOGP health management indicators to understand our strengths and any critical gaps. We have addressed gaps identified, including the update of the health risk assessment, improving water quality on offshore platforms and performing the appropriate amount of fitness to work assessments. We held mental health awareness workshops in Indonesia during which medical professionals provided training and education on managing mental health.

In order to assess the effectiveness of our controls and risk mitigation measures we carried out 69 second line of defence audits[3] across our operational sites. These audits are driven by our audit schedule which is based on a rolling three-year, risk based HSES audit strategy covering the range of key barriers/controls for each Major Accident Hazard (MAH) over a three to five-year cycle. In addition over 6,000 first line of defence (self monitoring) audits and field verifications were undertaken.

1 Reported as per the IOGP's Process Safety – Recommended Practice on Key Performance Indicators, report 456, 2018. Release Tiers are based on the realisation of specific defined consequences or threshold release quantities, where Tier 1 is the highest tier with the greatest potential consequences.
2 High potential events – where failure of one or more protective measure could have resulted in a fatality outcome.
3 Internal, independent audits carried out to check risk management and compliance functions, ensuring first line of defence control measures are properly designed, in place and operating as intended.

This year we recorded 10.2 million hours worked, zero lost-time injuries, and seven recordable injuries, resulting in a TRIR of 0.7. This is an improvement on the 2022 TRIR of 0.8. However, we had a number of lower level injuries, underscoring the need to remain focused on ensuring the safety of all those working on our sites. Regardless of severity, all injuries are investigated based on potential reasonable worst-case outcomes with the aim of determining root causes, sharing learnings and preventing similar events.

Looking ahead

In 2024 we plan to:

- Develop a global health and welfare standard that will ensure consistent standards are in place for health and wellbeing, including mental health awareness and support, across the Harbour portfolio
- Continue to set common policies and strategies, oversee HSES functional resourcing and skills
- Align and update the standards and procedures in our BMS to formalise good practice and knowledge sharing
- Continue to deliver a risk-based, three-year rolling audit programme, taking a 'beyond-compliance' approach that adds value by seeking out improvements to our systems and processes, in addition to assuring compliance with rules and requirements
- Continue to address gaps identified in the health management review in our Southeast Asia Business Unit, including developing local capacity to address health issues in a culturally sensitive manner
- Expand our HSES programmes to improve safety practices and behaviours and promote greater safety awareness amongst our contractors

Emergency preparedness and crisis management

Approach

We operate a complex, global asset base that requires us to maintain emergency-preparedness processes and procedures, effective response equipment and competent personnel available to respond when needed.

Harbour operates an industry-standard, three-tier incident management system of operational (local), tactical (country) and strategic (global) responses. Each level has a dedicated team of responders available continuously to support the full range of emergency and crisis events that could impact the company. Teams are further supported by a comprehensive suite of Crisis Management, Emergency Response, Oil Spill, Security and Business Continuity Standards and Procedures, which meet regulatory requirements and industry good practice. Our Crisis Management Team (CMT) comprises members of our Leadership Team, and is ready to manage incidents and emerging risks to protect our people, assets and the environment.

Performance

In 2023, there were two events that resulted in the mobilisation of the onshore Emergency Management support teams. These included a partial mobilisation of the CMT to support an incident on a contractor mobile drilling unit and an IMT (Incident Management Team) mobilisation to support a UK asset short-term power outage.

Other actions in 2023 included:

- Completion of over 42 emergency response exercises across all Business Units and the CMT
- Development of a responder competency process for all global Incident Management Teams and Emergency Management Teams which was embedded in Harbour's competency management system
- Successfully developing the capability to issue mass notifications to the Harbour Leadership Group (c.50 of the most senior leaders in the company) using our Crisis and Emergency Response software application, which will improve our ability to communicate effectively during crisis events
- Further preparation within CMT against a range of major accident hazards and other business scenarios
- Responding to the increasing threat of cyber security with exercises across the business and the CMT to ensure we have an integrated response structure and processes in place
- Reviewing our counter pollution response arrangements in Indonesia and Vietnam leading to significant improvements in the delivery of our response. All Business Units conducted dedicated oil spill response exercises to verify arrangements and consolidate responder knowledge in processes and systems

Looking ahead

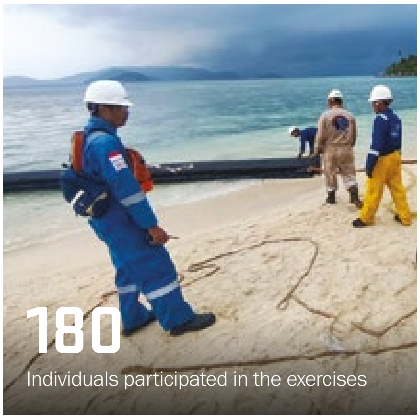
Looking ahead to 2024, we will:

- Continue to enhance, simplify and embed our global crisis and emergency response systems, supporting our core principles and standards with robust procedures, suitable facilities, appropriate equipment and competent personnel
- Review and update business continuity recovery arrangements and the associated Business Impact Assessments for all functions
- Expand our mass notification system to enable global communications with all personnel
- Extend the competency-based training system to include the CMT and all response roles across the Group

Indonesia oil spill exercises

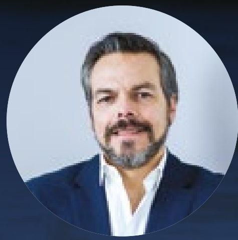
In Indonesia, we completed two oil spill simulated emergency response exercises designed to test the effectiveness of offshore and shoreline oil spill response capability. These drills, planned over nine months, were carried out on Matak island, the location of Harbour's remote marine and aviation base in the Natuna Sea.

Mandated and observed by SKKMigas, the Indonesian Government's task force for upstream oil and gas business activities, the exercises verified the effectiveness of the offshore booming system and also provided a valuable opportunity for refining our response systems. A total of 180 individuals from various organisations came together to participate in the exercises. The events provided the opportunity to enhance response systems and highlighted the importance of establishing a close working relationship with stakeholders.



180
Individuals participated in the exercises

Environment



GUSTAVO BAQUERO
EVP STRATEGY, BUSINESS DEVELOPMENT & ENERGY TRANSITION

Conducting environmentally responsible operations and playing a leading role in the energy transition are fundamental elements of our strategy. We are supporting the Paris Agreement climate goals through our Net Zero 2035 commitment and alignment to the Oil & Gas Methane Partnership 2.0. We are focused on reducing our gross operated emissions and investing in our flagship CCS projects in the UK to enable others to reduce their carbon footprint.

OTHER RELEVANT PAGES

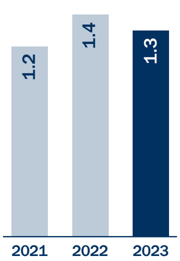
HSES COMMITTEE REPORT PAGE 80
OUR STRATEGY & BUSINESS MODEL PAGE 10

Committed to addressing the environmental impact of our operations and playing a role in the energy transition.

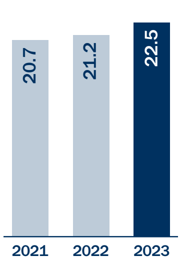
10
Million tCO_2e Viking planned annual storage by 2030

0.03
Methane emissions intensity TCH_4/T gas produced %

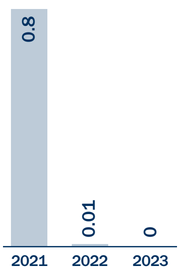
Scope 1 and 2 emissions
$mtCO_2e$



GHG intensity
$kgCO_2e$/boe



Hydrocarbon releases to sea
tonnes



Focus areas during 2023

- Investing in our operations to reduce emissions
- Energy efficiency and methane studies
- Viking and Acorn CCS projects
- Decommissioning life cycle waste management

Climate change and the energy transition

Harbour has committed to achieving net zero across our gross operated Scope 1 and 2 CO_2 equivalent (CO_2e) emissions by 2035, with an interim target of a 50 per cent reduction by 2030 against our 2018 baseline.

To achieve this, we will continue reducing our own emissions and mitigate the impact of any remaining emissions by acquiring independently verified carbon credits. We are also investing in CCS projects to enable the transportation and storage of captured CO_2 emissions safely underground.

Task Force on Climate-related Financial Disclosures (TCFD) requirements

As an oil and gas company, we support the need for more consistent and comparable disclosure around climate-related risks and opportunities. The following pages of this report align with the recommendations issued by the Financial Stability Board's TCFD, which is aligned to the FCA Listing Rule LR 9.8.6(8). Following the completion of climate scenario analysis in 2022, we have further analysed the impact of transition risks of climate change on our portfolio. We have also analysed the impact of physical risks of climate change by geography – reviewing the risks by assets and individual Business Units. For more information on our scenario analysis, see pages 41 to 43. For ease of reference, we have included a TCFD index on page 177.

Climate change management structure

1. Climate governance

The board of directors is accountable for our climate strategy and ensuring Harbour maintains effective climate risk management and internal control systems, including the setting and monitoring of the company's greenhouse gas (GHG) emissions reduction targets. It has oversight of climate-related risks and opportunities and ensures climate-related considerations are embedded in our decision-making. This includes the application of strict financial criteria, such as our internal carbon price, across all key investment decisions.

The HSES Committee of the Board evaluates our policies and systems, the quality and integrity of our reporting, and the suitability of our management system to manage current and emerging HSES risks, including climate-related risks. The Committee provides advice and recommendations on setting key performance indicators (KPIs) and targets, and on opportunities to collaborate with industry peers. The HSES Committee reviews progress against our net zero strategy and updates the Board at least annually. Further details on the remit of the HSES Committee can be found on pages 80 and 81.

Through the Remuneration Committee, the Board ensures climate performance, including progress towards our Net Zero 2035 goal, is embedded in the corporate scorecard's performance KPIs which determine the annual bonus for all employees.[1]

The Audit and Risk Committee further supports the Board through consideration of the impacts of the energy transition on Harbour, in particular on the scale and timing of such impacts and implications for the long-term resilience of the business and as well as the impact on the financial statements (for further information refer to note 2 in the financial statements on pages 124 to 127). Further detail on the work undertaken by the Audit and Risk Committee can be found on pages 76 to 79.

Our CEO has executive responsibility for Harbour's climate change and sustainability policies and how they are implemented across the company. Our EVP Global Services is responsible for our HSES policies, standards and procedures, and for driving forward delivery of our net zero strategy. CCS strategy and projects are the responsibility of our EVP Strategy, Business Development & Energy Transition.

1 The 2023 scorecard includes a 15 per cent weighting for GHG emissions.
2 The skills and experience of the directors serving on the HSES Committee are set out on pages 70 to 71.

2. Climate strategy

With respect to delivery of our net zero goal, the priority is on reducing our emissions through our emissions reduction action plans as well as safely and responsibly decommissioning assets as they reach the end of their commercial life. To offset our residual, hard-to-abate, gross operated Scope 1 and 2 emissions, we invest in independently verified carbon credits.

We also led an industry study to assess the potential for electrification of UK offshore producing assets in the Central North Sea. Completed in 2023, the results of that study demonstrated that region-wide electrification was not economically viable as a result of the large, upfront investment required and the timeframe for implementation when compared to the limited remaining producing life of Harbour's assets in the area. However, we continue to explore the potential for other electrification opportunities and, in March 2023, were awarded two 15 MW project lease options for Offshore Wind Innovation and Targeted Oil and Gas (INTOG) by the Crown Estate Scotland, which are located near our J-Area hub and Greater Britannia Area. We have since progressed the J-Area hub project by securing an exclusivity agreement.

We have also entered into a Net Zero Technology Centre 'Renewables for Subsea Power' (RSP) project which aims to utilise wave-generated electricity to power offshore subsea communications and equipment in the UK. This support for renewable energy projects to drive lower carbon emissions in oil and gas production remains an important part of our net zero pathway.

In addition, we are also increasing levels of funding to our CCS projects which have the potential to store multiples of our own Scope 1 and 2 emissions (see page 45).

In 2023, we spent[1] $311 million across our energy transition activities which we consider to include the cost of properly decommissioning oil and gas infrastructure as it reaches the end of its useful life; this compares to $292 million in 2022. This 2023 expenditure includes $255 million for decommissioning; the balance of $56 million was split between $39 million on our CCS projects, $11 million on emissions reduction projects and $6 million for the acquisition of carbon offsets.

Decarbonisation projects

We continued to use our Group Decarbonisation Hopper process in 2023 to identify and assess decarbonisation opportunities. The hopper is a system which captures opportunities for emissions reduction across our Business Units centrally and assesses each against criteria that include potential positive impact, implementation cost and timeframe. The successful opportunities are then taken to development and embedded within the Business Unit and asset emissions reduction action plans.

Our pathway to net zero

2023 achievements

- Conducted Energy Efficiency & Methane surveys on our Southeast Asia offshore assets
- Expanded our Scope 3 emissions disclosures to include use of sold products
- Implementing Zero Routine Flaring engineering study work
- Reduced operational emissions by 54 ktCO_2e through emissions reduction projects completed in 2023

2024 plans

- Roll out the corporate ESG Reporting Database and launch a energy and emissions performance data platform for our North Sea Business Unit
- Expand our Emissions Reduction Action Plans to include specific methane reduction activities
- Join the Oil & Gas Methane Partnership (OGMP 2.0)
- Progress the Zero Routine Flaring engineering study work for all relevant assets

2018

Emissions baseline

Using 2018 as our baseline year in line with UK Government targets

2025

Methane emissions

Ensure methane intensity is less than 0.2 per cent across our operated sites by reducing flaring and venting activities through our emissions reduction plans

<0.2%

Methane emissions intensity

2030

Gross operated emissions Scope 1 & 2

Interim target in our net zero journey

50%

Gross operated emissions reduction vs 2018

Flaring

Harbour is a signatory to the World Bank's 'Zero Routine Flaring by 2030' initiative

Zero

Routine flaring by 2030

1 Spend on energy transition activities includes both capital expenditure and general and administration expenses. Refer to the notes to the financial statements for further detail on the allocation.
2 Consequence severity is defined by the scale of the risk/opportunity posed by a hazard/indicator on Harbour's business and assets.

Transition scenarios	
In 2023, we updated our transition risk analysis to include three scenarios from the International Energy Agency (IEA). The IEA scenarios are aligned to best practice and are widely used across the oil and gas industry to assess transition risks. The IEA scenarios are:	• **Net Zero Emissions (NZE) by 2050 scenario**: which is consistent with limiting the global temperature rise to 1.5°C and is commonly used by oil and gas companies • **The Stated Policies Scenario (STEPS)**: which reflects current policy commitments based on sector-by-sector and country-by-country assessments • **Announced Pledges (APS)**: which assumes that all climate commitments made by government and industries, including Nationally Determined Contributions, will be met in full and on time
Physical scenarios	
Two Shared Socioeconomic Pathways (SSP) scenarios, as defined by the Intergovernmental Panel on Climate Change, were selected to assess potential physical risks on our portfolio up to 2050. Only two physical risk scenarios have been selected due to the lack of variation in the impacts of the scenarios up to 2050. We have used the following scenarios:	• **SSP1-2.6 (also known as the Sustainable development scenario)**: with a temperature outcome of +1.7°C by 2050, and +1.8°C by 2100 • **SSP5-8.5 (also known as the Fossil fuel-driven development scenario)**: with a temperature outcome of +2.4°C by 2050, and +4.4°C by 2100

Harbour offsetting strategy

Continue to selectively acquire high quality carbon credits, certified to globally accepted standards such as VERRA.

Balancing investment between emissions removal projects, which ensure that atmospheric carbon is being captured and removed, and carbon avoidance projects which have societal benefits.

2035

Reaching net zero

Our goal is to achieve net zero for our gross operated Scope 1 & 2 emissions by 2035

Net zero

Gross operated Scope 1 & 2

Climate-related risks and opportunities

We continued to refine our analysis of potential climate-related risks and opportunities (CRROs) in 2023, as well as to review our risk management processes. This included reviewing the outputs of our 2022 scenario analysis and revising our sensitivity analysis in line with best practice. Scenario analysis has enabled Harbour to assess the impact of possible shifts in the macroeconomic outlook, technology developments, policy and legal implications, and the projected future demand for our products. We identified our top CRROs and considered the resilience of Harbour's assets over the longer term; in 2023, we looked at how to further assess and manage selected emerging CRROs within the individual Business Units. The CRROs process is guided by the company's Climate Change Policy and is aligned with our Risk Management Policy.

An overview of our scenario analysis process and outcomes, including top risks and opportunities, is presented on pages 42 and 43.

Assessing our climate-related impacts

The TCFD recommends that organisations use a scenario in which global warming is kept to well below a 2°C increase during this century, compared with pre-industrial levels, to test portfolio resilience. Such scenarios usually feature a reduction in demand for fossil fuels and a growth in clean technologies.

In line with TCFD's recommendations we assessed our climate-related risks and opportunities against the five scenarios shown above, including three transition scenarios and two physical risk scenarios.

Timeframe selection

Recognising that the manifestation of transitional risks and opportunities will happen over a shorter time horizon than for physical risks, the selected climate scenarios were assessed across three timeframes. The timeframes selected take into consideration the expected remaining operational life of our asset portfolio as well as our Net Zero 2035 goal.

These timeframes are: short term (2030), medium to long term (2040) and long term (2050). Physical risks were assessed over two timeframes, short term (2030) and long term (2050), due to the similarity of potential impacts in the medium (2040) and long term (2050).

Scenario analysis

To consider the climate resilience of Harbour's portfolio, we identified a shortlist of both physical and transitional CRROs, taking into account our principal risks, and the range of CRROs noted by the International Petroleum Industry Environmental Conservation Association (IPIECA), the World Bank, IEA and other common sources for our industry. We refined the shortlisted CRROs through a risk assessment process that used a consistent methodology to gauge the 'consequence severity'[2] of each risk/opportunity if it was to materialise, and the 'likelihood' of that risk/opportunity materialising under the scenarios and timeframes outlined above.

We considered transitional CRROs on a regional basis and, where relevant, on a global level to reflect wider socioeconomic drivers. Physical CRROs were assessed on a region-by-region basis reflecting the localised effects of long-term physical risks.

The 'consequence severity' and 'likelihood' ratings enabled us to gauge the most significant CRROs using a consistent methodology. The three following tables highlight our highest-rated 1) transitional risks, 2) transitional opportunities, and 3) physical risks, and a description of how these are managed.

For further details on our oil and gas price sensitivity analysis conducted in 2023 please refer to note 2 to the financial statements on pages 124 to 127.

Transition risks

In 2023, we undertook an oil, gas and carbon price sensitivity analysis for all three transition scenarios to assess the resilience of the business to the prospective impact of these transition scenarios. These scenarios have then been compared to the company's long-range plan, which is approved by the Harbour Board.

The scenarios consider the unmitigated effect of the key transition risks below. While the analysis is inherently uncertain, due to the lack of material impairment noted in the price sensitivity analysis our portfolio appears to be generally robust to all scenarios analysed. For further information on the potential financial impacts of these transition risks, refer to note 2 to the financial statements on pages 124 to 127.

S Short-term (2030) M Medium to long-term (2040) L Long-term (2050)

RISK CATEGORY	POLICY & LEGAL		MARKET	FINANCIAL
Risk	**Carbon pricing mechanisms applied to direct operations**	**Policy incentives and emerging regulation curtailing future fossil fuel demand**	**Reduced customer demand for fossil fuels**	**Limitations on our access to capital or increase in our cost of capital**
Timeframe	S M L	S M L	S M L	S M L
Description	Carbon pricing is expected to be an important instrument to deliver a decarbonised economy. Operational costs are expected to increase as the weight and scope of these mechanisms widen.	As governments globally implement the Paris Agreement targets, new or more stringent policies and regulations are being proposed and put in place that may curtail future fossil fuel demand from many end-use sectors (electricity generation, buildings, transportation).	The risk of a reduction in customer demand for fossil fuel products arising from new or more stringent demand-side regulations and changes in consumer preferences.	Increasing stakeholder concern could impede Harbour's access to capital or add conditions to financing.
Impact on business, strategy and planning	Potential for material impact on balance sheet, however sensitivity analysis using a carbon price of $100/tonne indicates that material impairments would not arise. The company may face more demanding regulatory requirements or lose some sources of funding if it is unable to meet such evolving regulatory, investor, lender and societal expectations.		Material and sustained decrease in the price of our products, in particular oil, as a result of the decrease in demand. This would impact cash flows, the remaining producing life of our assets, and our ability to deliver competitive shareholder returns. Due to the relatively short remaining producing life of our assets, our business appears generally robust to the various scenarios given that a material decline in oil and gas prices is not anticipated in the short to mid term.	The company may face increased cost of capital, and reduced or more conditional access to capital, if it is unable to meet evolving investor, societal and regulatory expectations. As a result, the company may not have sufficient funds to reinvest in its existing assets or to fund growth through capital investments and M&A as outlined in the strategy.
How the risk is managed	• Credible emissions reduction plans in place to support the Net Zero 2035 goal, including an interim 2030 emissions reduction target, zero routine flaring commitment, alignment with the regulatory requirements, and emissions offset purchase plans, all reflected in our long range business plans • Working with JV partners to implement emissions reduction plans across portfolio • Emissions reduction targets feature in incentive compensation for all employees and are incorporated into our main debt facility • Energy transition scenarios and risks, including the cost of carbon, considered in key judgements and estimates within the financial statements, investment decisions, corporate planning and M&A analysis. See pages 124 to 127 for more information • Constructive engagement maintained with relevant government and regulatory stakeholders including in the UK regarding consultation on the government's draft plan to reduce UK GHG emissions from oil and gas production • New and emerging ESG reporting regulatory requirements closely monitored to ensure compliance, including independent verification • Carbon hedging conducted to actively manage the company's exposure to carbon pricing in the UK market and meet regulatory requirements		• Periodic review of corporate strategy and business model in the context of the energy transition, including the impact of a wide range of future oil and gas pricing scenarios • Contribution to industry representation on the role of oil and gas in the energy transition and in promoting energy security in the UK • Investment in gas, or gas-rich projects such as Andaman and Tolmount or M&A opportunities are prioritised over oil-only projects • Investing in CCS, in particular where reuse of idle oil and gas infrastructure can contribute to lower development costs	• Clear commitment made to the safe, reliable and responsible production of oil and gas • Credible emissions reduction plan in place to meet Net Zero 2035 goal, including interim 2030 emissions reduction target, zero routine flaring commitment, alignment with the regulatory requirements and emissions offset purchase plans • Emissions reduction targets feature in incentive compensation and are incorporated into the main debt facility • Continued monitoring of investor appetite, debt market volatility and bank lending capacity in light of the energy transition

Transitional opportunities

An important aspect of mitigating our climate change risks includes evaluating opportunities to apply technological innovation and efficiency to decrease energy use and GHG emissions across our operations, and working with partners to develop a range of low GHG emissions pathways. The table below outlines the focus areas of our key climate-related opportunities.

OPPORTUNITY CATEGORY	ACCESS TO NEW MARKETS		USE OF LOWER-EMISSION SOURCES OF ENERGY
Opportunity	CCS	Hydrogen	Electrification
Timeframe	S M L	M L	M L
Description	CCS is an essential technology for the UK Government and other jurisdictions to achieve their net zero goals.	Hydrogen is a highly versatile energy source and is expected to play an important role in the decarbonisation of hard-to-abate sectors.	Decarbonisation efforts at our offshore facilities through using lower-emission sources of energy including electrification.
Impact on business, strategy and planning	CCS is expected to rapidly grow under multiple scenarios. Coupled with increased carbon prices, deploying CCS at scale could develop into a significant opportunity to generate long-term revenue while safeguarding jobs.	An opportunity for Harbour may arise as the demand for low-emission hydrogen grows, produced either by water electrolysis or by fossil fuels in combination with CCS.	Increased use of lower-emissions sources coupled with increased carbon prices expected under multiple scenarios could result in an opportunity for carbon tax savings.
How the opportunity is managed	Harbour is investing in two early-stage CCS projects (Viking CCS and Acorn) that could make a significant contribution to the UK's CO_2 emissions reduction and storage targets. See page 45 for more information on 2023 progress.	Harbour's natural gas business combined with its CCS activities would place the company in a good position to enter the market for low-emissions hydrogen. A hydrogen module is present in the Acorn project in which Harbour is a partner.	Harbour continues to assess the opportunity for electrification in the UK Central North Sea. Preliminary results indicate a large-scale project is unlikely to be viable given the large upfront investment and the relatively short remaining producing life of the assets, but smaller-scale, facility-specific projects may be possible.

Physical risks

Through scenario analysis, we assessed a number of acute hazard (storms and high winds, extreme cold, river flooding, extreme rainfall flooding, coastal flooding, wildfires, landslides) and chronic hazard (extreme heat and water stress/drought) risks. The table below summarises the key physical risks identified for the company and how they are managed. The majority of the risks assessed were not material nor relevant to the company's operations and geographic footprint. Given our understanding of the physical risks we do not expect any one individual risk identified below to be material to the business in the short term (2030), taking into account the geographical diversity of our asset base with the current portfolio predominantly being in the UK North Sea. Due to our organic growth opportunities in Southeast Asia and Mexico, we will continue to assess our CRROs and update our physical-related risks as appropriate.

RISK CATEGORY	ACUTE		CHRONIC
Risk	Storms and high winds		Extreme heat
Geography (per cent of assets (2P reserves) potentially at risk)[1]	Southeast Asia **10% assets**	UK North Sea **90% assets**	Southeast Asia **10% assets**
Timeframe	S	L	L
Description	Storms and high winds and coastal/extreme rainfall flooding in relation to our UK North Sea assets, with additional hazards noted in Southeast Asia relating to the presence of intense cyclone and storm activity within this region.		Episodes of extreme heat are encountered in Southeast Asia today, and projections indicate an increase in the intensity/frequency of extreme heat events.
Impact on business, strategy and planning	• Risks to the health and safety of personnel • Damage to assets (with the most significant and impactful damage being associated with offshore platforms) • Disruption to operations and development activity		• While there would be an increase in operating expenses related to cooling, these are not expected to be material for our business
How the risk is managed	• All of our operated assets are designed to withstand heavy weather events and comply with the relevant and emerging regulatory requirements • Meteorological and oceanographic studies undertaken for offshore developments include modelling that incorporates assumptions from the latest climate science • Mitigations that address changing storm magnitude are incorporated into the design of our facilities, where appropriate • We maintain severe weather and business continuity plans • We maintain asset and company-level emergency response teams and conduct training and exercises against our plans • We assess how climate change may impact water availability and water stress in areas where we operate • We periodically review the long-term physical risk profile across core geographies		

1 For Harbour's scenario analysis of physical risks, 'assets' have been defined as 2P reserves for currently operated assets. Harbour believes this provides the most insight into the potential effects and exposure to climate change of our current asset base. The extent of assets and geographies vulnerable to risks has only been defined for physical risk categories; this is calculated by dividing the number of assets potentially affected by a given risk by the total number of Harbour assets. It is not possible to define transitional risks and opportunities by specific assets and geographies due to the interconnected nature of the energy transition.

3. Climate risk management

Climate change and the energy transition is recognised by the Board as a principal risk facing the company. As such, the transition risks and physical risks identified on pages 42 and 43 are considered and managed in line with Harbour's risk management framework and policy, which is aligned with the ISO 31000 risk management standard. We record substantive short, medium and long-term climate-related risks and mitigations, and these are reported to the CEO, Leadership Team and ultimately the Board.

The framework comprises:

- A risk management process through which we set our context for risk, including defining our appetite (or tolerance) for risk, and identify, assess, mitigate, monitor and communicate risk in the business (see 'Risk management process' diagram page 57)
- An internal control system to enable risks to be managed in line with our defined risk appetite
- An assurance model to check that the controls in place are appropriate and effective given our defined risk appetite

For more information on our risk management processes, see pages 56 to 59.

Climate change risk-related metrics

Metric	2023	2022
GHG INTENSITY	**22.5kgCO_2e/boe**	21.2kgCO_2e/boe
SCOPE 1 & 2 EMISSIONS	**1.3mtCO_2e**	1.4mtCO_2e
SCOPE 3 EMISSIONS[1]	**12.8mtCO_2e**	0.3mtCO_2e
% ANNUAL BONUS LINKED TO GHG TARGETS	**15%**	15%
VIKING CCS CARBON STORAGE PER YEAR BY 2030	**10mtCO_2e**	10mtCO_2e
INTERNAL CARBON PRICING SENSITIVITY	**$100/tonne**	$100/tonne
TOTAL CAPITAL SPEND ON DECOMMISSIONING OIL AND GAS INFRASTRUCTURE	**255m**	223m
PRODUCTION DOWNTIME RELATED TO ADVERSE WEATHER[2]	**0 days**	3 days
SPEND ON ENERGY TRANSITION ACTIVITIES (EXCL. DECOMMISSIONING)[3]	**$56m**	$69m
PERCENTAGE TOTAL CASH FLOW SPEND ON ENERGY TRANSITION ACTIVITIES[4]	**31%**	14%
PERCENTAGE OPERATIONAL SPEND ON CLIMATE-RELATED RISK MITIGATION[5]	**28%**	7%
VERIFIED NET STORAGE CAPACITY FROM HARBOUR'S UK CCS LICENCES[6]	**252mtCO_2e**	300mtCO_2e
NUMBER OF DAYS LOGISTICS WERE DISTURBED AT OPERATED SITES RELATED TO ADVERSE WEATHER[7]	**20 days**	N/A days
TOTAL UK ETS SPEND, SUPPORTING THE UK ENERGY TRANSITION	**$5.8m**	$4.2m

1 Scope 3 emissions expanded to include 'use of sold product' in 2023.
2 Global operated assets.
3 Includes carbon credits $6 million (2022: $20 million), emissions reduction projects $11 million (2022: $21 million) and CCS $39 million (2022: $28 million).
4 Total energy transition spend ($311 million) divided by pre-tax free cash flow ($1 billion).
5 Total energy transition spend ($311 million) divided by operating costs ($1.1 billion).
6 Verified storage through ERCE process for Harbour share of Viking and Acorn CCS projects.
7 New metric for 2023.

4. Climate metrics and targets

In 2023, we expanded our Scope 3 disclosures to include GHG emissions associated with the use of sold products. Harbour now reports six of the fifteen Scope 3 categories outlined by the Greenhouse Gas (GHG) protocol. While many of the remaining Scope 3 categories are not relevant to the company, we will continue to assess our Scope 3 GHG emissions reporting boundary.

Our Scope 1 and 2 emissions boundary, which focuses on the activities which Harbour has operational control over, has remained the same in 2023, with our baseline year set at 2018. We will continue to review this on an annual basis or whenever there is a significant change in the operational footprint of Harbour. When calculating our emissions, we follow guidance from the GHG protocol, the IPIECA Sustainability Reporting Guidance 4th Edition (2020) as revised (2023), the American Petroleum Institute guidance, and the UK Environmental and Emissions Monitoring System guidance. For more information on our energy and GHG emissions data, see pages 46 and 47.

The metrics, shown on the left, reflect the ongoing investments relating to the energy transition. The metrics include capital and operating expenditures related to reducing or offsetting emissions, mitigating potential risks, or for opportunities such as CCS. We also identify the amount spent to decommission oil and gas infrastructure that has reached the end of its useful life, an expense that is expected to increase sector-wide in line with any decrease in demand for oil and gas in the future.

Delivering against the company's emissions targets are part of employee remuneration through the annual bonus scheme; in 2023, GHG emissions performance accounted for 15 per cent of the scorecard on which the bonus is calculated. For more information on the company scorecard, see the Directors' remuneration report on pages 82 to 103.

Additionally, the cost of borrowing is tied to our gross-operated emissions performance, with static CO_2 metrics being linked to our reserve based lending interest expense, further incentivising our emissions reduction efforts.

Carbon capture and storage

Viking
Located in the UK's most industrial and CO_2 emissions intensive region, the flagship Harbour-operated Viking CCS project (Harbour interest 60 per cent) plans to store 10 million tonnes of CO_2 ($mtCO_2$) a year by 2030 and 15 $mtCO_2$ a year by 2035, meeting up to one third of the UK's CCS target. The gross storage capacity of 300 million tonnes of CO_2 across the depleted Viking gas fields was independently verified in 2023, we believe one of the first CCS projects in the northern hemisphere to go through this formal process.

To find out more, see 'Viking CCS, transforming the Humber into a net zero SuperPlace'.[1]

2023 achievements
Track 2 status was awarded in July as part of the UK Government's CCS cluster sequencing process, allowing the project to move into the front-end engineering and design (FEED) phase and triggering the start of discussions with the government over the terms of the economic licences.

In September, we were awarded two additional licences located adjacent and to the west of the existing Viking CCS licence. Early estimates indicate the additional licences have the potential to increase the total storage capacity of Viking by over 50 per cent.

In November, Harbour submitted for examination its application to build the Viking CCS onshore CO_2 transportation pipeline, following a comprehensive programme of consultation with stakeholders. The 55 km onshore pipeline will transport captured CO_2 from the Immingham industrial area to the former Theddlethorpe Gas Terminal site on the Lincolnshire coast. From Theddlethorpe, the CO_2 will be transported 140 km to the depleted Viking gas fields, 2.7 km beneath the seabed, for secure permanent storage.

In December, Harbour and non-operated partner bp, Associated British Ports and Cory Group, a leading UK recycling and waste management company, entered into an exclusive commercial relationship to collaborate on transport and storage of shipped CO_2 emissions from Cory's energy from waste facilities.

What is carbon capture and storage (CCS)?

Viking CCS Cluster
CO_2 emissions are captured from high-emission industries at Immingham and surrounding area Cluster members or imported by ship.

Viking CCS pipeline
The Viking CCS pipeline safely transports captured CO_2 for 55 km to join an existing subsea pipeline.

Carbon storage
Carbon dioxide is stored in depleted gas reservoirs under the North Sea, 2.7 km beneath the seabed and 140 km from the Lincolnshire coast.

Capture
Our Cluster members will capture over 90 per cent of the CO_2 emitted by their industrial processes, removing it at source by adsorption and separation, so it can be directly routed to a pipeline for transporting to secure storage.

Transport
We will transport the CO_2 through onshore and offshore pipelines designed to handle high volumes. The CO_2 will be transported safely from where it is captured to where it will be stored.

Store
The CO_2 will be stored safely beneath a world-class superseal of high-strength salt layers.

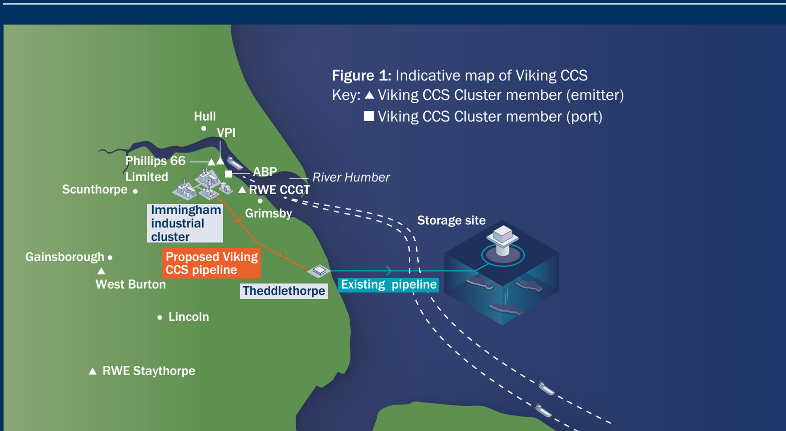


Figure 1: Indicative map of Viking CCS
Key: ▲ Viking CCS Cluster member (emitter)
■ Viking CCS Cluster member (port)

252$mtCO_2e$
Verified net total storage capacity from CCS projects

Looking ahead
The FEED contract is another important milestone for the project as it progresses its design, costs and schedule towards a final investment decision, subject to meeting internal investment guidelines and approvals by project partner and regulators.

Acorn
Harbour has a 30 per cent non-operated interest in the Acorn project, alongside Storegga, Shell and North Sea Midstream Partners. Acorn is developing projects to capture and store CO_2 emissions and establish hydrogen infrastructure in Scotland.

CO_2 emissions will be captured from a range of emitters including the St Fergus gas terminals, Peterhead power station and a National Grid owned feeder pipeline which will transport emissions from the Grangemouth and Mossmorran industrial areas. Acorn is expected to store at least 5 million tonnes of CO_2 per year by 2030, and is designed to service multiple emitters around Scotland, the UK and Europe.

The transport and storage system will use the Goldeneye pipeline to transport CO_2 for sequestration in depleted reservoirs initially. During 2023, alongside the Viking CCS project, the Acorn project was also awarded Track 2 status in July as part of the UK Government's CCS regulatory process.

Following its first storage licence award in 2018, Acorn was also granted licences from the UK North Sea Transition Authority in 2023. The licences were awarded for the Acorn East and East Mey CO_2 stores, expanding its transport and storage system's capacity deep beneath the North Sea.

1 vikingccs.co.uk/assets/images/Viking-CCS-Transforming-the-Humber-into-a-net-zero-SuperPlace-web.pdf.

Energy use and GHG emissions

Greenhouse gas emissions

Through 2023, our Scope 1 and 2 emissions boundary definitions have remained consistent and we continue to focus on activities over which Harbour has operational control. Our GHG boundaries are reviewed annually to align to industry best practice. We expanded our Scope 3 disclosures in 2023 to include GHG emissions associated with the use of sold products.

Scope 1 & 2 net zero commitment

DIRECT EMISSIONS

Scope 1 & 2 net zero commitment

Our Scope 1 (direct) emissions are those from static combustion activities (ie fuel, flare and other production-related emissions).

In 2023, Scope 1 emissions amounted to 1.3 $mtCO_2e$, a 7 per cent decrease from 2022. The decrease was largely driven by the decarbonisation projects implemented and lower production rates. Our Scope 2 (indirect) emissions (from consumption of purchased electricity, heat or steam) of 3.4 kt CO_2e account for only a small percentage of our carbon footprint.

Production operations accounted for 99.2 per cent of all Scope 1 and Scope 2 emissions, with drilling and decommissioning accounting for the remaining 0.8 per cent. Only 3.9 per cent of our emissions were a result of safety-related, routine and non-routine flaring (accounted for within our production and well testing activities).

For more information on our emissions and environmental data, including relevant Streamlined Energy and Carbon (SECR) requirements set out by the UK Government, please see the table on page 47 and our 2023 ESG data and reporting appendix on our website.

Scope 3

INDIRECT EMISSIONS

Scope 3

Our reported 2023 Scope 3 emissions from sources not owned or operated by the company but as a consequence of our activities were 12.8 $mtCO_2e$. These include:[1]

- Emissions associated with goods and services from drilling projects and appointed operator activities: 202 $ktCO_2e$
- Upstream transportation and distribution from logistics: 103 $ktCO_2e$
- Waste generated in operations: 1 $ktCO_2e$
- Harbour employee business travel: 2.5 $ktCO_2e$.
- The static emissions (as a portion of ownership) from our non-operated assets: 497 $ktCO_2e$
- Use of sold products: 11.9 $mtCO_2e$

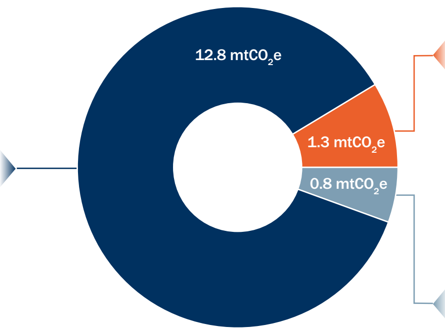
Following the expansion of Scope 3 reporting in 2023, we now report on all the significant Scope 3 categories in our GHG value chain.

To enhance transparency and understanding of emissions along our entire value chain we are now reporting the emissions as a consequence of the end use of our products

Our reported 2023 Scope 3 emissions of 12.8 $mtCO_2e$ are considerably higher than our reported level of 383.9 $ktCO_2e$ in 2022, due to the expansion of our Scope 3 emissions categories this year to include emissions associated with the end-use of the products we sell. Emissions from Scope 3 categories excluding those associated with the use of sold products were 806 $ktCO_2e$, an increase in emissions due to greater logistics emissions and emissions related to business travel.

Indirect emissions: Scope 3

SCOPE 3 DOWNSTREAM
Indirect emissions not within our operational control. They are significantly higher than all other scope emissions for Harbour. This includes emissions associated with use of Harbour's sold products.



SCOPE 1
Direct emissions that result from our operating activities:
- Fuel
- Flaring
- Other production related emissions

SCOPE 2
Indirect emissions that result from our operating activities from purchased:
- Electricity
- Heat
- Steam

SCOPE 3 UPSTREAM
Indirect emissions not owned or operated by the company, but associated with the operation of our assets:
- Transportation and distribution
- Waste generation
- Employee business travel
- Outsourced drilling activities
- Non-operated static emissions

1 All Scope 3 emissions reported are as a consequence of Harbour's operational activities apart from investment emissions that take into account static emissions, as a portion of ownership, from Harbour's non-operated assets.

Discharges to air

In 2023, flaring amounted to 47 k tonnes compared to 51 k tonnes in 2022, showing a reduction of 7 per cent through improved production efficiencies. This was made up of routine flaring (49 per cent) and non-routine flaring (comprising flaring during operational upset conditions, 11 per cent).

Emissions reduction

We continued to mature and deliver our emissions reduction action plans (ERAPs) and explore new technologies to drive performance improvements. These projects included:

- Implementation of single power generator operation on North Everest
- Eliminating flare purge gas on North Everest
- Removing the requirement to flow the wells to flare prior to start up on Britannia to minimise flaring
- Eliminating routine flaring on our Vietnamese Chim Sáo asset
- Collaborating with logistics partners in the North Sea to encourage use of sustainable aviation fuel blends for some of our transportation helicopters

Looking ahead

For 2024, we have identified a number of priorities to reduce our emissions and improve our reporting:

- Continuing to mature and seek efficiencies across the ERAP governance cycle, including the decarbonisation and emissions reduction opportunities hopper and screening tool
- Validating opportunities for improving GHG emissions scenario modelling and forecasting
- Completing the Greater Britannia Area (GBA) and J-Area zero routine flaring concept select studies and Armada, Everest, Lomond and Erskine (AELE) appraise phase studies, all in the UK, as we strengthen and define our zero routine flaring pathway
- Launching energy and emissions performance data platform to enhance reporting
- Responding to the planned publication of a regulator plan to reduce UK continental shelf GHG emissions
- Working with partners to optimise operations of a hybrid battery-powered vessel we have chartered to ensure maximum safe fuel efficiency

Effluents, spills and waste

Approach

We work hard to avoid pollution and continually assess the risks associated with our production and other activities. These risks mainly relate to planned and unplanned discharges, and the production of waste.

All our operated and non-operated assets extract oil and/or gas and formation water from offshore reservoirs. We separate the oil, gas and water using our on-site processing plant. We take a range of precautions to reduce the risk of spills, and continually evaluate spill risks across our operations. We design, operate and maintain our facilities to protect the environment and reduce our negative impacts to as low as reasonably practicable. Some waste streams are non-hazardous and others potentially harmful, so we use a wide range of technologies to treat and manage them effectively. In terms of decommissioning our operations, a very high proportion of materials are reused or recycled, often in other industries.

We also focus on strengthening our oil spill response capability through our comprehensive approach to emergency preparedness and crisis management (see page 37).

All our operations maintain comprehensive spill contingency plans. We also have ongoing contracts with spill-response specialists to provide emergency support in the unlikely event of a major incident.

We focus on reducing waste on a day-to-day basis and have robust management programmes in place for the residual wastes generated from our operations and activities.

Performance

For a summary of our planned and unplanned discharges please see the below table including our key metrics. We delivered significant improvement in most areas, including the number and volume of releases.

Waste generation

Our waste includes oil-derived substances, inorganic chemicals, steel, domestic and other materials, including packaging. Some waste is non-hazardous, and some is potentially harmful, so we use a wide range of technologies to treat and manage it effectively. In 2023, we collected a total of 11 k tonnes of waste materials from our drilling and production operations (2022: 25 k tonnes) and returned it to shore for treatment and disposal. This waste includes hazardous waste, mainly in the form of sludges and liquids; non-hazardous waste, mostly in the form of tank washings; and the remaining waste is recycled waste.

GHG and energy metrics (including relevant SECR[1] indicators)

	GHG and energy metrics	2023	2022	2021
Emissions	Scope 1 GHG emissions (k tonnes CO_2e)^	**1,289.9**	1,384.7	1,210.8
	UK (North Sea) SECR	**938.1**	997.7	1,199.7
	Scope 2 GHG emissions (k tonnes CO_2e)^	**3.4**	4.4	3.9
	Scope 3 GHG emissions (k tonnes CO_2e)^	**12,753.5**	383.9	0.4
	Scope 3 GHG emissions – excluding use of sold products (k tonnes CO_2e)^	**805.5**	383.9	0.4
	GHG intensity (kgCO_2e/boe)^	**22.5**	21.2	20.7
Flaring	Methane (tonnes)	**2,797**	3,308	2,361
	Flaring (tonnes)	**47,491**	51,047	49,668
	Venting (tonnes)	**1,965**	3,171	207
Energy	Energy consumption (million GJ)^	**18.1**	22.8	18.0
	UK (North Sea) SECR	**13.0**	22.4	15.9
	Fuel gas (million GJ)	**17.3**	20.9	16.0
	Energy intensity (GJ/tonne production)^	**1.9**	2.14	2.03

Effluents, spills and waste metrics

Metrics	2023	2022	2021
Discharge of produced water (million tonnes)^	**2.6**	2.5	2.1
Number of hydrocarbon spill incidents	**11**	12	28
Quantity of hydrocarbon released to the sea (tonnes)	**0**	0.01	0.8
Number of chemical spill incidents	**10**	27	19
Quantity of chemicals released to the sea (tonnes)	**6.2**	208.6	26.7
Oil in produced water (ppm-wt)	**11.2**	15.4	17.8
Oil in produced water (tonnes)	**29.7**	39.2	37.9
Total waste (tonnes)^	**11,137**	25,328	25,708
Hazardous waste material produced (tonnes)	**7,304**	14,564	10,255
Non-hazardous waste material produced (tonnes)	**3,832**	10,764	15,453
Recycled/reused waste (tonnes)	**3,139**	20,461	5,709
Environmental sanctions or fines ($)	**0**	0	0

1 Streamlined Energy and Carbon Reporting – The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 requires the disclosure of metrics related to energy and emissions for UK listed organisations.

^ Indicates metrics that have undergone limited external assurance by our external auditor Ernst & Young LLP (EY).

Social

GILL RIGGS
CHIEF HUMAN RESOURCES OFFICER

Centring our efforts on employee engagement, the approach not only cultivates a positive and inclusive culture but also places a high priority on the wellbeing and ongoing professional development of every member of Harbour Energy.

OTHER RELEVANT PAGES

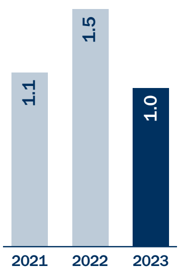
ENGAGING WITH OUR STAKEHOLDERS PAGE 12
OUR STRATEGY & BUSINESS MODEL PAGE 10

We recognise that by building supportive relationships and engaging openly with our colleagues, suppliers, customers and communities, we can create long-lasting benefits for all our stakeholders.

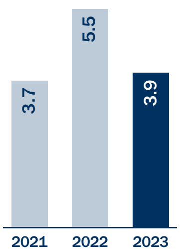
15
Town hall meetings held globally
(2022: 13)

1,180
Number of graduate applications
(2022: 880)

Charitable donations[1]
$ million



Economic value generated
$ billion



1 Charitable donations includes sponsorships as well as donations.

Focus areas during 2023

- Generating and distributing value across our stakeholders, local communities and supply chain
- Improving our employee engagement, in particular in relation to career development
- Promoting a diverse and inclusive working environment
- Protecting worker welfare across our supply chain

Value generation and distribution

Approach

Our ability to create long-term sustainable value for our shareholders rests on our ability to deliver tangible and lasting economic and other benefits to all stakeholders. This supports our social licence to operate and underpins the long-term success of our business.

Our stakeholders include:

- Host governments, which grant us oil and gas licences and regulate our activities
- Local communities, which grant us our social licence to operate
- Employees, whose skills and efforts underpin our ability to create value

Much of the value we create directly supports long-term socio-economic development in our host communities for:

- Suppliers and contractors, including locally based companies
- Our employees, including high quality employment, salaries and benefits, and career development
- The capital markets, including shareholder dividends, buybacks and interest on debt
- Local communities, including social investment and indirect economic impact
- Host governments, including corporate income taxes, royalties and other payments (see page 54 for details on our tax governance and pages 179 to 181 for UK Government payment reporting)

Performance

See pages 12 to 15 for information on stakeholder engagement.

Social metrics

Metrics[1]	2023	2022	2021
Global engagement survey staff participation (per cent)	**85**	84	N/A
Workforce	**2,082**	2,221	2,211
Number of employees[2]			
• At end of year^	**1,716**	1,824	1,771
• Turnover during the year (per cent)	**11**	7	7
Gender balance of employees^			
• Male (per cent)	**75**	74	75
• Female (per cent)	**25**	26	25
Gender balance at senior management level[3]			
• Male (per cent)	**78**	77	80
• Female (per cent)	**22**	23	20
Gender balance at Board level^			
• Male (per cent)	**60**	67	64
• Female (per cent)	**40**	33	36
Global town hall meetings	**15**	13	12
Hours spent on employee development training	**89,790**	75,689	43,589
Employees covered by a collective bargaining agreement (per cent)	**24**	26	27
Employees receiving performance reviews (per cent)	**100**	100	99
New employees recruited externally	**81**	228	66
Number of graduate applications	**1,180**	880	130
Reported human rights abuses/violations of our Human Rights Statement	**0**	0	0
Number of significant negative human rights or labour rights impacts identified in our supply chain	**0**	0	0
Charitable donations ($ million)[4]	**1.0**	1.5	1.1
Economic value generated ($ billion)	**3.9**	5.5	3.7
Economic value distributed ($ billion)	**2.6**	3.3	2.1

1 Metrics reflect year end data.
2 Definition of employee: direct contracted global staff.
3 Definition of senior management level: employee grade 31 and above.
4 Charitable donations include sponsorships and donations.
^ Indicates metrics that have undergone limited external assurance by our external auditor Ernst & Young LLP (EY).

Community investments

Approach

We provide social investment contributions and charitable support to organisations and other good causes in line with our strategy and core values, as set out in our Social Investment and Charitable Donations Standard.

In our local communities, we focus our support in the areas of education, affordable energy, health and safety, and the environment. We encourage our employees to contribute to their local communities including through volunteering. Wherever possible, our social investment contributions are consistent with our charitable giving aims.

Performance

See our website for details on our community investments for 2023.

Community development: Anambas Islands

Senior management in Indonesia travelled to the remote Anambas Islands to observe the impact that Harbour's social investment has had on the local community, particularly in their priority areas of education, access to healthcare and biodiversity.

The managers visited a new building funded by Harbour at a primary school to observe the educational initiatives implemented to upskill the next generation including additional courses, hiring qualified teachers, new tutors and online lessons. These initiatives aim to make students more competitive for entrance to higher education with a view to coming back to serve the community as medical professionals, as there is currently limited capacity due to the area's inaccessibility.

Senior management also engaged the local community on Harbour's support of cultivating local biodiversity including a visit to Pulau Pahat where nearly 200 turtle eggs were gathered and 50 hatchlings were released into the sea. Additionally, the managers visited the mangroves in Pantai Senggalang. Harbour has been supporting the development of these carbon sinks for several years; not only do they sequester CO_2 from the atmosphere but they also improve biodiversity and inland storm protection.

Human resources

Employee engagement

Approach
We need to attract and retain talented employees who are engaged by Harbour's purpose and strategy if we are to continue to be successful. It is crucial we listen to our colleagues, understand their views and that they in turn know their contribution is valued and appreciated.

We engage our colleagues in a variety of ways, including face-to-face meetings, virtual events and digital channels. The CEO, joined by other senior leaders, hosts monthly town halls globally which includes a live Q&A section from colleagues. Individual functions and Business Units run their own tailored events including Huddles, village halls and 'lunch and learns'. Members of our board of directors joined several events in both London and Aberdeen, giving them the opportunity to engage directly with employees.

Furthermore, we encourage our employees to engage on issues and topics that matter most to them through our 13 employee-led networks, comprising eight DE&I networks, four Business Unit level staff forums and one Global Staff Forum, each of which has a leadership sponsor and budget.

We survey the company on a wide variety of areas including communications, safety culture, collaboration and career development annually. The survey is a key tool for understanding what is working well and where we need to focus our efforts for the future.

Performance
Following the 2022 survey, we engaged with our employees globally via our staff forums to consider actions to address the lower-scoring areas. Global and Business Unit action plans were created and tailored to each Business Unit, and these are owned and developed by members of the Leadership Team. The action plans were rolled out with regular progress updates provided throughout the year.

During 2023, we implemented nine corporate initiatives to address the lower-scoring areas of the 2022 engagement survey including:

- Improved and simplified systems, processes and delegation authority
- Enhanced career opportunities through individual development plans; launching a talent management platform, management skills modules and a smart skills series
- Improved and expanded employee reward and recognition programme

In 2023, we conducted our second global engagement survey for employees and contractors, with a response rate of 85 per cent for employees and 57 per cent for contractors. We had high overall scores in the areas of our safety culture and improved scores in questions related to career development. Lower scores were found in particular in our Aberdeen and Vietnam locations, related to employees' view on the long-term strategy and future of the business, likely heavily impacted by the UK Business Unit staff reductions and our announced plans to exit Vietnam.

Global engagement survey

In October, Harbour conducted its second global engagement survey to gather feedback from our employees and contractors on their experience working at Harbour in 2023 and to gauge progress on the outcomes from the previous year's survey.

For the second year, safety was the highest-scoring area for both employees and contractors, where over 90 per cent surveyed indicated they were confident in challenging unsafe practices. Each of the six safety scores showed improvement from the 2022 survey. This continued high score for safety reflects a strong safety culture that was reinforced through 2023 with initiatives such as 'Back to Basics', our 'HSES starts with me' campaign as well as ongoing messaging around the importance of safety.

We will now create action plans on areas where engagement was lower, including a focus for our leaders in 2024 to deepen our employees' and contractors' understanding of our wider strategy, how this relates to our Business Units and the importance of our employees' contributions to our future. Although we made some progress in simplification of systems and processes, the survey results suggest there is more to do.

Our leaders of staff forums and the diversity council will select key actions to be addressed locally that will make a difference for our people. In addition, our Leadership Team will identify opportunities where company-wide initiatives may offer the potential for progress. We plan to run another survey in Q4 2024, allowing us to track progress and sentiment.

85%
Response rate to the global engagement survey

Looking ahead
In 2024 we will again work with our employee forums to create action plans to address areas of concern from the 2023 engagement survey which was completed in December. We will continue to share updates through our town halls, Business Unit leadership sessions, our intranet and through our staff forums.

Employment practices

Approach
We want to attract and retain a high calibre and diverse workforce at all stages of their careers so our recruitment and employment practices are designed to engage, develop, retain and reward our employees, including providing a diverse and inclusive working environment.

We have streamlined our recruitment process to meet best practice timelines for recruitment, from role approval to offer acceptance, for both permanent and contract recruitment. We have simplified our recruitment processes using tools from LinkedIn, and automated where appropriate.

Our focus on graduate recruitment helps build a pipeline of talent for the future. We increased our presence at university career fairs, leading to a higher volume of applicants for our graduate roles.

In 2023, we were proud that a Harbour Energy employee was awarded Offshore Energy UK's Apprentice of the Year Award. This recognises talented apprentices making their mark in the UK energy industry. We have an employee-led Early Careers Network (ECN) which is open to all employees who are in the early stages of their career, and this provides an opportunity for members to connect for personal and professional development. The ECN also creates networking opportunities across Harbour, including between network members and senior management.

We continued to increase the visibility of our employee value proposition in the external market. We aim to be an inclusive employer, with DE&I principles woven into the selection process, including gender-balanced shortlists, interview question templates and scoring metrics that ensure consistency during the process.

Our remuneration strategy allows us to pay competitively for performance, rewarding corporate and individual achievement linked to our core values. Our reward framework ensures that pay and benefits for all employees are appropriate for the markets in which we operate, and regular global benchmarking maintains our competitive edge. We take into account diversity and inclusion within our reward package to ensure fairness and transparency.

Performance
In 2023, we undertook a review and restructuring of our UK Business Unit, largely as a result of a reassessment of our future UK activity level following the introduction of the Energy Profits Levy in 2022. The restructuring resulted in some 400 fewer roles. Our key principles during the review were to keep colleagues informed throughout with formal and informal communications, including working closely with our staff forums, and to minimise involuntary job losses. We did this by closing vacancies, not replacing people who left and allowing colleagues to express an interest in redundancy. As a result, we were able to reduce the number of colleagues leaving the company involuntarily to 109. Throughout the process we offered affected employees career transition support, financial counselling and/or additional training, and an enhanced redundancy payment that exceeds statutory requirements.

In August, Harbour announced the sale of our Vietnamese assets, having concluded that the business was no longer a strong strategic fit for Harbour. We are working with the relevant stakeholders to ensure a smooth transition including clear communication to staff. This transaction is due to complete in 2024.

Looking ahead
We will continue to modernise our recruiting processes and focus on DE&I to ensure we are recruiting from the widest possible talent pool.

Successful initiatives in the UK are being shared with our overseas offices to ensure best practice and alignment. The framework for graduate recruitment will be rolled out to help attract and hire young professionals within these locations.

We will continue to benchmark our benefit incentive programmes to ensure we remain in the upper quartile for our total reward package. We also focus our benefits and employee wellbeing to help support our employees, along with their families.

Diversity, equity and inclusion (DE&I)

Approach
A diverse and inclusive working environment supports our ability to recruit, retain and promote staff based on competence and regardless of age, sex, disability, gender, marital status, maternity, race, religion and belief, and sexual orientation.

At Harbour, we work hard to create a culture where everyone can thrive and succeed. Our commitment to building a diverse, equitable and inclusive environment is underpinned by our values and behaviours, and by our Global Code of Conduct, People Policy, and Diversity Equity and Inclusion Policy. Our Global Head of DE&I leads the development and supports the execution of a comprehensive, long-term DE&I strategy.

We have integrated DE&I metrics into multiple management systems and approaches. An evidence-led approach supports our drive to embed processes and procedures that ensure fair recruitment, advancement and reward for all in Harbour. Questions related to diversity were included in our annual engagement survey. The survey was designed so that results can be analysed by age, gender, country, and by job level, providing insights into how our culture is experienced by different employee groups. Where disparities or issues are identified, action plans can be put into place. We have developed higher visibility and reporting of our diversity statistics across the business through the collection of DE&I-related metrics and have incorporated this information into newly created DE&I management dashboards.

To demonstrate our commitment to DE&I, by 2030 we are aiming for:

- 40 per cent of our Leadership Team from diverse backgrounds (gender and/or ethnicity)
- 30 per cent of women in senior management roles/across the workforce
- 40 per cent of our graduates being female

In support of these goals, we also aim to increase the percentage of our new recruits that are women.

Performance

In 2023, we made progress towards our global DE&I ambitions, achieving:

- An increase in the diversity of our Leadership Team to 33 per cent (22 per cent in 2022)
- Maintained 37 per cent female gender diversity in graduate roles

Our drive to increase inclusive recruitment over the year included training for the HR team and mandatory diverse candidate selection panels and shortlists. We sought diverse candidates by offering job sharing roles, hiring individuals with extended career breaks as part of our STEM Returners programme, and utilising a range of diversity job boards (including veterans, gender groups, ethnically diverse communities and non-league table universities). A DE&I representative also participated in the 2023 UK reorganisation selection panels.

As a result of the UK restructuring, there was a notable increase in the attrition rate of 11 per cent in 2023 compared to 7 per cent in 2022. Moreover, the turnover rate was higher for women (15 per cent) than men (10 per cent) as the job reductions were predominantly in onshore roles.

However, in spite of this, our median gender pay gap was reduced by almost 8 percentage points to 26.7 per cent from the previous year. For more information please see our 2023 Gender Pay Gap report on our website.

Furthermore, in 2023, we earned several DE&I accreditations, including being recognised as a Living Wage Employer by the UK Living Wage Foundation as well as a Level 1 accreditation as a disability confidence employer by the UK Government.

We collaborate with external organisations such as the Women's Engineering Society, STEM Learning UK, Institute of Neurodiversity and AFBE-UK. We are involved in steering committees, such as the Offshore Petroleum Industry Training Organisation and Offshore Energy UK's D&I Task Group. We have awarded scholarships to two female engineering students in Indonesia and in 2024 two engineering undergraduates in Aberdeen. These scholarships will include tuition, living expenses and work experience.

For more information on the composition of our Board, please see pages 70 and 71.

Offshore Energy UK Awards 2023: Equity, Diversity and Inclusion Award 2023 winner

The Offshore Energy UK (OEUK) Awards recognise and celebrate businesses and individuals from the UK's offshore energy industries across a variety of awards. In 2023, Harbour won the OEUK Equality, Diversity and Inclusion Award from a shortlist of four finalists.

Our winning of the award reflects our successful journey to become a leading employer for equality, diversity and inclusion. Leading from the top, our CEO and executive Leadership Team all have a DE&I objective as part of their performance management. We have set clear aspirations for gender and ethnic diversity amongst our company workforce in line with international best practice.

While the award recognises our achievements in DE&I, there is always more to do, and we will continue to develop our approach in the years ahead.

Looking ahead

In 2024, our drive to improve diversity, equity and inclusion will continue. Our priorities for the year include:

- An inclusive recruitment approach with an emphasis on gender balanced shortlists and diverse recruiting panels
- Continuing to mature, populate and establish regular tracking mechanisms for the DE&I dashboard
- Provide targeted support to address underrepresentation by gender and ethnicity at mid to senior management levels

Human rights

Approach

Harbour's activities have the potential to affect human rights and worker welfare directly through our operations, and indirectly through our supply chain and relationships with joint venture partners and third parties. We work hard to protect worker welfare across our supply chain including supplier declarations covering human rights expectations and verification. Our Code of Conduct, core values and related policies, including our Human Rights Statement, Supply Chain Policy, Sustainability Policy and People Policy, reflect our commitment to upholding human rights, protecting worker welfare standards and preventing modern slavery from taking place in either our business or our supply chain.

All our operated assets are located offshore. The profile of our human rights risks and impact is therefore different from that of onshore operators. However, we maintain enhanced due diligence processes and procedures to manage our human rights risk including training, a third-party platform for identifying inherent risk, conducting audits and engaging with contractors and suppliers on this topic.

Overall, we consider there to be a relatively low risk of modern slavery taking place in our business and supply chain. This is mainly due to the sector we operate in, and because most of our suppliers are staffed with both skilled workers and technical specialists and have advanced compliance systems.

Performance

In 2023, we continued to raise awareness of potential modern slavery and worker welfare risks that we could face in our business and the supply chain. We continued a programme of engagement with key contractors to encourage them to improve their engagement with sub-contractors and to seek to identify whether any of our business activities they support pose enhanced risks in our supply chain. For human rights-related metrics see our ESG Data and Reporting Index on our website.

For more information, see our 2023 Modern Slavery and Human Trafficking Statement on our website.

Governance

HOWARD LANDES
GENERAL COUNSEL

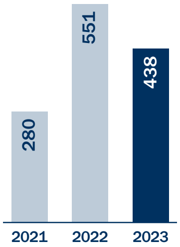
Our core values are fundamental pillars of our business. In 2023, we further embedded our strong ethics and compliance culture through company-wide training and the adoption of new risk management processes, demonstrating our unwavering commitment to upholding the highest standards of business conduct. We are clear on the standards and expectations we have of ourselves and of those we do business with.

OTHER RELEVANT PAGES

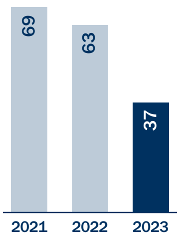
GOVERNANCE PAGE 66
RISK MANAGEMENT PAGE 56

Our Board is collectively responsible for the governance of Harbour Energy on behalf of shareholders, and is accountable to them for the long-term success of the company. This starts with the adherence to the highest standards of corporate governance. For details on our approach to corporate governance, please see pages 66 to 108.

Tax payments
$ million



% of new contracts made with local suppliers



Zero

Negative environmental, human rights or labour rights impacts in our supply chain (2022: Zero)

7

Number of investigations closed (2022: 9 investigations)

Focus areas during 2023

- Maintaining the trust of our stakeholders and the highest standards of business ethics
- Monitoring our Group-wide controls
- Decommissioning our assets the right way
- Nurturing contractor relationships to ensure ongoing business resilience

Business ethics

Approach

Harbour has zero tolerance for bribery, corruption or fraud and is committed to conducting its activities to the highest ethical standards and in compliance with all applicable laws and regulations. This is consistent with our Code of Conduct and core values and is critical in maintaining the trust of our stakeholders and underpins our current and future success.

Our Board and Leadership Team are responsible for monitoring and managing ethics and compliance activities across Harbour. In 2023, we appointed a Chief Ethics and Compliance Officer to demonstrate our commitment to embedding this topic into the business. To further ensure our compliance programme was underpinned by best practice, we undertook a benchmarking exercise and had our compliance programme independently reviewed by a leading business ethics consultancy.

Performance

In 2023, we identified zero substantiated allegations of wrongdoing as set out in the Code of Conduct and the Whistleblowing Procedure. All alleged breaches of process were investigated, and appropriate corrective action was taken in response to the findings where relevant. We did not terminate or fail to renew any external business relationships due to breaches of the Code of Conduct. In addition, we were not subject to any significant fines or non-monetary sanctions for legal or regulatory breaches. Finally, we were not subject to any legal actions relating to business ethics, corruption or anti-competitive behaviour.

Tax

Approach

Our Tax Policy applies to all taxes we are subject to and helps us to maintain cooperative relations with the tax administrations in the countries in which we operate. It covers, among other things: framework, planning, risk management, governance, relationship with authorities and external communications. Throughout the year, we review and monitor our Group-wide controls to prevent the facilitation of tax evasion in our wider supply chain.

We are committed to transparency with regard to all tax matters. We comply with best practices of tax governance through adherence to the requirements of the globally recognised guidelines such as the Reports on Payments to Governments Regulations, the Extractives Industries Transparency Initiative, the Country-by-Country Reporting framework developed by the Organisation for Economic Co-operation and Development (OECD) and the OECD's Base Erosion and Profit Shifting Pillar 2.0 initiative.

In addition, we participate in the UK Oil Industry Taxation Committee, the Association of British Independent Exploration Companies and Offshore Energy UK's Fiscal Forum. These groups regularly discuss with tax authorities the technical aspects of taxation relating to the oil and gas industry.

Performance

In 2023, we made tax payments totalling \$438 million, a decrease[1] of 21 per cent compared to 2022.

Security

Approach

Cyber-security risks and physical security risks at facility or asset level across the oil and gas industry are increasingly complex and a growing material risk. Our cyber-security services enable us to quickly identify and address emerging threats. In addition, procedures to assist us in recovering from a cyber event are embedded in our business continuity plans. Though our security assessments covering both our workforce and our assets indicate low risk for a direct security event, ongoing vigilance remains crucial for safe operations.

Performance

In 2023, we had zero significant cyber-attacks or data breaches and zero direct security incidents. Further detail on how cyber and information security risk is managed is explained on page 64 in Principal risks. The framework continues to mature through structured activities and projects including regular testing of our cyber defences.

Decommissioning

Approach

Decommissioning oil and gas infrastructure no longer in use is a key element of our business activities and plans and a natural part of the energy transition. We decommission our operated assets in a sequential, cost-effective and efficient manner. In doing so, we focus on ensuring the safety of our workforce, protecting the environment and minimising the impact on communities during and after closure.

Our UK decommissioning activities are aligned with the North Sea Transition Authority's Decommissioning Strategy and Stewardship Expectations and comply with the decommissioning guidance notes prepared by the UK Department for Energy Security and Net Zero. As part of this, Environmental Appraisals have been submitted in conjunction with the field Decommissioning Programmes to assess the potential environmental impacts that may result from undertaking the decommissioning activities at each field.

We undertake decommissioning activities outside the UK in full compliance with national statutory requirements or, in circumstances where these are not in place, we apply the same high standards we follow in the UK.

Performance

In 2023, we removed a significant amount of subsea infrastructure from several fields within the UK continental shelf and completed topside activities in preparation for the removal of further assets in the Southern North Sea. During the year, plug and abandon programmes have continued on Southern North Sea and East Irish Sea wells. We achieved over a 90 per cent recycle/reuse rate from the dismantlement of our structures.

2023 decommissioning journey

Throughout 2023, our decommissioning team continued to deliver strong safety and environmental performance.

In the Southern North Sea and East Irish Sea, we successfully plugged and abandoned a number of wells, while in the Central North Sea we continued an extensive subsea campaign in the MacCulloch, Huntington and B-Block areas.

Through our vessel decommissioning activities, we successfully completed the dismantlement of the Balmoral Floating Production Vessel structure.

The deconstruction resulted in a 95 per cent recycle and reuse rate of the 19,981 tonnes (gross) of vessel materials.

Furthermore, we completed the dismantlement of the Murdoch platform and jacket structures. The campaign comprised dismantling three separate structures and resulted in over a 99 per cent recycling and reuse rate for 10,495 tonnes (gross) of materials. Additionally, the living quarters of the Murdoch platform will be refurbished and reused as the office and welfare space for use in a recycling yard.

1 Lower tax payable in 2023 driven by changes in year-on-year business performance and timing of Energy Profits Levy payments.

Responsible supply chain management

Approach

A significant proportion of business activity is outsourced to contractors. Effective management of these outsourced activities and the contractors who manage them is a critical activity in safeguarding business continuity and operational excellence.

There is an increasing supply constraint as some of our contractors have refocused their services away from solely upstream hydrocarbon extraction towards energy transition activities or moving to other geographies. This has reduced supply, particularly in the UK continental shelf. Our non-North Sea businesses have a different demand profile and do not face the same challenges, given the level of growth in these regions, particularly in Mexico.

We have a two-year programme to rationalise the number of our suppliers given the acquisitions over the past five years – the plan being to reduce the number in order to streamline and enable robust contractor partnerships. We delivered on our target for 2023, having reduced the number of contracts by 35 per cent (2022 baseline). Not only will this increase efficiencies, but it also will make Harbour more resilient to future business needs while identifying risks and opportunities within supplier categories. Furthermore, this will shift from a transactional process to development of long-term strategic partnerships (five+ years or life of field contracts), improving security of supply for our more critical categories. This will help mitigate our cost exposure and help us to be seen as a 'client of choice'.

We subject new contractors to an initial risk-based HSES assessment via either pre-qualification, bidding or review and then again during contract commencement. The standard seven key performance indicators used to manage our contractors are HSES, cost, schedule, quality, greenhouse gas emissions management, value-add and relationships. Many of our contractors will also be subject to relevant contract audits, with a focus on quality and HSES issues, throughout the contract management period.

Our Contractor Due Diligence Process also screens all new contracting entities for human rights, labour rights, corruption, and financial and business ethics risks. This screening activity is a precursor to ongoing monitoring for all third parties. This initial screening is followed up by a risk-based questionnaire process that enables the contract teams to focus on materially high-risk contracts.

Performance

In 2023, we identified zero negative environmental, human rights or labour rights impacts in our supply chain.

During 2023, 37 per cent of our new supplier contracts were with locally-owned and operated entities. An additional 48 per cent of new contracts were signed with local entities owned by foreign parent companies while the remaining 15 per cent were with foreign companies.

Looking ahead

In 2024, we will finalise our Sustainable Procurement strategy.

We plan to implement a GHG questionnaire to gather Scope 3 data among our supplier base in 2024. The model we have developed to incorporate Scope 3 data will be used as the standard for incorporating other ESG reporting activity. For instance, we will develop a Diversity, Equity and Inclusion questionnaire as a part of our tendering process in line with the GHG questionnaire. We leverage a UK oil and gas industry pre-qualification supplier system and we are looking to pilot our GHG and DE&I questionnaires within this system in order to create a standard approach across the industry while reducing the reporting burden on suppliers.

We will use a third-party risk platform in 2024 to review our contracting entities and their performance across a range of ESG issues. Auditing of our key contractors will also continue, applying a risk-based approach.

Public policy and government relations

Approach

As a leading oil and gas company, we participate in working groups, taskforces and consultations on public policy and legislation in the countries in which we operate. We do so directly and through our membership of trade, industry and other professional associations. We carry out all such engagements in accordance with our applicable policies. These policies do not permit the use of our funds or resources as contributions to any political campaign, party or candidate, or any such affiliated organisations.

$916k

In total spending on fees paid for memberships in trade, industry and other professional associations globally (2022: $604k)

Performance

During 2023, we focused on and engaged with several key public policy development issues in the UK, including but not limited to the Energy Profits Levy, the government's Energy Security Strategy and the energy transition. We also engaged in climate-specific public policy developments including the introduction of a new climate compatibility checkpoint for the North Sea basin, the UK Government's Track 2 process to support CO_2 capture and storage, electrification and the North Sea Transition Deal.

In Harbour's Southeast Asian businesses, we routinely take part in industry working groups dedicated to waste management, oil spill response planning and emissions monitoring and abatement. This also extends to working with local regulators to consult and support on changes to environmental law. Furthermore, in Indonesia we received the 'green' classification, for a fourth year in a row, through the Program for Pollution Control, Evaluation and Rating. In Mexico, we work closely with Mexican national oil company, Petroleos Mexicanos (Pemex), to develop the Zama field including the undertaking of Environmental Impact Assessments and developing Social Impact Assessments. In 2023, Pemex, as operator, submitted the Field Development Plan for the Zama field to Mexico's National Commission of Hydrocarbons for regulatory approval.

We also signed a production sharing contract (PSC) amendment with the Indonesian upstream regulator SKKMigas, in collaboration with our joint venture partners (Kufpec, Petronas, Pertamina and PTTEP). The PSC amendment includes significantly improved fiscal terms and the drilling of additional infill and exploration wells in the area, giving the potential to extend economic field life until 2036.

> The Board is responsible for determining the nature and extent of the principal risks the company is willing to take to achieve its long-term strategic objectives.

ALAN FERGUSON
CHAIR OF THE AUDIT AND RISK COMMITTEE

Risk management framework

We believe the effective management of risk remains critical to us continuing to execute our strategy. It also underpins how we safeguard and protect our people, assets, the communities with whom we interact, the environment and our reputation. We further believe it supports our purpose and helps us stay true to our values.

The risk management framework at Harbour is designed to determine the nature and extent of the risks that the company is willing to take, or consciously accept, to achieve its strategic objectives. It is also designed to provide an appropriate level of assurance as to whether the company is managing these risks appropriately and whether it has an effective system of internal control.

The framework comprises:

- A risk management process through which we define our appetite (or tolerance) for risk, and identify, assess, mitigate, monitor and communicate risk in the business (see 'Risk management process' section).
- An internal control system to assist in the management of risk given our defined appetite (see 'Internal control' section).
- An assurance model to check whether the controls in place are appropriate and effective given our defined appetite (see 'Reasonable assurance' section).

The framework is designed to manage and communicate the risks we face. The framework can provide only reasonable, and not absolute, assurance that the risks facing the business are being appropriately managed.

Risk governance

The Board is responsible for determining the nature and extent of the principal risks the company is willing to take to achieve its long-term strategic objectives, and for monitoring the effectiveness of the risk management framework. To facilitate this, the Board has assigned the oversight of certain principal risks to the most relevant Board committees. For example, the HSES Committee monitors the management of health, safety, environmental and physical security risks and the Audit and Risk Committee monitors the management of cyber and information security risk. The Audit and Risk Committee is also responsible for monitoring the effectiveness of the risk management framework on behalf of the Board.

The Leadership Team sets the tone for Harbour's risk management culture and is responsible for ensuring that the most significant risks facing the business are identified and are managed in line with the risk appetite or tolerance agreed with the Board.

Individual members of the Leadership Team are responsible for overseeing the risks that fall within their business area, with the most significant management risks recorded in our Leadership Team risk register. Individual Business Unit and functional managers own and manage risk on a day-to-day basis, undertaking activities in compliance with company standards and procedures.

Internal Audit undertakes a risk-based audit programme on behalf of the Board to assure the effectiveness of risk mitigation activities, as described in the 'Reasonable assurance' section on page 58. The Group Risk Manager is responsible for embedding and maturing the risk management framework.

Risk management process

We face various risks that could result in events or circumstances that negatively impact the company's business model, future performance, liquidity and reputation. Not all of these risks are wholly within the company's control and the company may also be affected by risks which have not yet materialised or are not reasonably foreseeable.

For known risks facing the business, the company seeks to reduce the likelihood and mitigate the impact of the risk to within the level of appetite or tolerance set by the Board. According to the nature of the risk, Harbour can choose to accept or tolerate risk, treat risk with mitigating actions, transfer risk to third parties, or remove risk by ceasing certain activities. In particular, the company has a zero tolerance stance to fraud, bribery, corruption and the facilitation of tax evasion. We also aim to manage health, safety, environmental and security risks to a level as low as reasonably practicable.

This risk management process is illustrated in the panel below.

Principal and emerging risks

The Board carries out an assessment of the principal risks facing the company twice during the year. In deciding which risks are principal risks, the Board considers Harbour's stated strategy together with events or circumstances that might threaten the strategy and business model, its future performance, position and liquidity, and its reputation.

In doing so, the Board considers the most significant risks identified by the Leadership Team. A description of the principal risks, together with an overview of how each risk is being managed, is provided on pages 60 to 65. The Board also reviews the emerging risks facing the business and the procedures in place to identify them. The Board defines an emerging risk as a risk not currently included as (or fully reflected within) one of the identified principal risks, and where the scope, impact and likelihood are still uncertain, but which could have a material effect on the company if it was to occur in the short or medium term. The procedures to identify emerging risks include consideration of the most significant management risks and independent perspectives on the global risk environment.

The Board's review of emerging risks noted, for example, an increasing risk of non-malicious sharing of data through third-party tools and institutions (including AI) and it was agreed to reflect this aspect in the relevant principal risk description.

Risk management process

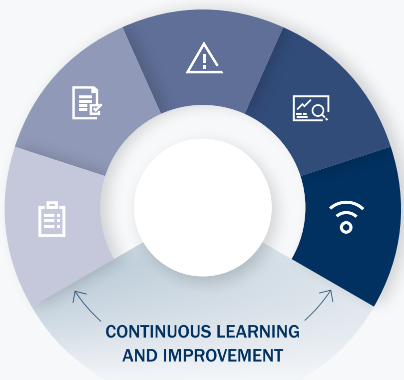
The company follows a structured process to identify, assess, mitigate, monitor and communicate the risks which may prevent it from achieving its strategic objectives.

Top-down
Oversight and monitoring by the Board and its committees

Risk mitigation
Depending on the nature of the risk, the company may choose to accept or tolerate risk, treat risk with mitigating actions, transfer risk to third parties, or remove risk by ceasing certain activities.

Risk assessment
Risks are identified and analysed across the company as part of ongoing business reviews. Risks are evaluated based on the likelihood of the risk materialising and the impact of the risk if it was to materialise.

Monitor and review
Risks and risk mitigation measures are monitored through regular business reviews, audits and other sources of assurance. These reviews are used to identify changes in the level of the identified risks, to identify emerging risks, and to assess the effectiveness of control measures in the context of the agreed appetite or tolerance for each risk.



Context
The strategic objectives, purpose and values of the company and the appetite or tolerance for risk set by the Board contribute to the overall context.

Communicate and consult
Risks and measures taken to mitigate them are communicated through regular business reviews, including review of the Leadership Team risk register and assurance map.

Bottom-up
Ongoing identification, assessment and mitigation of risk across the business

Throughout the year, the Board committees conducted a series of reviews with management to ensure alignment with the Board on their appetite to accept or tolerate the principal risks facing the business, including the metrics in place or under development to monitor exposure related to appetite.

Internal control

Harbour's internal controls are intended to assist in the management of risk given our defined appetite for risk. The internal controls consist of the company's policies, standards, procedures and guidelines that together comprise the company's business management system and govern all business activity. The internal controls are underpinned and implemented through knowledgeable and experienced people supported by our information systems.

During the year, the company continued to establish common 'Harbour ways of working' across key control areas. Areas of focus included the continued maturation of the internal financial controls framework, optimisation of the enterprise management system implemented in 2022, a redesign of the UK organisation to align to current activity levels and facilitate the integration of future acquisitions, and the launch of several corporate initiatives to promote simplification and efficiency. These measures should also help position Harbour to be able to comply with the recent revisions to the UK Corporate Governance Code when they take effect.

Reasonable assurance

The adequacy of the internal controls depends on their design and operating effectiveness.

During the year, the company continued to embed its integrated 'three line' assurance model. The model is designed to provide senior management and the Board with reasonable assurance that the most significant risks facing the business are being appropriately managed and that the internal control environment is effective.

First line assurance is provided by line managers who are responsible for designing, implementing and operating controls. Second line assurance areas monitor the effectiveness of controls for certain key risk areas, such as HSES and cyber and information security, supported by a programme of audits agreed with senior management. Significant findings from these audits are reported to management.

Third line assurance is provided by the Internal Audit function, the external statutory auditors and certain other independent assurance providers. Internal Audit is led by the VP Internal Audit and Risk Management, who reports directly to the chair of the Audit and Risk Committee and to the CFO on a day-to-day basis. The function undertakes a programme of audits agreed and reviewed by the Audit and Risk Committee. A summary of findings from each internal audit is reported to the Audit and Risk Committee, and to other Board committees where appropriate. Internal Audit then monitors the implementation of agreed actions and reports these to the Audit and Risk Committee for awareness of how risks identified by Internal Audit have been mitigated. Harbour maintains an 'assurance map' that sets out the internal and external sources of assurance in place against each principal risk. This map allows management and the Board to judge the adequacy of the assurance measures in place for each principal risk and to strengthen them if required. The external auditors report to the Audit and Risk Committee on internal controls based on the audit work observations. Where deficiencies have been identified, improvement recommendations are also provided to management for consideration.

Areas of focus for Internal Audit during the year included the redesign of the UK organisation which clarified the first and second line assurance of key operational risk areas, continued formalisation of the integrated nature of the 'three line' assurance model including how assurance outcomes are communicated, and the implementation of an internal audit action tracking tool to facilitate remediation oversight.

During the year the Board committees commissioned a programme of management-led presentations to enhance understanding and alignment on risk matters assigned to them, examine the levels of assurance provided, and consider key outcomes from assurance activity from across the three lines. These presentations are summarised in the relevant committee chair reports back to the Board.

GOVERNANCE
READ MORE ON PAGE 66

Monitoring and effectiveness of the risk management framework

The Board is responsible for monitoring the company's overall risk management framework and for reviewing its effectiveness.

The annual review of the overall effectiveness of Harbour's risk management and internal control environment has been carried out by the Audit and Risk Committee on behalf of the Board. In conducting its review, the Committee sought perspectives and assurances from members of the Leadership Team which take the form of confirmation statements from the Leadership Team to the Board. The Committee considered the design of the risk management framework across Harbour and the most significant risks to achieving our strategic objectives. The Committee considered how each of these risks is managed in the context of the agreed risk appetite or tolerance, also considering management-led presentations received during the year. The review also considered any significant control deficiencies, themes emerging from Internal Audit findings and other key sources of assurance to date, and the status of remedial actions taken. The review noted the continued maturation of the internal financial control framework and the controls to prevent material fraud.

Taking into account their assessment of the management of the risks faced or materialised during the year, the remediation status of control failures or assurance findings and the nature of the Leadership Team assurances received, the Board concluded that the risk management and internal control environment is effective.

Alan Ferguson
Chair of the Audit and Risk Committee

Viability statement

In accordance with the provisions of the UK Corporate Governance Code, the Board has assessed the prospects and the viability of the Group and the company over a longer period than the 12 months required by the going concern provision. For the assessment period, the base case used is consistent with the forecast as used for our going concern assessment as disclosed on page 31. As part of this assessment, we considered the principal risks faced by the Group, relevant financial forecasts and sensitivities, and the availability of adequate funding particularly in relation to energy transition and climate change.

Assessment period

The review covered a period of three years to 31 March 2027 (the forecast period), which was selected for the following reasons:

- at least annually, the Board considers the Group's corporate operating cycles, business plan projections (the projections) and debt facility structures over a three-year period;
- within the three-year period, market forward price forecasts are used in the forecast. Given the lack of forward liquidity in oil and gas markets after this initial three-year period, we rely on our own internal estimates of oil and gas prices without reference to liquid forward curves; and
- the Group is not currently committed to any major capital expenditures beyond the three-year period.

Review of principal risks

The Group's principal risks and uncertainties, set out in detail on pages 60 to 65, have been considered over the period. Whilst all the risks identified could have an impact on the Group's performance, the specific risks which could materially impact the Group's financial position have been determined to be:

- commodity price exposure;
- operational performance;
- capital programme and delivery; and
- access to capital.

To assess, either directly or by proxy, the potential impact of these principal risks over the forecast period, the Group has run downside scenarios, where Brent crude and UK NBP gas prices are reduced by 20 per cent, and total production volumes by 10 per cent, throughout the forecast period. These downside scenarios were performed individually and in combination alongside a reverse stress test to determine if the Group is forecast to have sufficient liquidity and covenant compliance headroom.

The potential impact of each of the Group's other principal risks on the viability of the Group during the forecast period, should that risk arise in its unmitigated form, has been assessed. The Board has considered the risk mitigation strategy for each of the other principal risks and believes they are sufficient to reduce the impact of each risk such that it would be unlikely to jeopardise the Group's viability during the forecast period. Specifically, the risk associated with energy transition and climate change that could have a potential impact on viability outside the assessment period is reported in note 2 to the financial statements (pages 124 to 127).

Review of financial forecasts for the forecast period

The projections for the viability of the Group over the forecast period are based on:

Base case assumptions

- Production and expenditure forecasts on an asset-by-asset basis
- Brent crude prices and UK NBP gas prices that are used for impairment testing adjusted for the company's hedging programme position at year end 2023. Refer to note 2 to the financial statements (page 124)
- The financial covenant and liquidity tests for both the going concern and viability statement periods associated with the Group's borrowing facilities
- Committed costs associated with the announced Wintershall Dea acquisition in relation to financing and advisory services

Sensitivity analyses

- In line with the principal risks identified that could impact the financial viability of the Group, we have prepared sensitivity analyses to reflect the combined impact of reductions in Brent crude and UK NBP gas prices of 20 per cent, and in the Group's production of 10 per cent, throughout the forecast period

Reverse stress tests

- Reverse stress tests were undertaken but due to a breach in the base case, the results of these tests showed the levels of production and price would need to increase to mitigate the covenant breach at the end of H2 2026

Results and mitigating actions

- The base case shows a potential breach in the second half of 2026, due to the refinancing of the $500 million bond
- The sensitivity test demonstrated a possible risk of covenant breaches because of reductions in price and production parameters. Subsequently management identified sufficient remediations required to mitigate the breach in the base case
- As a result, the Board considered the availability of mitigating actions in the event of having to respond to potential material changes in covenant tests or liquidity. These included the ability to control uncommitted capital programmes, shareholder returns, additional hedging and the assumption of replacing the existing bond upon its maturity. On this basis it was concluded that these were sufficient potential mitigations available to respond to the base case and sensitivity test scenarios

Under these mitigated projections, the Group is expected to have sufficient liquidity over the forecast period and to be able to operate within the requirements of the financial covenants.

Wintershall Dea transaction

In December 2023 Harbour announced the Wintershall Dea acquisition transaction, which is anticipated to complete in Q4 2024 and will be accretive to Harbour's free cash flow. Once complete, Harbour is expected to receive investment grade credit ratings and to benefit from a significantly lower cost of financing, including the porting of existing euro denominated Wintershall Dea bonds with a nominal value of approximately $4.9 billion and a weighted average coupon of c.1.8 per cent. The Group would also have access to a new $3.0 billion revolving credit facility and $1.5 billion bridge facility. As part of the viability statement assessment, a base case, sensitivities and reverse stress tests have been run on the enlarged group forecasts, which are supported by Harbour's acquisition due diligence work, and show that the probability of a liquidity deficit or covenant breach is remote.

Conclusion

The directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy and availability of funding, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Strategic Report (pages 60 to 65). The directors have also considered the mitigating actions within their control in the event of these downside scenarios. Therefore, the directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, throughout the three-year viability assessment period ending 31 March 2027.

Principal risks

The principal risks which may prevent the company achieving its strategic objectives.

Execution of the strategy: failure to effectively implement the strategy

Risk description

The company's strategy is to create value by continuing to build a global and diverse oil and gas company, principally via M&A and underpinned by a clear purpose and strong values. There is a risk the company could fail to effectively execute this strategy. Factors such as the economic downturn, continued regional conflicts, political instability and/or the energy transition could lead to a protracted decline or volatility in commodity prices and impede access to capital. The company may fail to maintain sufficient leadership and organisational capability to continue to effectively manage the business. The company may be unable to identify or execute attractive organic or M&A growth opportunities. The delivery of our net zero commitments may impact the execution of other aspects of the strategy or vice versa. The company may be slow to respond to changes in the external environment that could merit a change to the strategy, for example with respect to climate change and the energy transition.

The unmitigated risk level remains broadly unchanged. While the political environment in some regions remains challenging and stakeholder expectations continue to evolve, market conditions for M&A are improving, as evidenced by our announced acquisition of the Wintershall Dea asset portfolio.

With respect to this acquisition, the company may be unable to fully satisfy the transaction conditions on a timely basis and in its current form. Not all the transaction conditions are wholly within the company's control and adverse events may impact the completion timeline and final form of the transaction.

How the risk is managed

- Regular Board review of the company strategy and its execution, including market developments, and the capability and capacity of the senior Leadership Team
- Organisation designed and resourced to deliver the strategy and incentivised with a competitive reward and benefits package and supportive culture and values
- Capital deployment, growth, financial and other key performance metrics agreed with the Board and feature in incentive compensation
- Scalable organisation model and enterprise management system in place to facilitate future growth
- Corporate planning and M&A analyses evaluated across a range of scenarios including consideration of long-term resilience of the strategy and portfolio with respect to commodity prices, climate change and the energy transition
- Detailed due diligence of acquisition opportunities undertaken, with support from external expert advisers as needed, including for the Wintershall Dea asset acquisition
- Leadership Team with a proven track record of completing large-scale M&A transactions maintained
- Detailed planning to manage completion of announced Wintershall Dea asset acquisition that includes engagement with relevant government and regulatory stakeholders and support from expert external advisers as needed

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

Health, safety and environment: risk of a major health, safety, environmental or physical security incident

Risk description

The company may face a major accident or physical security incident resulting in personal injury, physical property damage and/or environmental harm. A serious incident could also significantly impact production, impair financial performance, and tarnish the company's reputation. The business might be subject to punitive fines and individual directors could face sanctions.

The unmitigated risk level remains broadly unchanged. The installed asset base continues to age and requires continuous inspection and maintenance. The recruitment of new personnel to replace retiring offshore personnel remains challenging, in particular in the UK. The risk is actively managed to ensure the mitigated risk level is stable or reduced.

How the risk is managed

- Strong safety leadership culture maintained with an emphasis on process safety, as evidenced by the successful outcome of the UK Health & Safety Executive audit during 2023
- Board and senior management commitment to HSES demonstrated through various engagement activities including Harbour's Global HSE Day, the CEO Safety Award, town halls, internal communications, meetings with offshore managers and safety representatives, operated facility visits and active event sponsorship and participation
- Experienced HSES Committee in place that provides oversight and challenge
- Organisation structured and resourced to support the effective management of the risk
- Corporate major accident prevention policy (CMAPP) and HSES policy established that direct company activities, including contract work, supported by a defined HSES strategy, management system and plan, and relevant training and competency management
- Safety cases and active risk assessment process and management of change in place for operated assets
- Safety-critical maintenance built into work programme and budget
- Performance closely monitored, including investigation of incidents and serious near misses, sharing of learnings, and targeted campaigns to address thematic issues
- Performance metrics agreed with Board and integrated into business performance tracking and incentive compensation
- Process Safety Fundamentals embedded across onshore and offshore operations
- Internal independent HSES auditing and technical assurance in place with a focus on major accident hazards (MAH). Regular Board and HSES Committee reporting
- Incident learnings and best practices shared among JV partners
- Internally managed crisis management and emergency response plans in place, with regular exercises to ensure preparedness

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

OUR STRATEGIC PILLARS

RESPONSIBILITY
Ensure safe, reliable and environmentally responsible operations

QUALITY
Maintain a high quality portfolio of reserves and resources

DIVERSIFICATION
Leverage our full cycle capability to diversify and grow further

DISCIPLINE
Ensure financial strength through the commodity price cycle

BOARD ASSESSMENT OF CHANGE IN UNMITIGATED RISK LEVEL SINCE 2022

Risk level has increased | Risk level remains stable | Risk level has decreased

Organisation and talent: failure to create and maintain a cohesive organisation with sufficient capability and capacity

Risk description

The company may fail to maintain an organisation structure that aligns with business needs. The company may also fail to attract, develop and retain talent or to maintain a cohesive and engaged culture that aligns with the company's values. Consequently, the organisation may lack the capability, capacity and culture to effectively execute the strategy and business plans.

The unmitigated risk level remains broadly unchanged though is beginning to increase due to the additional work required to prepare for the transition and integration of the acquired Wintershall Dea asset portfolio. Many experienced employees and contractors are approaching retirement while attracting talent into the sector in the UK remains challenging in some areas.

How the risk is managed

- New UK organisation implemented to align with reduced UK activity and that is designed to scale in line with the company's strategy
- Competitive reward and benefits package provided with hybrid working options
- Culture and values programme with clear linkage to stated purpose and strategy
- Staff performance management process aligned with target culture and values and with linkage to reward
- In-house training and development programmes offered to support skill development
- Succession planning model established to maintain executive bench strength
- Regular staff communications, surveys and forums to support understanding and engagement
- Staff counselling and grievance arrangements in place

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

Host government political and fiscal risks: exposure to adverse or uncertain political, regulatory or fiscal developments in countries where the company operates or maintains interests

Risk description

The company operates or maintains interests in several countries, some of which are undergoing political, economic or social transition, or experiencing sovereignty disputes. The political and security situation and the regulatory and fiscal framework in any of these countries may change. Adverse changes in any of these factors could have a disproportionate impact on the operations and profitability of the business. In addition, uncertainty regarding future changes could reduce the attractiveness of prospective new investments in those jurisdictions. Such changes may include adverse tax measures, heightened regulatory demands, price controls, limits on production or cost recovery, import and export restrictions, cancellation of contract rights and expropriation of property.

The risk level remains broadly unchanged following the introduction of the EPL in the UK during 2022, and with general elections expected in key countries (UK, Indonesia and Mexico) during 2024.

How the risk is managed

- Active monitoring of the local political, economic, social and security situations in regions where the company does business or is proposing to enter
- Constructive engagement with relevant government and regulatory stakeholders
- Contribution to industry representation on key issues, including the role of oil and gas in the energy transition, CCS and energy security
- Continuing to work towards further diversification of country exposure through organic growth and strategic M&A

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

Operational performance: failure to deliver competitive operational performance

Risk description

The company may fail to maintain reliable and cost-effective production operations. Forecasting future production and operating costs is inherently uncertain, and actual performance may deviate from expectations. Substantial expenditures and outages may be required to maintain the operability and integrity of the asset base as it ages and replacement parts may not be readily available. Opportunities to add production or increase throughput may be limited. Consequently, the company may fail to deliver forecast production levels, maintain competitive operating costs, meet guidance or fulfil contractual obligations, any of which would impact the company's financial performance, position and liquidity.

Despite these challenges, the unmitigated risk level remains broadly unchanged. The installed asset base demands continual attention to ensure performance is maintained.

How the risk is managed

- Clearly stated purpose to ensure safe, reliable and responsible production of hydrocarbons with demonstrable track record of meeting guidance
- Organisation designed and resourced to manage current operational activity
- Operational performance metrics agreed with the Board and integrated into business performance monitoring and incentive compensation
- Rigorous cost control in place with resources allocated to maintain asset integrity and reliability
- Inventory of near-field drilling and other oil and gas recovery enhancement opportunities maintained to increase recovery and help offset natural decline
- Performance reviewed regularly by management and the Board
- Proactive risk-based oversight maintained on non-operated assets
- Performance benchmarked to understand relative performance and identify improvement opportunities
- Emerging technology monitored for opportunities to improve future performance
- Solicitation of third-party volumes to improve utilisation of existing infrastructure

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

→

Capital programme and delivery: failure to define and deliver a capital programme that optimises value

Risk description

The company undertakes drilling operations and capital projects to explore and develop oil and gas resources and to decommission assets at the end of their economic life. These projects are often complex in nature and may face delays, cost overruns, unsatisfactory quality or poor HSES performance. The volume and future productivity of targeted resources are inherently uncertain and the outcomes may differ from expectation. As a result, the company may struggle to replace reserves in a value accretive manner, leading to a decline in future production and performance. In addition, the company may fail to accurately estimate the cost of projects including decommissioning which would lead to inadequate provision for future liabilities.

The unmitigated risk level remains broadly unchanged. While the company's UK oil and gas resources are becoming increasingly mature, the company's resources in Mexico and Indonesia have the potential to materially increase reserve life and diversify exposure over time. In addition, the company continues to deepen its expertise in decommissioning assets at the end of their economic life.

How the risk is managed

- Organisation designed and resourced to deliver the current capital programme, including a dedicated UK late-life asset operations team
- Capital deployment and growth metrics agreed with the Board and integrated into business performance monitoring and incentive compensation
- Processes in place to support the maturation of resources and drive efficient deployment of capital including risk-based technical and economic evaluation processes with defined stage-gate reviews
- Innovative processes and technologies to improve recovery considered where competitive
- Investment metrics agreed with the Board to ensure consistent evaluation of opportunities
- Independent value assurance team in place to drive effective governance of capital investment activities and promote transfer of learnings
- Major project delivery regularly reviewed by management and monitored by the Board
- Project performance benchmarked to understand relative performance with systematic lookbacks undertaken to inform future performance improvements
- Independent review undertaken of the company's reserves and resources

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

→

Third-party reliance: failure to adequately manage supply chain, joint venture and other partners, and third-party infrastructure owners

Risk description

The company relies on a range of third parties, including suppliers of products and services, joint venture (JV) partners, downstream partners and trading counterparties. The company may be unable to procure certain products or services on a timely and cost-effective basis. JV partners may not manage assets in line with Harbour's values and business objectives, and the ability of Harbour to influence may be limited. The company may lose or be unable to secure access to transport for its products, or may not be able to realise full market value from products.

The unmitigated JV and downstream partner risk level has increased over the period. In the UK, the effects of the EPL, coupled with rising interest rates and inflation, have impacted the resilience and reliability of some JV partners and their appetite to invest in the UK alongside Harbour. Such misalignment could impact Harbour's performance, increase HSES risk and create reputational exposure. Financial stress among some UK partners may increase the risk of default on UK decommissioning security obligations. In Mexico and Indonesia, the company has new partners as part of its organic growth programme.

The unmitigated supplier risk level remains elevated with continued competing demand from renewable energy and infrastructure projects as well as from international markets. It is also impacted by the general decline in UK oil and gas activity and geopolitical risks. These conditions, alongside rising interest rates and inflation, have impacted the ability and/or willingness of contractors to invest in assets and service provision, in particular in the UK. These conditions could also create a context for default, unsafe practices or unethical behaviours, including fraud or human rights violations.

How the risk is managed

- Well established relationships in place with most JV and downstream partners including regular risk-based engagement and performance monitoring
- Category management and contract strategy processes designed to identify and monitor supply chain risks, secure products and services and optimise usage
- Strategic partnerships being created in specific high risk or value categories to ensure security of supply and facilitate longer-term value creation
- Proactive development, oversight, governance and enforcement of commercial agreements
- New and existing suppliers and partners carefully assessed and regularly monitored, supported by additional security arrangements as required
- Formal budgeting and tendering processes in place to govern material spend
- Transportation for produced oil and gas supported by industry codes of practice and contractual agreements
- Insurance programmes in place include contingent business interruption insurance for loss of revenue following loss or damage to third-party facilities

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

Supply chain →

JV and downstream partners ↑

Access to capital: failure to ensure sufficient access to capital to implement the company's strategy

Risk description

The company aims to maintain a robust balance sheet by ensuring sufficient access to capital through the commodity price cycle. Failure to achieve this may hinder the company's ability to invest in our existing asset base, fund organic and/or M&A growth, or return capital to shareholders as outlined in the strategy.

The overall unmitigated risk level is broadly unchanged. Although there has been a general decline in lender appetite for the oil and gas sector, Harbour was able to successfully amend and extend its existing RBL facility in late 2023. Further, Harbour is expected to receive investment grade credit ratings on completion of the acquisition of the Wintershall Dea asset portfolio as a result of the high quality portfolio being acquired together with the proposed funding structure. This will improve our cost of capital and enable access to broader and lower cost sources of funding in the future.

How the risk is managed

- Robust financial framework and prudent capital allocation priorities agreed with the Board and rigorously implemented
- Diversified capital structure in place, including a reserve based lending (RBL) facility with maturity recently extended to 2029 and an unsecured bond
- Annual RBL redetermination programme to ensure available liquidity is known for the forthcoming period
- Decommissioning liabilities and financial headroom on security postings closely monitored. Recent facilities agreed for utilising unsecured surety bonds
- Disciplined hedging programme in place to maintain acceptable exposure to commodity prices and foreign exchange fluctuations
- Annual capital budgets and long range plan approved by the Board. These consider near-term commodity prices and cash flow expectations. Plans and spending levels stress-tested against adverse scenarios
- Commitment made to the energy transition, supported by compliant disclosures and ongoing review (refer to Viability statement on page 59)
- Investment grade credit ratings expected on completion of announced acquisition of Wintershall Dea asset portfolio

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

→

Commodity price exposure: failure to manage the impact of commodity price fluctuations on the business

Risk description

The price of oil and gas is impacted by changes in global and regional supply and demand, and expectations of future supply and demand. This makes it difficult to accurately predict future prices, and prices may decline for an extended period or become more volatile. A sustained decline in prices could undermine our ability to deliver on our strategy by reducing cash flow available to fund growth and shareholder distributions and impairing access to capital. Excessive price volatility could also impede business planning and financial decision-making. Harbour seeks to actively manage commodity price exposure to realise sufficient revenue to fund the company's strategy through the cycle while protecting the business from excessive volatility.

The unmitigated risk level remains broadly unchanged. Commodity price volatility moderated during the year, however the price outlook remains uncertain due to several factors including ongoing conflicts and political instability.

How the risk is managed

- Board approved commodity hedging programme in place, including minimum and maximum hedging limits and utilising a range of instruments, aligned to agreed risk appetite and designed to underpin the implementation of the financial framework
- Strong control framework in place that covers the entire hedging life cycle, including monitoring and assurance activities to ensure the hedging programme is applied consistent with risk appetite
- Carbon hedging conducted to actively manage the company's exposure to carbon pricing in the UK market and meet regulatory requirements
- Regular position reporting to the Board

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

→

Cyber and information security: failure to maintain safe, secure and reliable information systems

Risk description

The company may fail to implement adequate cyber and information security measures making it vulnerable to a serious cyber-security incident or slow to recover in the event of an incident. A failure to adequately manage this risk would result in business or operational interruption, impact the confidentiality, integrity, availability and regulatory compliance of company information, and potentially lead to heightened safety or environmental risk. Such outcomes may lead to regulatory fines, impact business performance and damage the company's reputation.

The risk level has increased over the period as the nature of the malicious threat continues to evolve while increasing non-malicious sharing of data through third-party tools and institutions (including AI) presents a new risk exposure.

How the risk is managed

- Experienced and resourced cyber and information security organisation in place
- Provision of threat intelligence services in place with UK Government and specialist partners
- Defensive and preventative controls maintained to an industry standard that include supply chain monitoring and staff/director training to raise awareness
- Disaster recovery and business continuity plans in place and regularly tested
- Resilience independently tested and assured including through simulation of incidents
- Regular review of controls in line with the evolving threat landscape and regulatory requirements

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

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Legal and regulatory compliance: failure to maintain and demonstrate effective legal and regulatory compliance

Risk description

The company, its employees and contractors are subject to various laws and regulations governing corporate and personal conduct and disclosure, including areas such as human rights, fraud, bribery, corruption and tax evasion. Should a major compliance breach occur, a failure to demonstrate adequate legal and regulatory compliance processes could lead to financial penalties, erode our value-based culture, and tarnish our reputation among employees and external stakeholders. Individual directors could also face personal sanctions.

While the scope and nature of applicable laws and regulations continues to evolve, the unmitigated level of the risk has remained broadly unchanged.

How the risk is managed

- Zero tolerance stance towards fraud, bribery, corruption and the facilitation of tax evasion in any form that could be deemed unlawful or potentially harm the company's reputation or financial standing
- Global compliance framework in place with relevant induction and training to enhance awareness of the risks, set clear expectations, prevent material fraud and promote a 'speak up' culture. This framework includes well-defined and reinforced values, secure whistleblowing arrangements and relevant Board-approved policies and statements covering matters such as Code of Conduct, sustainability, ethics, human rights and tax
- Corporate governance structure maintained that complies with the UK Listing Rules, UK Corporate Governance Code and UK Companies Act
- Emerging laws and regulations closely monitored to ensure timely compliance
- Board and Audit and Risk Committee monitoring of whistleblowing activity and enforcement of the Code of Conduct

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

→

Climate change and energy transition: failure to adapt the strategy in the context of external expectations

Risk description

The transition towards a low carbon economy poses a range of financial, legal, market, regulation, technology and reputation risks to the company. For example, the transition is impacting the supply and demand for oil and gas and this could lead to long-term price volatility. The company may face increased stakeholder scrutiny and expectations relating to our energy transition and ESG commitments, the resilience of the strategy and portfolio, and the extensiveness of disclosures. Access to capital may be impacted if it is unable to meet the evolving expectations of investors, creditors and lending banks. The company may be subject to negative NGO or shareholder activism, impacting our societal 'licence to operate', including civil legal action. Long-term physical changes in weather patterns and ocean currents and more frequent extreme weather events related to climate change could potentially disrupt business activities, increase business costs and raise insurance premiums. The delivery of our net zero commitments may impact the execution of other aspects of the strategy or vice versa.

Overall, the long-term viability of the business may be in question if the company is unable to maintain a strategy and portfolio that is demonstrably resilient to evolving market conditions, requirements and expectations related to climate change and the energy transition.

The unmitigated level of this risk remains broadly unchanged. Stakeholder expectations continue to evolve, tempered by continued concerns over energy supply security.

How the risk is managed

- Clear commitment made to the safe, reliable and responsible production of oil and gas
- Credible emissions reduction plans in place to contribute to Net Zero 2035 goal, including an interim 2030 emissions reduction target, zero routine flaring commitment, alignment with the regulatory requirements and emissions offset purchase plans
- Emissions reduction targets feature in incentive compensation and incorporated into the main reserve based lending debt facility
- Climate strategy and delivery, including within the context of the resilience of the company strategy, monitored by the Board and HSES Committee
- Material participation in Acorn and Viking CCS projects which could make a significant contribution to the UK's emissions reduction and storage targets
- Energy transition scenarios and risks, including the cost of carbon, considered in key judgements and estimates within the financial statements, investment decisions, corporate planning and M&A analysis. Periodic review of the long-term physical risks undertaken across core geographies
- New and emerging ESG reporting requirements closely monitored to ensure compliance, including independent verification
- Reporting in full alignment with the TCFD requirements maintained as mandated by the FCA to align to external stakeholder expectations
- For additional information on the company's climate strategy and related risks refer to the TCFD section on pages 39 to 44

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

→

Integration of acquired businesses: failure to properly integrate acquired businesses and realise anticipated synergies in a timely manner

Risk description

Harbour's strategy includes growth through M&A. Successful execution of acquisitions includes properly planning and executing the transition of the acquired businesses and organisations. With respect to the announced acquisition of the Wintershall Dea asset portfolio or future acquisitions, the company may fail to adequately prepare for the safe and efficient transition of the acquired assets on completion or, subsequently, to effectively manage the pace, scope and cost of integration. Integration synergies may not be realised in a timely manner. Integration activities could initially result in increased complexity, job security concerns, increased workloads, disengagement or the loss of key staff. The company may be unable to maintain a scalable operating model to support the efficient integration of further acquisitions.

While the integration of the company's prior major acquisitions is now largely complete, the unmitigated risk level has increased to reflect the forthcoming transition and integration of the announced Wintershall Dea asset acquisition.

How the risk is managed

- Leadership has a proven track record of integrating large-scale M&A transactions and creating value from acquired assets
- Harbour organisation model, controls and systems designed to scale with business growth
- Transition governance framework established for Wintershall Dea asset acquisition that includes a transition management office, a detailed transition plan, and a joint transition and integration committee staffed with senior leaders from Harbour and Wintershall Dea
- Transition and integration playbook in place to facilitate learnings from past integrations
- Transition and integration delivery monitored by the Leadership Team and Board

LINK TO STRATEGIC PILLARS:

RESPONSIBILITY
QUALITY
DIVERSIFICATION
DISCIPLINE

UNMITIGATED CHANGE SINCE 2022:

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To consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006, the table on page 107 sets out our non-financial and sustainability information statement and shows where in this Annual Report to find each of the disclosure requirements. The Strategic Report, comprising pages 1 to 65, including the non-financial and sustainability information statement, has been prepared in accordance with the requirements of the Companies Act 2006 and has been approved and signed on behalf of the Board.

Linda Z. Cook
Chief Executive Officer
6 March 2024

The UK Corporate Governance Code 2018 is the corporate governance code to which we referred during the financial year to 31 December 2023 and can be found at frc.org.uk.

Harbour was fully compliant with the provisions of the Code throughout 2023, except for Provision 9, which states that 'the chair should be independent on appointment when assessed against the circumstances set out in Provision 10'. R. Blair Thomas, the Chair, was appointed pursuant to EIG's right to appoint up to two directors to the Board under the relationship agreement detailed on page 105, and did not meet the independence criteria of Provision 10 of the Code.

Notwithstanding this, the Board is comprised of a majority of independent non-executive directors, and the industry experience and knowledge R. Blair Thomas brings to his chairmanship is invaluable. The Board therefore continues to believe that there is sufficient independent challenge and judgement in the boardroom.

Meeting attendance

Ten Board meetings were held during the year, seven of which were scheduled meetings covering a full agenda of strategic, performance and governance items.

Three additional meetings were called during the year to discuss specific topics.

All directors attended every meeting. A full attendance table detailing Board joiners and leavers is available in the directors' report on page 104.

Supporting the Board on all governance matters

Rachel Rickard
Company Secretary

Rachel is a Fellow of the Chartered Governance Institute with more than 20 years' experience gained across a variety of industries and sectors in FTSE 100 and FTSE 250 listed companies, including three years within the financial services sector.

Rachel ensures that the Board has the policies, processes, information, time and resources it needs to function effectively and efficiently.

BOARD OVERSIGHT

Board of directors

The Board is collectively responsible for the governance of the company on behalf of Harbour's shareholders and is accountable to them for the long-term sustainable success of the company.

1 Board leadership & company purpose

UK CORPORATE GOVERNANCE CODE PRINCIPLES:

A: The Board promotes the long-term success of the company
B: The company's purpose, values and strategy align with its culture
C: Resources are in place to meet objectives and measure performance
D: The Board engages effectively with shareholders and stakeholders
E: Workforce policies and practices are aligned with company values

CHAIR'S INTRODUCTION PAGE 68

2 Division of responsibilities

UK CORPORATE GOVERNANCE CODE PRINCIPLES:

F: The Board is led by the Chair who is responsible for its effectiveness
G: Clear division of responsibilities and balance of independence on the Board
H: Non-executive directors challenge, guide and hold management to account
I: The Board has the information, time and resources to function effectively

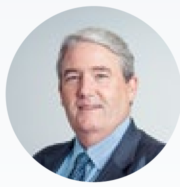
BOARD OF DIRECTORS PAGE 70

Board committees

The Board has established committees which assist the Board in discharging its duties in certain areas.

Each of the committees has formal terms of reference, copies of which can be found on the company's website.

Nomination Committee



R. BLAIR THOMAS
COMMITTEE CHAIR

Responsibilities

- Board composition
- Succession planning and Board appointments
- Leads Board performance review process
- Monitors Harbour's culture

READ MORE PAGE 72

Leadership Team

The Board and its committees are supported by an experienced Leadership Team, reporting into the CEO.

The Leadership Team supports the CEO with the development and implementation of Group strategy, management of the operations of the company including growth opportunities, financial planning, risk management, internal control, people strategy, diversity, HSES and corporate responsibility.

The Board governs the company in accordance with the authority set out in the company's articles of association and in compliance with the UK Corporate Governance Code (the Code):

3 Composition, succession & evaluation

UK CORPORATE GOVERNANCE CODE PRINCIPLES:

J: Appointments are based on merit and objective criteria including diversity
K: There is a combination of skills, experience and tenure on the Board and committees
L: Board performance reviews are conducted annually

NOMINATION COMMITTEE REPORT PAGE 72

4 Audit, risk & internal control

UK CORPORATE GOVERNANCE CODE PRINCIPLES:

M: The Board ensures the integrity of reporting and effectiveness of audit functions
N: Reporting is fair, balanced and understandable
O: Procedures are in place to manage risk, oversee the internal control framework and determine principal risks and appetite

AUDIT AND RISK COMMITTEE REPORT PAGE 76

5 Remuneration

UK CORPORATE GOVERNANCE CODE PRINCIPLES:

P: Remuneration design supports strategy and aligns to company purpose and values
Q: There is a formal and transparent procedure for director and senior management remuneration
R: Independent judgement and discretion are exercised when authorising remuneration outcomes

DIRECTORS' REMUNERATION REPORT PAGE 82

Audit and Risk Committee

ALAN FERGUSON
COMMITTEE CHAIR

Responsibilities
- Integrity of reporting
- Effectiveness of internal and external audit
- Internal control and risk management framework

READ MORE PAGE 76

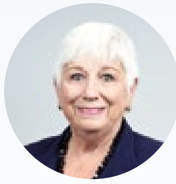
HSES Committee

MARGARETH ØVRUM
COMMITTEE CHAIR

Responsibilities
- Effectiveness of HSES strategy
- HSES risk including tolerance and mitigation
- HSES assurance
- Integrity of HSES reporting

READ MORE PAGE 80

Remuneration Committee



ANNE L. STEVENS
COMMITTEE CHAIR

Responsibilities
- Remuneration Policy
- Remuneration arrangements for senior management
- Oversight of pay and conditions across Harbour

READ MORE PAGE 82

FIND OUT MORE ONLINE
HARBOURENERGY.COM/ABOUT-US/OUR-SENIOR-TEAM

MANAGEMENT ACCOUNTABILITY

THE UK CORPORATE GOVERNANCE CODE IN ACTION

1 2 3 4 5

1 Board leadership & company purpose

UK Corporate Governance Code Principle	How does the Board apply this Principle?	Further information
A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The directors provide leadership and ensure the company and its management focus on the delivery of long-term sustainable success for all stakeholders, including shareholders and wider society.	• Governance at a glance: P66 • Board activities during 2023: P68
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The Board has approved the company's purpose, values and strategy and is satisfied they are aligned with the culture that has been embedded throughout the company, regularly meeting with a wide cross section of staff to gain the required insight.	• At a glance: P2 • Our purpose is underpinned by four core values: P5 • Harbour culture: P69
C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board ensures that a robust financial framework is in place, underpinned by prudent capital allocation, to ensure the necessary resources are in place to meet Harbour's objectives and measure performance within an effective risk management framework.	• Financial review: P26 • Key performance indicators: P16 • Risk management framework: P56 • Risk management and internal control: P79
D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	The Board seeks to engage actively with its stakeholders, including major shareholders, employees, governments, regulators, partners and suppliers. Feedback from stakeholders is considered in the Board's decision-making processes.	• Engaging with our stakeholders: P12 • Employee engagement: P50 • Workforce engagement: P74
E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	Our workforce policies and practices are aligned with our values, with annual employee engagement surveys resulting in improvement initiatives throughout the business. Speak Up, the company's whistleblowing service, is available to all employees and contractors and is regularly publicised through the company's communication channels including town hall meetings.	• Audit and Risk Committee activities during the year: P77 • Employment practices: P51 • Global engagement survey: P50

GOVERNANCE AT A GLANCE PAGE 66

NEXT SECTION OF THE CODE PAGE 71

Dear shareholder,

I am delighted to be writing to you on behalf of the Board in this, Harbour Energy's 2023 Annual Report.

During 2023, the economic and geopolitical backdrop remained unpredictable, and there is continued uncertainty around future economic growth rates. Our purpose, to play a significant role in meeting the world's energy needs through the safe, efficient and responsible production of hydrocarbons, remains relevant, and our strategy is clear: to continue to build a global, diverse, independent oil and gas company.

The Board continues to aspire to the highest standards of corporate governance by steering our strategy and ensuring its relevance in the changing market environment. Growth and international diversification are core to our strategy, and in assessing potential growth opportunities, we remain disciplined and focused on strategic fit and value creation. This means considering the right things, at the right time, with the right people and insights. Our corporate governance structure supports this objective, and a summary of the framework can be found on page 66.

Board activities during 2023

Capital allocation, safety, sustainability and consideration of growth opportunities have remained high on the Board's agenda throughout 2023. Oil and gas will continue to play a key role in meeting the world's energy needs, and it is important that we invest to deliver reliable supplies in a responsible manner.

Fundamental to our purpose is ensuring safe operations for our workforce – providing an environment where our people can undertake their duties without being put in harm's way. Safety performance in 2023 has been strong, with a Total Recordable Injury Rate of 0.7, and a noticeable reduction in high potential incidents when compared with 2022. Notwithstanding the improvement, we must never rest where safety is concerned. Supported by the HSES Committee, the Board will continue to carefully monitor performance and ensure that actions are taken to address weak signals across the organisation.

As part of the continuing drive for ever higher standards of safety and environmental performance, the Board endorsed an amendment to the 2024 scorecard to extend the process safety metric to include Tier 3 events.

The Board is supportive of the progress being made on our energy transition journey as we continue to reduce our own emissions and focus on achieving our target of net zero by 2035. Significant progress has been made on our CCS projects during the year, with both Viking and Acorn CCS projects being awarded Track 2 status as part of the UK Government's CCS regulatory process. Through its CCS projects, Harbour aspires to play a vital role in contributing materially to the UK goal of net zero by 2050, whilst creating thousands of skilled British jobs.

In response to the UK Energy Profits Levy, the Board supported the decision to scale back our UK activities in certain areas. This resulted in a review of our UK organisation, the objective of which was to design a simpler, appropriately sized UK business with clearer accountabilities. In parallel, and in response to the results of the 2022 global engagement survey, nine corporate initiatives were launched to create more efficient, consistent ways of working across the organisation including simpler systems, reporting and approvals.

The UK organisation review has resulted in a flatter organisational structure, bringing front-line operating staff closer to senior decision-makers, as well as delivering cost savings. Of course another key area of focus for the Board during 2023 was the review of a range of M&A opportunities, culminating in Board approval for the company's $11.2 billion acquisition of a portfolio of assets from Wintershall Dea. The transaction is fully aligned with the corporate strategy and will be transformational for our company.

Board performance and composition

I was pleased to welcome Louise Hough and Belgacem Chariag to the Board in May, and value the contributions they already bring to Board and committee discussions. During 2023 the Board executed the third year of the Board and committee performance review programme, concluding that the composition of the Board remains optimal following the recruitment of Louise and Belgacem and the departure of Steve Farris earlier in the year. An overview of the Board performance review process, actions taken, key findings and next steps is included in the Nomination Committee report on page 74.

Board priorities for 2024

For the Board and Leadership Team, our focus during 2024 will be on continuing to deliver against our operational and safety targets and capital allocation programme, and growing the business, including through the completion of the acquisition and integration of the Wintershall Dea assets. The macroeconomic and geopolitical environment remains challenging and uncertain, but I am confident that we have the right team and strategy in place to create value for all our stakeholders.

Finally, I would like to thank all of our employees and contractors, shareholders, partners, suppliers and customers for their continued support of Harbour Energy.

R. Blair Thomas
Chair

Harbour culture

The Board has maintained its oversight of the company's culture. During the year we have met with staff from all levels of the organisation, including asset managers, safety representatives and offshore installation managers.

In June we spent an afternoon at Aberdeen Port for a tour of an Emergency Response and Rescue Vessel, and also visited the company's incident response centre. Directors were also pleased to have the opportunity to meet with various employee networks including the Early Careers Network, local employee diversity network representatives and the Global Staff Forum. After Board and committee meetings we are invited to attend informal receptions with staff who have presented during meetings, allowing time for informal discussion and providing the Board with an opportunity to get to know more staff below Leadership Team level. Together, these interactions have provided all directors with the opportunity to meet in person with a wide cross section of our staff and gain a deeper sense of Harbour's culture.

The Board has reviewed the results of the 2023 global engagement survey and will, through the Nomination Committee, continue to monitor the outcomes of initiatives launched to address issues raised. Further detail on the engagement survey outcomes is provided in the ESG review on page 50.

Board of directors

R. Blair Thomas
Chair

Appointed 31 March 2021

Skills and experience
Blair was appointed as Non-Executive Chair of the company pursuant to the relationship agreement with EIG (described on page 105). Blair has more than 30 years' experience in the investment management business, with a focus on energy and energy-related infrastructure. Blair's industry experience and knowledge of Harbour is invaluable and his leadership of the Board is of significant benefit to the company and shareholders as a whole.

External appointments with public companies
None

Committee membership
– Nomination (Chair)

Linda Z. Cook
Chief Executive Officer

Appointed 31 March 2021

Skills and experience
Linda has significant experience in building and managing large-scale, global energy businesses at both Royal Dutch Shell where she worked for almost 30 years and subsequently in private equity at EIG. She has a track record of successful strategic execution and growth, including through M&A, major project delivery and raising capital. Linda's experience in international oil and gas and in disciplined capital allocation within the sector is of great value to Harbour as the company works to implement its strategy.

External appointments with public companies
– BNY Mellon: Non-Executive Director and Chair of the Audit Committee

Committee membership
N/A

Alexander Krane
Chief Financial Officer

Appointed 15 April 2021

Skills and experience
Having spent a large portion of his career as CFO of Aker BP, including during the merger of Det Norske Oljeselskap and BP Norge, Alexander has experience leading a large finance function through integration processes. His listed company experience and understanding of debt and equity capital markets are invaluable in ensuring that the company has the balance sheet strength to be able to deliver its growth and investment plans through the commodity price cycle.

External appointments with public companies
None

Committee membership
N/A

Belgacem Chariag
Independent Non-Executive Director

Appointed 1 May 2023

Skills and experience
Belgacem has extensive experience in the energy, materials and chemicals industries, having held a variety of leadership positions within oil field services companies, including Baker Hughes and Schlumberger. Most recently Belgacem was Chairman and CEO of Ecovyst Inc, a leading global provider of speciality catalysts, materials, chemicals and services. Belgacem brings extensive global industry expertise to Harbour, including in the area of health and safety, which enhances the Board's ability to support and oversee the delivery of the strategy.

External appointments with public companies
– Helmerich & Payne, Inc: Non-Executive Director

Committee membership
– HSES
– Nomination

Louise Hough
Independent Non-Executive Director

Appointed 1 May 2023

Skills and experience
Louise has a wealth of experience and deep understanding of both financial and energy markets. Following 25 years at UBS, Louise played a lead role in preparing Saudi Aramco for its first public bond issuance and IPO as Head of International Investor Relations. At Saudi Aramco Louise was also a member of the Sustainability Steering Committee, working extensively on all aspects of ESG reporting. Louise's experience advising investors, boards and executive management teams on capital markets-related activity, sustainability and governance issues is of great value to the Board and its committees.

External appointments with public companies
None

Committee membership
– Audit and Risk
– Remuneration

Alan Ferguson
Independent Non-Executive Director

Appointed 31 March 2021

Skills and experience
Alan is a chartered accountant and brings current and relevant financial experience to the Board and Audit and Risk Committee following his executive career in finance roles including being CFO of three FTSE 100/250 companies. Alan has over a decade of experience leading audit committees of listed companies including the Weir Group, Croda International and Johnson Matthey plc. The Audit and Risk Committee also benefits from Alan's insight from his position as a Board member of the Audit Committee Chairs' Independent Forum, and his expertise in corporate governance, audit and accounting is of great value to the Board and the company.

External appointments with public companies
– Anglo Gold Ashanti plc: Non-Executive Director and Chair of the Audit and Risk Committee

Committee membership
– Audit and Risk (Chair)
– Remuneration

Simon Henry
Senior Independent Non-Executive Director

Appointed 31 March 2021

Skills and experience

Simon's position as Senior Independent Director ensures that the highest standards of corporate governance are maintained. He plays a pivotal role in managing the relationship with the company's major shareholder, EIG, and ensuring the company is able to operate independently and in accordance with its obligations as a listed company. In addition, Simon brings significant experience in both the oil and gas sector, including a focus on health, safety and sustainability, and public markets having spent his entire career working with large-scale companies, including as CFO for Royal Dutch Shell plc.

External appointments with public companies

– Rio Tinto plc: Non-Executive Director and Chair of the Audit & Risk Committee

Committee membership

– Audit and Risk
– HSES

THE UK CORPORATE GOVERNANCE CODE IN ACTION

1 2 3 4 5

2 Division of responsibilities

UK Corporate Governance Code Principle	How does the Board apply this Principle?	Further information
F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	The Chair leads the Board and ensures its effectiveness. He brings significant industry experience, demonstrating objective judgement despite not being independent on appointment. The Chair promotes an active culture of openness and debate, facilitating constructive Board relations and the effective contribution of all non-executive directors, ensuring that directors receive accurate, timely and clear information.	• Chair's introduction: P68 • UK Corporate Governance Code explanation: P66 • Board and Committee performance review: P74
G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	The Board is comprised of a majority of independent directors, with a clear division of responsibilities between the leadership of the Board and the executive leadership and management of the business. Given the Chair's position as an EIG executive, there is a relationship agreement with EIG to ensure the company is able to operate independently and to the highest standards of corporate governance.	• Relationship agreement: P105 • Governance at a glance: P66
H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	Non-executive directors constructively challenge, help develop the company's strategy and hold management to account for the company's performance. No director holds directorships at more than three public companies.	• Meeting attendance: P66 • Board of directors: P70
I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	All directors have access to the Company Secretary who is responsible for advising the Board and its committees on all governance matters.	• 2022-2023 performance review: P74 • Governance at a glance: P66

GOVERNANCE AT A GLANCE PAGE 66 NEXT SECTION OF THE CODE PAGE 72

Margareth Øvrum
Independent Non-Executive Director

Appointed 1 April 2021

Skills and experience

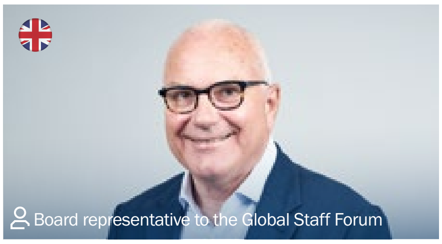
Margareth has extensive experience of international oil and gas operations, having worked for almost 40 years at Equinor and its predecessor companies. At Equinor, Margareth spent almost 17 years on the executive committee with global responsibility for HSES, project development, drilling, procurement, technology and new energy. Margareth's extensive leadership experience of major projects, health and safety, sustainability and the role of digital technology in engineering are valuable to the Board. As Chair of the HSES Committee, Margareth has a passion for safety and the environment which is essential to her role.

External appointments with public companies

– FMC Corporation: Non-Executive Director
– Technip FMC plc: Non-Executive Director
– Transocean Ltd: Non-Executive Director

Committee membership

– HSES (Chair)
– Audit and Risk



Andy Hopwood
Independent Non-Executive Director

Appointed 31 March 2021

Skills and experience

Andy has over 40 years' experience in the global oil and gas industry gained during his long career with bp. He brings a strong understanding of the technical, operational and commercial issues associated with developing and managing large-scale, complex energy assets around the world, from exploration through to decommissioning, including in the areas of safety and the environment. Andy's technical, operational and leadership expertise in the oil and gas sector are invaluable to the Board and its committees in overseeing the existing portfolio and assessing opportunities for investment.

External appointments with public companies

None

Committee membership

– Nomination
– Remuneration

Anne L. Stevens
Independent Non-Executive Director

Appointed 31 March 2021

Skills and experience

Anne brings a wealth of experience built up over a long career in engineering and executive roles in large global companies. In recent years, she has served on remuneration committees, including as Chair, in a number of large organisations, including Anglo American plc, expertise that she brings to her role as Remuneration Committee Chair. Anne also has significant experience engaging with investors to deliver remuneration outcomes that are of benefit to all stakeholders.

External appointments with public companies

– Aston Martin Lagonda Global Holdings plc: Non-Executive Director, and Chair of the Remuneration Committee and the Sustainability Committee

Committee membership

– Remuneration (Chair)
– Nomination

> During 2023, the Committee focused its attention on optimising Board and committee composition; talent development and succession planning; diversity, equity and inclusion initiatives; and workforce engagement.

R. BLAIR THOMAS
COMMITTEE CHAIR

Role of the Committee

- To plan director succession and oversee plans for senior management succession and talent development, taking into account the strategy of the company and the skills, knowledge, diversity and experience required to deliver the strategy; and to oversee the development of a diverse pipeline for succession to Board and senior management positions.
- To keep under review the structure, size and composition of the Board and its committees.
- To lead the process for the annual Board and committee performance review and oversee the results and actions.
- To lead the process for Board appointments, ensuring that the procedure is formal, rigorous and transparent, and identifying and nominating candidates for the Board's approval.
- To lead Board-level engagement with Harbour's workforce, ensuring effective engagement and enabling them to raise matters of concern.
- To assess and monitor Harbour's culture, to ensure that it is aligned with the company's purpose, values and strategy.

Meeting attendance

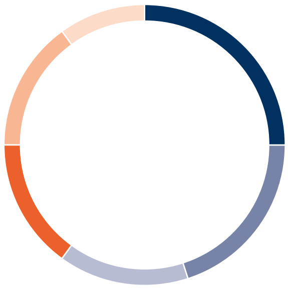
R. Blair Thomas (Committee Chair)	●●●●●
Belgacem Chariag[1]	●●●
Andy Hopwood	●●●●●
Anne L. Stevens	●●●●●

● Attended ● Not attended

1 Belgacem Chariag joined the Board and was appointed a member of the Nomination Committee on 1 May 2023.

How the Committee spent its time during the year (%)

Executive director and senior management succession	25
Talent management and development	20
Non-executive director recruitment	15
Board performance review	15
Workforce engagement and culture	15
Corporate governance and compliance	10



THE UK CORPORATE GOVERNANCE CODE IN ACTION

1 2 3 4 5

3 Composition, succession & evaluation

UK Corporate Governance Code Principle	How does the Board apply this Principle?	Further information
J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. **Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.**	The Nomination Committee is responsible for ensuring that plans are in place for orderly succession to the Board and senior management positions. Appointments are subject to a formal, rigorous and transparent procedure, supported by the use of external search agencies to ensure review of a diverse range of candidates, including consideration of gender, ethnicity, social and cultural backgrounds alongside career experience, technical and professional skills. Board and committee succession plans are based on a wide range of criteria taking into account the need to maintain a diverse Board as well as considering short, medium and long-term composition requirements alongside the expected needs of the business.	• Succession planning: P73 • Appointment of non-executive directors: P73
K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	The Board and its committees are comprised of non-executive directors with a balance of skills, experience, knowledge and diversity. The Nomination Committee reviews the skills matrix and tenure of each director on an annual basis to ensure that the Board's plans for succession are aligned with the needs of the business.	• Skills matrix: P73 • Non-executive director succession planning: P73 • Board of directors: P70
L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	The Board undertakes annual performance reviews, supported by Lintstock. Having conducted an in-depth external review in 2022, the 2023 review was based on individual questionnaires, the results of which were compiled into reports used as a basis for discussion and evaluation of the Board, committee and individual performance of each director.	• Externally facilitated Board and committee performance review process: P74

GOVERNANCE AT A GLANCE PAGE 66

NEXT SECTION OF THE CODE PAGE 76

Dear shareholder,

During 2023, the Nomination Committee focused its attention on optimising Board and committee composition; talent development and succession planning; diversity, equity and inclusion initiatives; and workforce engagement.

The Committee held five meetings during the year. We were pleased to welcome Belgacem Chariag to the Committee in May following his appointment to the Board.

Board skills and experience

Non-executive director	Oil and gas	Financial	International	Listed	Mergers & acquisitions	Sustainability & safety	Operational excellence
R. Blair Thomas	✓	✓	✓	✓	✓		
Simon Henry	✓	✓	✓	✓	✓	✓	
Belgacem Chariag	✓		✓	✓		✓	✓
Alan Ferguson		✓	✓	✓	✓		✓
Andy Hopwood	✓		✓			✓	✓
Louise Hough	✓	✓	✓			✓	
Margareth Øvrum	✓		✓	✓	✓	✓	✓
Anne L. Stevens		✓	✓	✓	✓		✓

Succession planning

The Committee's remit includes responsibility for reviewing the needs of Harbour's leadership, both at the executive and non-executive levels, to ensure the company can continue to compete effectively in the marketplace, including contingency planning for any sudden or unforeseen circumstances. During 2023, a significant proportion of the Committee's time was spent ensuring that the organisation has a sufficiently talented and diverse workforce with the right organisational structure to ensure that management is enabled to pursue the strategy.

Executive director succession and talent development

The Committee continues to oversee the evolution of the Leadership Team. During 2022 the Committee conducted a review of the leadership potential of senior executives below Board level, which identified the key skills and attributes required of the Leadership Team. This review enabled the strengthening of the Leadership Team during 2023, deepening the experience level in the areas of M&A integration and international business development through the addition of Philip Whittaker as EVP Global Services and Gustavo Baquero as EVP Strategy, Business Development & Energy Transition. An outcome of this process was the development of a more robust CEO succession plan, with the organisational design of the new Leadership Team which supports the development of multiple internal CEO candidates.

The Committee monitors talent development at safety and business critical levels, including the Leadership Team and its direct reports, and during 2023 has overseen the implementation of the Future Senior Leaders programme. This programme is a development plan designed to support a diverse range of potential successors to the Leadership Team. Elements of the plan include psychometric assessment, business simulation activity, personal coaching, and small group workshops to address learning needs and identify trends. Role success profiles are developed for all safety and business critical roles, to inform risk mitigation actions and retention considerations. Talent pools are being developed for these critical roles to ensure a robust talent pipeline to support strategic resource planning.

The Committee also oversaw the implementation of new talent processes across the wider organisation during 2023, to strengthen the focus on developing and retaining talent at all levels. This included the introduction of the Harbour Management Programme, which trained almost 200 managers across the organisation. Following receipt of feedback from the global engagement survey, learning opportunities for all employees have been introduced through the launch of a smart skills series and self-service learning software.

Non-executive director succession planning

In November, the Committee conducted a review of the structure, size and composition of the Board, as well as the membership and diversity of the Board's committees and the balance between executive and non-executive, independent and non-independent directors. The Committee concluded that, following the recruitment of Louise Hough and Belgacem Chariag, the structure and composition of the Board and its committees was suitable for the company at present.

The Committee will continue to monitor the composition of the Board alongside the tenure of directors to ensure the Board retains a suitable balance of skills, experience and diversity.

Appointment of non-executive directors

Two independent non-executive directors, Louise Hough and Belgacem Chariag, were appointed on 1 May 2023 and elected by shareholders at the AGM shortly afterwards. The appointments followed a thorough search process undertaken by the Committee, facilitated by MWM Consulting and a Search Committee comprised of the Chair, CEO, Anne L. Stevens and Simon Henry. MWM had no other connection to the company or its directors during the year.

The objective of the search was to seek new independent non-executive directors with technical and professional skills to complement the existing mix of skills and experience on the Board, whilst continuing to build a diverse Board in terms of gender, ethnicity and background. Following development of the candidate brief with MWM, structured research was undertaken by MWM to identify an initial list of potential candidates. The list included a diverse range of candidates, taking into consideration gender, ethnicity, social and cultural backgrounds alongside career experience, technical and professional skills. Interviews were arranged with four shortlisted candidates, and following receipt of feedback from the Search Committee, the Committee conducted a final review of the four candidates in the context of the two available Board roles.

The Committee agreed that Louise and Belgacem were the most suitable candidates for the available roles, possessed the skills and experience sought to refresh the balance of knowledge and capabilities of the Board and its committees and recommended their appointment to the Board.

Induction and training

On joining the Board, each director completes a bespoke induction programme designed by the Company Secretary, approved by the CEO and overseen by the Committee. As part of their induction programmes, Louise and Belgacem met with each of the Leadership Team and Business Unit managers as well as key representatives of corporate functions and the company's external auditors. The induction programme began before they joined the Board and ran for several consecutive weeks, also including meetings with each of the Board committee Chairs to provide a comprehensive introduction to the activities of each of the committees and their priorities. The programme of meetings was supported by bespoke induction materials providing key background information across a wide spectrum of topics. Shortly after Louise and Belgacem joined the Board, the Board and committee meetings were held in Aberdeen alongside a series of staff events, including meetings with safety representatives, members of several employee-led networks, the Global Staff Forum and Offshore Installation Managers. This provided all directors with the opportunity to meet in person with a wide cross section of our staff and gain a greater understanding of our UK North Sea operations and a deeper sense of Harbour's culture.

Throughout the year directors are provided with access to a varied programme of training opportunities, as well as in-depth sessions on material topics relevant to the business. The directors are also required to complete various training programmes undertaken by all employees, including ethics and compliance, share dealing and management of inside information, and cyber security.

Externally facilitated Board and committee performance review process

The Board monitors and improves its performance by reflecting on the continuing effectiveness of its activities, the quality of its decisions and by considering the contributions made by Board members. The Committee has completed its final year of the three-year Board performance evaluation plan put in place in 2021, facilitated by Lintstock. There is no connection between Lintstock and either Harbour Energy plc or the directors.

Following the completion of the in-depth externally facilitated review in 2022, this year's review was conducted through the completion of online surveys used to evaluate the performance of the Board, its committees, and individuals throughout the year.

2022-23 performance review

Improved | Stable

Key findings from the previous year and actions taken to address the findings are shown in the table below:

Finding	Action taken	2023 vs 2022
Improve quality of meeting materials	Board and committee report templates were updated following consultation with management. Templates ensure consistency across meeting papers and ensure clarity of materials and purpose. Board paper and presentation training sessions were held for all authors.	**Board packs** Clarity of purpose (Improved) Length (Improved)
Improve balance of presentation vs discussion at meetings	Presentation style formed part of the Board paper and presentation training sessions including ensuring ample time for discussion. Poster sessions were introduced for more detailed topics enabling more dynamic Board discussion with senior management and project owners in revolving breakout groups.	**Presentations** Level of detail (Improved) Quality (Improved)
Succession planning	Following completion of the UK organisation review, the Nomination Committee received an update on global succession planning and talent management activities across the organisation. This work will continue into 2024, and further information is available on P73.	**Succession** CEO (Stable) CFO (Stable)

The 2023 surveys were consistent with those used in previous years to enable comparison of the results, with the addition of specific questions to consider work completed during the year. The resultant reports were prepared by Lintstock and used by the Board, its committees and individual directors to discuss findings and agree areas to focus on in the year ahead in terms of Board and committee performance.

Overall, the results of the 2023 review were positive, with significant improvements shown where actions had been taken in response to the outcome of the previous year's review. Areas which scored well, relative to an external benchmark, included: the clarity of strategic purpose; the diversity of the balance of skills, background and experience on the Board; the structure at senior levels and visibility of potential successors as well as succession at the layer below the Board; risk appetite and mitigation; and monitoring of culture.

Areas identified for continued focus in 2024 include:

- succession planning and talent development;
- growth opportunities; and
- deepening stakeholder engagement.

The Committee considered the findings of the evaluation and concluded that each director continues to contribute effectively and has sufficient time to devote to their role. The outcome of the annual independence assessment for the non-executive directors concluded that each independent director continues to be independent. The Committee and the Board are therefore unanimous in recommending for re-appointment all directors who will be standing for re-election at the 2024 AGM.

Workforce engagement

The Board has a variety of means to engage directly with employees throughout the year, including a combination of the Provision 5 mechanisms set out in the UK Corporate Governance Code, namely a workforce advisory panel and designated non-executive directors.

Staff forums, both local and global, are made up of volunteers from the workforce and have a mandate to enable the two-way flow of information, feedback and ideas between the workforce and management. Local staff forums meet regularly each year and report into the Global Staff Forum, which meets with the CEO and members of the Leadership Team four times a year. Two designated non-executive directors, Andy Hopwood and Louise Hough, act as Board representatives to the Global Staff Forum and are invited to join two of these meetings annually. The Committee receives regular updates on the actions arising from Global Staff Forum feedback. During 2023, forum members selected a range of topics for discussion, with themes including clarity of communications across the organisation, embedding the culture and values across all Business Units, and addressing matters raised from the 2022 global engagement survey.

Harbour also has a comprehensive group of employee networks to ensure engagement across the company. At a local level, supported by the DE&I team, there are voluntary employee-led networks, including ability, early careers, cultural, gender balance, neurodiversity, pride, menopause support and science, technology, engineering and maths (STEM) ambassadors. The aim of these networks is to improve engagement and to foster a diverse, inclusive workplace, offering a safe space for employees to raise awareness of relevant issues, often linked to identity.

Feedback from the employee networks is taken to the Global Diversity Council which includes the various network chairs and works with management to implement improvement initiatives. The Board receives updates from the Global Diversity Council through the Global Staff Forum. Further information on employee engagement initiatives is available in the ESG review on page 50.

The Committee was pleased to see the strong company-wide participation in the global engagement survey, which had a global employee response rate of 85 per cent. The Committee has reviewed the results of the survey and management are meeting with their teams, staff forums and employee networks to review the data and develop both local and global initiatives to address key findings.

The Committee considers that the workforce engagement mechanisms remain suitable for the organisation at this time due to the wide range of insights received from employees representing all levels of the organisation.

R. Blair Thomas
Committee Chair

Diversity, equity and inclusion

All Board appointments are made based on merit, experience and performance and whilst actively seeking diversity of skills, gender, social and ethnic backgrounds, cognitive and personal strengths. The Committee's oversight role includes ensuring that diversity, equity and inclusion are integrated into our business management system, HR standards and recruitment processes, and remain front of mind as we continue to build Harbour's corporate culture and work to execute the strategy.

The policy with respect to Board diversity is reviewed annually by the Committee and aims to ensure the optimal composition of the Board and its committees for successfully delivering Harbour's strategy, with a goal to meet the targets contained in the FCA Listing Rules on diversity:

- that at least 40 per cent of the directors are women;
- that at least one of the roles of Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer is held by a woman; and
- that at least one Board director is from a minority ethnic background.

As at the company's chosen reference date, 31 December 2023, Harbour is fully compliant with the FCA Listing Rule targets, with 40 per cent of the Board being female, including our Chief Executive Officer, and one of our Board members identifying as being from multiple ethnic groups. In relation to diversity of the Board's committees, it is recognised that it is not always practical to set meaningful diversity targets for the committees due to the notably smaller membership of each. Accordingly, the Committee adopts a principles-based approach which endorses the approach of bringing diverse perspectives to all areas of work conducted by the Board and its committees. The review of committee membership following the appointment of new directors shows the outcome of this approach, with diversity represented on each of the Board committees.

Among senior management, women and ethnic minorities represented 33 per cent and 29 per cent respectively of the Leadership Team and its direct reports, excluding executive directors, as at 31 December 2023. As Harbour moves forward into 2024, our drive to improve diversity, equity and inclusion will continue to ensure that we have the right people in place to deliver strong performance and growth in line with the company's ongoing strategy.

The company's gender and ethnic diversity data is collected through the HR management system, where employees are invited to voluntarily answer questions related to ethnic group, national identity and religious affiliation.

Further details of the Board's composition are outlined on pages 70 and 71 and the disclosure required under Listing Rule 9.8.6R(10), as at the reference date of 31 December 2023, is set out below:

Gender	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management
Man	6	60%	3	7	70%
Woman	4	40%	1	3	30%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management
White British or other white (including minority white groups)	9	90%	4	9	90%
Mixed/multiple ethnic groups	1	10%	–	1	10%
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1 Definition of senior Board position: Chair, CEO, CFO, Senior Independent Non-Executive Director.
2 Definition of executive management: the executive committee or more senior executive or managerial body below the Board, including the Company Secretary but excluding administrative and support staff.

Audit and Risk Committee report

This year was an important one for the Committee in operating through its second full cycle.

ALAN FERGUSON
COMMITTEE CHAIR

Role of the Committee

- Monitors the integrity of the company's financial statements and any formal announcements relating to the company's financial performance and the significant financial reporting judgements they contain.
- Reviews the external auditor's independence, objectivity and the effectiveness and quality of the audit process.
- Monitors and reviews the effectiveness of the company's risk management and internal control systems including the identification of emerging risks together with the results of the programme of reviews of these systems and management's response to the review findings.
- Monitors and reviews the effectiveness of the process for ensuring actions are taken to mitigate the risks which are considered by the Board to be the principal risks facing the company.
- Monitors and reviews the effectiveness and objectivity of the company's Internal Audit function, the appropriateness of its work plan, the results of reviews undertaken, and the adequacy of management's response to matters raised.
- Develops and implements policy on the engagement of the external auditors to supply non-audit services.
- Monitors the enforcement of the company's Global Code of Conduct and the adequacy and appropriateness of its whistleblowing procedure.

Meeting attendance

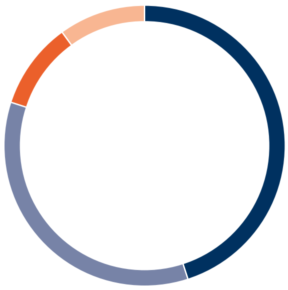
Alan Ferguson (Committee Chair)	●●●●●●●
Simon Henry	●●●●●●●
Louise Hough[1]	●●●●●
Margareth Øvrum	●●●●●●●

● Attended ● Not attended

1 Louise Hough joined the Board and was appointed a member of the Audit and Risk Committee on 1 May 2023.

How the Committee spent its time during the year (%)

Financial reporting and audit	45
Risk management and internal control	35
Special topics	10
Governance	10



THE UK CORPORATE GOVERNANCE CODE IN ACTION

1 2 3 4 5

4 Audit, risk & internal control

UK Corporate Governance Code Principle	How does the Board apply this Principle?	Further information
M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Board, supported by the Audit and Risk Committee, has established formal and transparent policies and procedures which ensure that Internal Audit and the external auditors are independent and effective. These procedures enable it to satisfy itself as to the integrity of financial and narrative statements in external reporting.	• Role of the Committee: P76 • Independence and objectivity of external auditors: P78 • Quality of the external audit process: P78 • Internal Audit: P79
N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Board, supported by the Audit and Risk Committee, considers the 2023 Annual Report and financial statements to present a fair, balanced and understandable assessment of the company's position and prospects, confirming that it provides the information necessary for shareholders to assess the company's position, performance, business, business model and strategy. During the year, the Board has also considered the same in relation to public reporting including trading and operations updates and the half-year results and financial statements.	• Key activities during the year: P77 • Financial reporting judgements and estimates: P77 • Statement of directors' responsibilities: P108
O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	The Audit and Risk Committee supports the Board in establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the company is willing to take in order to achieve its strategic objectives.	• Risk management: P56 • Monitoring and effectiveness of the risk management framework: P58 • Risk management and internal control: P79

GOVERNANCE AT A GLANCE PAGE 66

NEXT SECTION OF THE CODE PAGE 82

Dear shareholder,

I am pleased to present the Audit and Risk Committee's report for 2023. The objective of this report is to provide a summary of the Committee's work to ensure the interests of the company's stakeholders are protected through a robust system of risk management and transparent financial reporting.

I held the position of Chair of the Audit and Risk Committee throughout 2023. I would like to welcome Louise Hough to the Committee following her appointment to the Board on 1 May 2023.

Key activities during the year

The Committee held seven scheduled meetings during 2023. A further two meetings were held in 2024, prior to the publication of this Annual Report & Accounts. In addition to the members of the Committee listed on the previous page, meetings were normally also attended by the Chief Executive Officer, the Chief Financial Officer, the Financial Controller, the VP Internal Audit and Risk Management, the General Counsel and the company's external auditors. Other senior managers are required to attend when significant audit and risk management matters relating to their area of responsibility are considered by the Committee.

During the year, the Committee met privately with the Chief Financial Officer, the VP Internal Audit and Risk Management and the external auditors without management present. In addition, I met privately with each of these individuals and the external auditors in between certain Committee meetings.

The Committee invested extensive time during the year reviewing the processes in place and judgements required to prepare the company's full and half-year results. These included significant financial reporting judgements, key accounting estimates, climate change disclosures and important internal control matters. In particular, the Committee reviewed significant financial reporting judgements and estimates that have occurred in the year and the clarity and completeness of disclosures in the financial statements. In this work, we considered the impact of the energy transition, in particular the uncertainty of the scale and timing of such impacts and the implications on asset valuations and the long-term resilience of the business.

More detail about the work of the Committee in relation to these financial reporting judgements and estimates can be found in the panel opposite.

Financial reporting judgements and estimates

Impairment and reversals of tangible and intangible properties

In assessing indicators of impairment or reversals of previous impairments of oil and gas properties, the Committee:

- reviewed and challenged management's key assumptions for oil and gas properties, including the long-term planning assumptions and future oil and gas prices; and
- taking account of available market data, approved management's pricing assumptions for crude oil and UK NBP that are used for impairment testing (refer to note 2 to the financial statements for more detail on page 124).

The Committee was satisfied that the most significant assumptions on which the impairment charges and reversals are based are: future commodity prices, the discount rate applied to the forecast future cash flows and decommissioning provisions. The Committee judged the sensitivity of the impairment charges to changes in the commodity prices, as set out in note 12 to the financial statements on page 148, to be appropriate. The Committee also considered the impact of climate change and carbon pricing on the financial statements and concluded there was unlikely to be a material impact on the financial statements. Further information can be found in note 2 to the financial statements on page 124.

The Committee assessed the carrying values of exploration and evaluation assets (E&E) and whether any indicators of impairment exist in relation to these assets. The Committee reviewed the oil and gas resources estimates and maturation reports provided by management and is satisfied that the resource movements in the year, and balances at year end, were appropriately prepared and supported, and that the corresponding E&E asset carrying balances and income statement charges were aligned with the resources reports.

Details of the company's intangible E&E assets are provided in note 11 to the financial statements on page 146.

Oil and gas reserves and resources

The Committee considered reports from management on the process used to determine the oil and gas reserves and resources estimates, looking in particular at whether the methodology was generally accepted industry practice and consistent with prior years, and the experience and expertise of the managers who prepared and reviewed the estimates. The Committee noted that estimates of the company's proven and probable oil and gas reserves prepared by independent reservoir engineers were within 1 per cent of management's estimates.

The Committee discussed with management the main reasons for the difference between the two estimates and was satisfied that it was appropriate to apply management's estimates for the purpose of preparing the financial statements.

Provisions for decommissioning

The Committee discussed with management the process and principal assumptions underpinning the cost estimates for future decommissioning activity. In particular, the Committee reviewed the range of risk-free discount rates applied compared to the prior year. The Committee was satisfied that the approach applied was reasonable and that the combination of discount and contracted rig rates used was appropriate. Further information on decommissioning provisions is provided in note 20 to the financial statements on page 154.

Taxation

The Committee reviewed and discussed reports from management associated with calculating the Group tax provision for the period. Key areas of review were judgements in relation to tax risk with respect to commodity derivatives, and the reported effective tax rate for the period. The Committee noted that while it was considered more likely than not that the position adopted in respect of commodity derivatives for tax purposes was appropriate, there was a potential for the UK Tax Authorities to take an alternative view and, while not considered a likely outcome, a contingent liability has been disclosed of $120 million. Refer to note 8 to the financial statements for further detail on page 144.

The Committee noted that the net deferred tax position on the balance sheet has moved from an asset position to a liability position as a result of the ongoing utilisation of tax losses and the reduction in hedging liabilities. Further details of the deferred tax asset are provided in note 8 to the financial statements on page 144.

Going concern

The directors are required to consider the appropriateness of adopting the going concern basis of accounting. The Committee reviewed management's projections of the company's liquidity position. Key assumptions in the projections included those related to oil and gas prices and production during the period. The Committee is satisfied that the judgements applied in making the assumptions and estimates that underpin the forecasts and projections are appropriate. The going concern statement included on page 31 is fair and balanced.

The Committee monitored the continued independence and objectivity of the external auditors and reviewed the quality and effectiveness of the audit process, as described in the auditor's independence and quality sections below.

The Committee monitored and reviewed the risk management and internal control systems in support of its duty to monitor and review the overall effectiveness of the system on behalf of the Board and to oversee the management of specific risks assigned to the Committee, as described in the Risk management and internal control section below.

The Committee received reports on the outcome of internal audits conducted during the period, reviewed and approved the Internal Audit plan for 2024 and reviewed the transition of the Internal Audit function from an out-source model to a co-source model, as described in the Internal Audit section below.

The Committee received reports on whistleblowing incidents and reviewed a summary of the outcomes of an independent third-party review of the company's broader compliance programme.

The Committee attended to several governance matters. These comprised the review of several company policies as part of an agreed Board schedule to ensure all the company's policies and statements remain appropriate; proposed revisions to the company delegated authorities; and the status of emerging requirements related to audit and corporate reform, including reviewing the company's response to the UK Financial Reporting Council's (FRC) 2023 consultation on this matter.

In October, the Chair of the Board received a letter from the FRC stating that the 2022 Annual Report & Accounts had been reviewed by the FRC's Corporate Reporting Review (CRR) team. Whilst acknowledging the limitations inherent in the scope of their review, we were pleased to learn that the FRC did not raise any questions or queries for the company. We note that an FRC review provides no assurance that Harbour's Annual Report & Accounts for 2022 was correct in all material respects. Some observations were made which the FRC believed could enhance existing disclosures, and those were addressed in the preparation of the 2023 Annual Report & Accounts, where considered appropriate.

At year end, the Committee conducted an externally facilitated review of its own effectiveness and ensured that the actions it identified were integrated into its planning for 2024. This review was facilitated by Lintstock and is further described in the Nomination Committee report on page 74.

Quality of the external audit process

The Committee is responsible for assessing the quality and effectiveness of the external audit process. At the start of the audit cycle, the Committee takes an appropriate amount of time to review the auditor's work plan and their assessment of the significant areas of risk in the financial statements, as this is the foundation of a high quality audit. For 2023, the significant areas of risk corresponded with the financial reporting judgements and estimates identified by the Committee as detailed on page 77. Having considered the scope and matters arising through the year, the Committee was satisfied that it did not require the auditors to consider any new audit matters. Following the audit, we discussed the findings with the auditors, including the challenges made around the key accounting judgements and estimates, the level of adjusted and unadjusted errors identified during the audit, the recommendations made to management by the auditors and management's response.

In assessing the quality of the external audit process, the Committee focused on:

- the experience and expertise of the audit team;
- the rigour and focus applied to preparing the audit plan;
- the fulfilment of the agreed audit plan by the auditors and any variations from the work plan;
- the challenge and professional scepticism shown by the auditors in their handling of the key accounting and audit judgements;
- the quality of the recommendations made by the auditors for financial reporting process and control improvements;
- the interactions of the audit team with the Committee in and outside the formal meetings; and
- delivery against commitments made in the original audit tender presentations.

In addition, the Committee invited input from management and senior finance staff utilising a questionnaire, which the Committee had approved, and reviewed the Ernst & Young LLP (EY) UK 2023 audit quality report.

Following this work the Committee judged that a quality audit had been delivered.

Independence and objectivity of the external auditors

The Committee is responsible for overseeing the Board's relationship with the external auditors and assuring their continued independence and objectivity. EY were appointed in 2021 for a period of up to five years following the completion of a limited competitive tender process as part of the merger as described in my 2022 report. Our intention remains that the company will run a full competitive tender process in 2025. The company is fully compliant with the requirements of the Statutory Audit Services Order 2014.

The Committee reviews the independence and objectivity of the auditors on an ongoing basis and takes into account the overall relationship between the auditors and the company. In conducting this review, the Committee considered:

- feedback from the company's finance function and the auditors;
- the nature, extent and cost of non-audit services provided by the auditors;
- any recruitment of former employees of the auditors; and
- the safeguards the auditors have in place to prevent loss of audit independence, including the rotation of the audit engagement partner which is required every five years.

Our private meetings with the auditors throughout the year, and my private meetings with the lead audit partner in between certain meetings, provide an opportunity for open discussion with the auditors on a variety of topics. Matters discussed included: the auditor's assessment of significant financial risks and the performance of management in addressing these risks, how they have exercised challenge of management, the auditor's observations on management's role in fulfilling obligations to maintain internal controls, the transparency and responsiveness of management and confirmation that no restrictions have been placed on them by management, maintaining the independence of the audit.

The Committee approves the fees for the full-year audit and half-yearly review after reviewing the scope of work, and reviews the fees for non-audit assignments to satisfy itself that the assignments concerned do not give rise to threats to the auditor's independence and objectivity. The Committee believes that certain pre-defined non-audit work may be carried out by the external auditors without compromising their independence. Non-audit work is allocated in line with the company's policy on the provision of non-audit services by the external auditors and is approved by the Committee.

In 2023, this comprised services relating to the review of interim financial statements of £0.2 million, transaction related services including reporting accountant services of £0.4 million, and certain agreed-upon-procedure engagements and assurance over ESG metrics of £0.1 million. The global audit fee for the 2023 external audit work amounted to £2.7 million. Further details of the fees paid are set out in note 5 to the financial statements on page 140.

The external auditors are required to confirm to the Committee that they have both the appropriate independence and objectivity to allow them to continue to serve the company. The Committee also requires the external auditors to confirm that in providing non-audit services, they comply with the Ethical Standard (2019) issued by the FRC. This confirmation was received for 2023.

Based on these reviews, the Committee concluded that the independence of the auditors has not been impaired and that the audit process operated effectively during the period, and it has reported accordingly to the Board.

Risk management and internal control

The Committee is responsible for monitoring and reviewing the effectiveness of the company's risk management and internal control systems (its risk management framework) on behalf of the Board. The risk framework is described on pages 56 to 58.

During the year, the Committee reviewed the processes in place to assess the principal and emerging risks facing the business, in support of the Board's assessment of these risks during the year. We also reviewed the model governing the Board and its committees' oversight of the management of risk. This model is designed to ensure all principal risks, and the Board's appetite (or tolerance) for these risks, are given appropriate consideration by the Board and its committees. We also oversaw the management of specific principal risks assigned to the Committee by the Board. Topics included management-led presentations on the continued development of the risk-focused financial reporting internal controls framework for both business and IT general controls; optimisation of the newly implemented enterprise management system (EMS); information and cyber security; legal and regulatory compliance; a review of several company policies; proposed revisions to the company delegated authorities; and an update on human rights processes and controls to support the Board in approving its modern slavery and human rights trafficking statement.

The risk management framework includes specific internal controls governing the financial reporting process and preparation of financial statements. We have clear policies, standards and procedures for ensuring we comply with relevant regulatory reporting requirements and that these are applied consistently across our finance reporting teams and business areas involved in preparing the financial statements. The Committee seeks representations from management regarding compliance with relevant policies and the accuracy of financial information on a biannual basis. Detailed management accounts for each reporting Business Unit are prepared monthly and subject to management review. These reports detail the performance and cash flows of the business and support our external financial reporting processes.

The Committee completed its annual review of the effectiveness of the company's risk management and internal control systems during the period in support of the Board approved statements on the risk management framework on page 56, including the basis for our conclusion that the risk management and internal control systems remain effective. The Committee has also completed its annual review of the processes in place to prepare the 2023 Annual Report & Accounts and to ensure they are fair, balanced and understandable in order to support the Statement of directors' responsibilities on page 108.

Internal Audit

The company's Internal Audit function provides third-line assurance, as part of its assurance model described on page 58.

During the year, the Committee received reports on internal audit findings, noting any significant findings and monitoring the close-out of any actions agreed as a result of these audits. During 2023, these comprised audits related to decommissioning security agreements, global assurance, internal reserves reporting, corporate modelling, contracting and procurement in our Indonesia business, and commodity hedging. The Committee also received a summary of other internal audits conducted over the period which were reported to the other Board committees that oversee those risk areas. The Committee also reviewed the outcomes of other key sources of assurance conducted over the period. This included independent third-party reviews of the EMS, the company's compliance programme, reserves reporting and cyber-security testing.

The Committee reviewed progress on the transition of the Internal Audit function from a primarily outsourced delivery model towards a co-source model, as approved by the Committee during 2022, and the outcomes of an effectiveness self-assessment which will help inform this change process.

The Committee reviewed and approved the Internal Audit plan for 2024 including its budget and resource requirements. This plan is targeted at providing assurance on the effectiveness of the management of the company's most significant risks and takes account of other sources of assurance to avoid duplication. The Committee also reviewed a draft of a document that formalises the integrated 'three line' assurance model the company has established.

Committee evaluation

As part of the externally facilitated Board and committee evaluation, the Committee discussed the assessment of its own performance and agreed actions for the coming year, one of which was to ensure that non-executive directors took part in the company's cyber-security training programmes. More detail on the evaluation process and outcomes are provided in the Nomination Committee report on page 74.

In conclusion

This year was an important one for the Committee in operating through its second full cycle and in which the company established several key new company controls in place of legacy arrangements including the implementation of a new EMS system. We also continued to mature the risk management and internal control framework over financial reporting and reviewed several key risk areas.

Areas of focus for 2024 will include further oversight of key risk areas such as the continued development of our financial reporting internal controls framework, information security, energy transition reporting, as well as ensuring the company is well positioned to comply with the new future requirements related to UK Corporate Governance Code reform. In addition we have a significant workload ahead of us as the company prepares to complete the acquisition of Wintershall Dea's asset portfolio. In that regard we will focus on ensuring the Group's processes and controls are robust such that we can plan for an effective integration of reporting requirements as well as dealing with matters such as purchase price allocation and the planning for internal and external audit capacity to cover the enlarged portfolio.

Alan Ferguson
Committee Chair

Safety is a fundamental element of Harbour's culture. This was evident in the improvement seen in safety performance during 2023 and the continued strong results from the company's employee engagement survey.

MARGARETH ØVRUM
COMMITTEE CHAIR

Role of the Committee

- To monitor and review the effectiveness of the implementation of Harbour's HSES strategy including the implementation of Harbour's Net Zero 2035 commitment.
- To evaluate the effectiveness of Harbour's policies and systems for delivering its HSES strategy, maintaining regulatory compliance and managing HSES risk, including review of mitigating actions, determination of HSES risk appetite and tolerance, and monitoring the assurance programme.
- To monitor the quality and integrity of Harbour's internal and external reporting of HSES performance and issues.
- To assess the policies and systems within Harbour for ensuring compliance with HSES regulatory requirements.

Meeting attendance

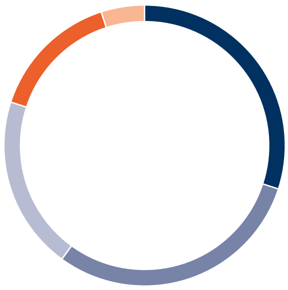
Current members	
Margareth Øvrum (Committee Chair)	●●●●●
Belgacem Chariag[1]	●●●
Simon Henry	●●●●●
Former members	
G. Steven Farris[2]	●●

● Attended ● Not attended

1 Belgacem Chariag joined the Board and was appointed a member of the HSES Committee on 1 May 2023.
2 G. Steven Farris stepped down from the Committee on 10 May 2023.

How the Committee spent its time during the year (%)

Safety performance	30
Environmental and net zero	30
External reporting/KPIs	20
HSES strategy and management system development	15
Audit findings	5



HSES culture

Harbour's commitment to safe, reliable and environmentally responsible operations is embedded in Harbour's purpose statement and is one of the four pillars that make up our company strategy. Deepening HSES culture across the organisation is key to drive the move from good to excellent and ultimately incident free operations. The company undertook its first ever global workforce engagement survey in 2022 and implemented a number of cultural initiatives, including increasing leadership visibility, as a result.

Visible HSES leadership remains key to maintaining and deepening our HSES culture. During 2023 I was pleased to see Harbour expand the senior leadership engagement and HSES leadership visit programmes in all areas of the world where we operate. These programmes help reinforce that nothing is more important than the safety of our employees and worksites.

Alongside health and safety, the importance of environmental management, and the wider aspects of climate change, energy transition and biodiversity, is significant. We believe that hydrocarbons will play a material part in the energy mix for decades to come and are committed to playing a significant role in their responsible production. The focus on upstream oil and gas producers and their role in combating climate change and the energy transition is only increasing, and our environmental performance is crucial to Harbour's licence to operate and employee satisfaction.

Harbour undertook a significant organisational review in 2023 and implemented a number of changes. The Committee was particularly pleased to see that Harbour prioritised the safety and wellbeing of the workforce throughout the reorganisation and did not lose focus on the need to ensure proper resources are allocated to these important areas.

In 2023 the company repeated a global engagement survey, which had an employee response rate of 85 per cent. The Committee was very pleased that 88 per cent of our employees and 89 per cent of our contractors agree that Harbour Energy has a strong safety culture.

Dear shareholder,

A focus on health, safety, environment and security (HSES) is fundamental to the success of our business. I am pleased to be able to report on the activities of the Committee in 2023.

The Committee held five scheduled meetings during the year. Steve Farris stepped down from the Committee in May and has been replaced by Belgacem Chariag. I am grateful to Steve for his contribution to the Committee's work and am pleased to welcome Belgacem, who brings significant HSES and sustainability experience to our discussions.

GHG emissions and net zero

Global and country-level emission targets and reporting standards are being frequently updated. Harbour's own commitment is to achieve net zero greenhouse gas emissions by 2035 for Scope 1 and 2 on a gross basis across Harbour operated assets. The Committee has spent significant time in 2023 reviewing emission forecasts and the effectiveness of our decarbonisation programmes. Meeting our net zero target is challenging. However, the Committee is pleased with progress towards our interim targets and with the integrity and responsibility that Harbour is showing regarding decarbonising and developing a high quality offsetting programme. The Committee supported the expansion of Scope 3 emissions reporting and is pleased that we are now disclosing Scope 3 emissions associated with use of sold product.

Personal safety

At each meeting, the Committee reviews Harbour's HSES performance against our key performance indicators. The Committee was pleased that there were zero lost-time injuries during the year and that the Total Recordable Injury Rate (TRIR) of 0.7 injuries per million work hours for 2023 was an improvement over 2022. This suggests that the significant improvements seen in 2022 have been embedded and are effective. The performance is also near to top quartile as measured against peers by the International Association of Oil and Gas Producers (IOGP), and the Committee was pleased to see that the severity of incidents in 2023 was much reduced over 2022.

Process safety

Effective management of our major accident hazards is fundamental to the safety of our colleagues and our future success. The Committee fully supports the company's goal to be recognised for excellence in process safety. In 2023 I am pleased to see that for the first time since the company was established, we recorded no Tier 1 or Tier 2 process safety events (PSEs). This represents an improvement on our performance in 2022 (2022: one PSE). For 2024 we will introduce a subset of Tier 3 loss of primary containment PSEs to our company scorecard to hold ourselves to account for smaller releases.

Throughout 2023 the Committee has been kept abreast of the progress made to raise process safety awareness across the company. Harbour has continued to roll out and embed the Process Safety Fundamentals across our onshore and offshore operations; and continued to provide site based and our IChemE award winning multi-language virtual awareness process safety training, in partnership with DNV Spadeadam. We also rolled out 'I am a process safety leader' which helps managers and supervisors plan, execute and monitor work that has process safety hazard exposures. The degree to which we have embedded the Process Safety Fundamentals in our workflows was the topic of our Global HSES Day in 2023.

High potential events

At each Committee meeting we spend time receiving updates on serious and high potential events from across the Harbour portfolio. In 2023 we had three high potential events, which is a significant improvement from the 13 reported in 2022. The Committee was encouraged to see this significant improvement to which the company-wide 'Back to Basics' campaign contributed. The Back to Basics campaign focuses on the key contributory causes identified in historic events including the management of contracted work; hazard awareness and risk assessment; simplification of control of work processes; and procedural compliance.

Environmental spill performance

Our environmental performance is reflected in the number of unplanned discharges we have to the marine environment from our offshore operations. In 2023 the Committee noted zero hydrocarbon spills released to the environment (2022: four). There were nine hydrocarbon spills recorded which did not enter the marine environment.

Additional HSES activities

In June 2023, all Board members attended a meeting with the Offshore Installation Managers and the UK safety representatives which were excellent opportunities to understand the issues faced by Harbour's offshore employees and contractors.

In late 2023, the Committee reviewed the HSES principal risks, mitigating actions, assurance programme, risk appetite and tolerance levels. The Committee spent time in early 2024 reviewing the performance against safety and environment measures on the 2023 scorecard to make its recommendation to the Remuneration Committee. The Committee also reviewed the content of this Annual Report, which includes disclosures made in line with the TCFD framework, set out on pages 39 to 44.

Emergency response

During the year, Harbour undertook 42 emergency and crisis management exercises, which included two full deployment oil spill response exercises in Indonesia. The Indonesian exercises were designed to test the response to an oil pollution event at sea and involved over 100 participants from Harbour and local marine agencies. Maintaining a competent and effective emergency response organisation is critical and the Committee was pleased to hear the very positive feedback from multiple sources on the quality and effectiveness of the exercises.

HSES audit plan and management system

The Harbour management system has been updated in 2023 to align with the new organisation. We have expanded the corporate HSES organisation, which is responsible for Harbour's HSES standards and global procedures. The Committee regularly reviews HSES audit plans and progress on HSES plan delivery.

Further information on the importance of HSES to Harbour's culture can be found on pages 34 to 37.

Margareth Øvrum
Committee Chair

The Committee believes that the remuneration outcomes for 2023 fairly reflect performance, and our intended operation of the new Remuneration Policy in 2024 will support the delivery of our short-term and long-term objectives.

ANNE L. STEVENS
COMMITTEE CHAIR

Role of the Committee

- Develop and maintain a Remuneration Policy that rewards fairly and responsibly, and attracts, retains and motivates employees to enable the company to meet its objectives, taking into account the long-term interests of employees, shareholders and other long-term stakeholders.
- Consider and approve the remuneration arrangements for the Chair, the executive directors and other senior executives as determined by the Committee.
- Exercise oversight of the pay and performance conditions across Harbour.

Compliance statement

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the directors' remuneration report and to state whether, in the auditor's opinion, those parts of the report have been properly prepared in accordance with the above regulations. The Chair's annual statement and the Remuneration Policy report are not subject to audit. The sections of the Annual Report on Remuneration that are subject to audit are indicated accordingly.

Meeting attendance

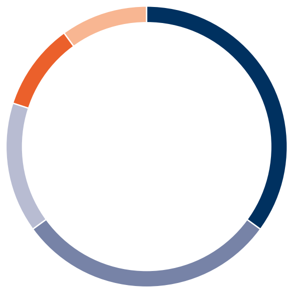
Anne L. Stevens (Committee Chair)	●●●●
Alan Ferguson	●●●●
Andy Hopwood	●●●●
Louise Hough[1]	●●●

● Attended ● Not attended

1 Louise Hough joined the Board and was appointed a member of the Remuneration Committee on 1 May 2023.

How the Committee spent its time during the year (%)

Senior executive remuneration	35
Wider workforce pay and conditions	30
Market environment	15
Employee engagement	10
Remuneration reporting and governance	10



THE UK CORPORATE GOVERNANCE CODE IN ACTION

1 2 3 4 5

5 Remuneration

UK Corporate Governance Code Principle	How does the Board apply this Principle?	Further information
P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	Through long-term and short-term incentives, the 2024 Remuneration Policy to be put to shareholders at the 2024 AGM is designed to drive a performance culture that incentivises executives to deliver the company's strategic objectives and promote long-term sustainable success.	• Directors' Remuneration Policy: P85 • Chair's annual statement: P83 • Annual Report on Remuneration: P94
Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	No director is involved in setting their own remuneration outcome. There is a formal and transparent procedure in place to develop the Remuneration Policy, which ensures that executive remuneration is set with consideration of the wider workforce and benchmarking.	• Directors' Remuneration Policy: P85 • 2023 Annual bonus outcome: P96
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Remuneration Committee comprises only independent non-executive directors to ensure independent judgement and discretion when reviewing and authorising remuneration outcomes. The Committee determines outcomes by assessing performance against a balanced scorecard of measures.	• Chair's annual statement: P83 • 2023 Annual bonus outcome: P96 • Percentage change in directors' remuneration and CEO pay ratio: P101

GOVERNANCE AT A GLANCE PAGE 66

Dear shareholder,

On behalf of the Board, I am pleased to present Harbour's directors' remuneration report for the year ended 31 December 2023.

This report contains an updated Directors' Remuneration Policy (the Policy), for which we are seeking shareholder approval this year, alongside the 2023 Annual Report on Remuneration. The Policy will be put to a binding vote at the AGM on 9 May 2024 and the Annual Report on Remuneration will be put to an advisory vote.

During the year the Committee held four scheduled meetings. We were pleased to welcome Louise Hough to the Committee in May following her appointment to the Board.

Remuneration outcomes in 2023

Our people have performed well against an unpredictable economic and geopolitical backdrop, delivering improved safety performance in 2023, continuing to maximise the value of our producing assets, investing in our international growth opportunities in Mexico and in Indonesia, as well as progressing our two UK CCS projects. These efforts were supported by active management of our cost base and disciplined capital allocation, resulting in free cash flow generation of $1 billion, allowing a material reduction in our net debt and supporting the announcement of $400 million of shareholder returns. In addition, the company announced a transformational acquisition towards the end of the year.

2023 annual bonus

Our annual bonus is based on a scorecard of financial and non-financial performance measures. These fall within four categories: safety and environment, operations, growth and capital deployment, and financial.

Metrics which relate to financial performance include free cash flow performance, performance related to our capital investment programme, operating cost performance and production (which drives revenue). Together these metrics represent 65 per cent of the scorecard. The environment metrics include stretching GHG targets, ensuring investment in operational efficiencies and modifications to support Harbour's Net Zero 2035 goal, as well as the acquisition of independently verified credits to offset residual emissions. Safety measures, related to safety incident rate and process safety, continue to be a critical part of our scorecard. Full details of the company's key performance indicators, to which the scorecard is linked, are detailed on page 16.

The Committee believes that the use of a scorecard approach with no one measure comprising more than 20 per cent ensures that management are properly incentivised to drive performance across a range of measures which are critical to enabling Harbour to grow in a sustainable and responsible way. The Committee reviews the scorecard regularly to ensure appropriate consideration is given to alignment with sector practice.

Overall, the scorecard outcome for 2023 is a payout of 96 per cent out of a maximum of 200 per cent for executive directors, indicating an overall performance on target. This outcome mainly reflects shortfalls versus the production and unit operating cost targets offset by strong HSES performance including in safety and in relation to greenhouse gas emissions. Other metrics were more or less on target.

The Committee considered the scorecard outcome and performance in the round, including whether this was appropriate in the context of the Group's overall strategic progress, financial performance and HSES record in the year, and the executive directors' individual performance. In addition the Committee received a recommendation from the HSES Committee on performance against safety and environment measures. We determined that the formulaic outcome was appropriate and therefore the final bonus outcome was approved at 96 per cent.

Full details of the measures and targets, together with the actual performance outcome for each measure, are provided on page 96.

In line with the existing Policy, 50 per cent of the bonus for the executive directors will be deferred into shares for three years.

Vesting of 2021 LTIP awards

The first LTIP awards following the merger were granted to the executive directors in 2021. These were subject to relative total shareholder return (TSR) performance, measured against two comparator groups: the FTSE 100, and a bespoke comparator group of sector peers. Details of the bespoke comparator group are listed in note 2 to the LTIP awards vesting table on page 97. The company's three-year relative TSR performance was -21.4 per cent. This performance was below median against the FTSE 100 TSR and the sector peer group and therefore no portion of the 2021 LTIP award shall vest. Harbour's material under-performance relative to both peer groups is largely attributed to the significant impact of the UK Energy Profits Levy (windfall profits tax) on the company's earnings, cash flow and value when compared to the sector peer group whose asset portfolios are generally much less concentrated in the UK. The UK Energy Profits Levy has also impacted the expected vesting levels in relation to the 2022 and 2023 LTIP awards. The Committee reviewed the outcome and confirmed that it would not exercise its discretion to adjust the formulaic outcome.

Full details of the performance calculation are provided on page 97.

Review of Directors' Remuneration Policy

The existing Policy was developed in 2021, following the merger of Chrysaor and Premier Oil to form Harbour Energy. At the time, the Policy was designed to balance the requirements of the UK listed environment while also enabling us to offer competitive rates of pay for a global oil and gas company.

Therefore, whilst our remuneration framework meets all the best practice expectations of a UK plc, incentive opportunities were set at a higher level than typical in the UK market, to recognise the need to attract high quality, experienced executives from an international talent pool in order to deliver our strategy of building a large, global, diversified oil and gas company. The level of quantum is still significantly below US norms, and as such the Remuneration Committee believes that opportunity levels were set appropriately, at a level which balances these conflicting priorities.

In line with the typical triennial cycle, the Committee reviewed the Policy in 2023. As part of the review, we considered whether any alternative incentive structures could be suitable for Harbour, noting that our framework was the most common in the UK but that a hybrid long-term incentive of performance and restricted shares was the more typical approach in the US.

We believe the hybrid approach would work well for us given the inherent volatility in our performance and the prevalence of the hybrid approach in the talent markets in which we operate, and this is the approach that we have implemented for employees below Board level. However, given that hybrid remains an unusual structure in the UK market, the Committee concluded that it was right to retain our current structure for now. We will continue to monitor evolving practice in this area as well as in the context of the recently announced acquisition of assets from Wintershall Dea and consequent transformational impact on the company.

The Committee is proposing a limited number of changes for 2024, the key change being:

- **Revised approach to bonus deferral:** Under the current Policy, 50 per cent of any bonus earned is paid in the form of share awards which vest after three years. The purpose of this bonus deferral is to align management with shareholders' interests and to encourage long-term sustainable decision-making. From 2024, it is proposed that, where an executive director has already met their minimum shareholding guideline, and therefore is already strongly aligned with shareholder interests, the portion of the bonus that is deferred into shares will be reduced from 50 per cent to 25 per cent. Where an executive director has not yet met their requirement, 50 per cent of any award will continue to be deferred into shares.

  In practice, this means that the proposed change only impacts executive directors who already have a significant shareholding and can clearly demonstrate a strong alignment with the interest of our shareholders. As can be seen on page 99, the executive directors already have sizeable shareholdings, and the CEO has already exceeded her minimum shareholding guideline of 300 per cent of salary. Therefore, any bonus she earns in respect of 2024 would be subject to a 25 per cent deferral rate rather than 50 per cent. The CFO will continue to be subject to 50 per cent deferral until his minimum shareholding guideline of 250 per cent of salary is met.

  The Committee remains mindful of an increasingly global talent pool and the need to ensure that our approach to executive pay remains attractive to any future appointments. In other countries, such as the US, bonus deferral is not common practice and would be considered a relatively stringent requirement from a non-UK perspective. The Committee therefore believes this change would support the recruitment and retention of international talent, whilst continuing to encourage executives to build and maintain their shareholding requirements.

Other minor amendments have been made to the Policy for clarity and/or best practice.

The Committee has also taken steps during the year to implement the existing Remuneration Policy, which states that executive directors are to receive pension contributions that are in line with the majority of the UK workforce.

Following the reward strategy review for the wider workforce in 2021, the pension contribution for the UK workforce was set at 20 per cent of salary and has remained at that level since, although executive directors have received a pension contribution of 15 per cent of salary since 2021. In line with the Policy, investor guidance and best practice in the UK, the Remuneration Committee has therefore decided to increase the executive directors' pension allowance from 15 per cent to 20 per cent of base salary from 1 January 2024.

The new Policy will continue to state that executive directors are to receive pension contributions that are in line with the majority of the UK workforce. Where there is a change in pension provision, the expectation would be that the pension contributions for executive directors would also change.

We engaged with our largest shareholders in late 2023, representing c.60 per cent of our shareholder base. We were pleased that shareholders were supportive of our proposed changes to the Policy, and I would like to thank those that engaged with us for taking the time to share their feedback.

On 21 December 2023, Harbour Energy announced that it had agreed to acquire substantially all of Wintershall Dea's upstream assets. This transaction will materially change the size, capacity, complexity and geographical reach of the business. Given the transformative effect that this transaction will have on the business, the Committee will further review the Directors' Remuneration Policy during the year. The Committee expects to review pay levels, in particular the long-term incentive plan opportunities and structure, to ensure that the Policy continues to attract, retain and motivate in the context of the larger, more complex organisation.

Remuneration for 2024

The Committee reviewed salary levels in early 2024 and agreed to award the CEO an increase of 4.5 per cent, slightly below the average increase for the broader workforce, which was 5 per cent. The Committee agreed to award the CFO an increase of 7 per cent in recognition of the increased scope of his role in relation to M&A activities and execution of the company's strategy. The salaries effective 1 April 2024 will therefore be £888,250 for the CEO and £584,220 for the CFO. The Committee has considered the housing allowances for the executive directors, and given the ongoing requirement for both executive directors to remain in the UK, and in recognition of their criticality to the business, agreed to extend the housing allowances whilst each director remains in role.

The annual bonus will continue to be based on a balanced scorecard of measures linked to strategy. The Committee reviewed the scorecard in late 2023 and determined that the current framework remains appropriate, with only one minor change incorporated – expanding the process safety metric to include some Tier 3 events (in addition to Tier 1 and Tier 2). The measures and weightings are set out on page 96.

In recognition of the increased scope of the CFO's role in relation to M&A activities and execution of the company's strategy, and to continue to support his retention, the Committee agreed to increase the CFO's LTIP award from 250 per cent to 300 per cent of base salary. This increase is within the terms of our current Policy. The LTIP will continue to be measured on relative TSR performance compared to the FTSE 100 and the sector comparator group. As part of the review of the Policy, the Committee considered whether it was appropriate to introduce another measure to the LTIP, such as an ESG or financial measure. As reported in previous years, the Committee continues to believe that an LTIP based entirely on relative TSR is best suited to Harbour's current strategy, given the challenges of setting three-year performance targets as an acquisitive company in a cyclical environment, and is well aligned to other companies in our sector. We review the LTIP measures every year and will consider this question again in advance of granting 2025 awards. For now, we consider that our current approach of measuring ESG and a financial metric within the annual bonus scorecard is the right one for Harbour.

Last year, we reported some changes to the constituents of the bespoke comparator group. The Committee carried out a further review of the comparator group in late 2023 and determined that Shell and bp should be removed for the 2024 LTIP award due to their size and status as integrated oil and gas businesses rather than independent operators. The Committee considered that Ithaca Energy and Vår Energi ASA, as relevant competitors due to their location, size and operations, should be added to the bespoke comparator group listed in note 2 to the LTIP grant table on page 97.

Non-executive director fees

In early 2024, the Committee reviewed the remuneration arrangements for the Chair of the Board. Noting that no increase had been given since 2021, the Committee approved an increase of 4.5 per cent to the Chair's all-inclusive fee in line with the increase for the CEO and below the increase for the wider UK workforce. The Board also reviewed fees paid to non-executive directors and approved an increase of 4.5 per cent on the basic fee for all non-executive directors. Full details of non-executive director remuneration are set out on page 103.

Wider workforce remuneration
In accordance with the UK Corporate Governance Code, the Committee regularly reviews updates from management on wider workforce remuneration policies and practices.

Our reward strategy was reviewed in 2021 and the new approach is now well embedded in the business. During the year, the Committee approved changes to the structure of LTIP awards below the Board, with LTIP-eligible employees now receiving their awards as a mixture of performance shares and restricted shares, to ensure we remain competitive, aligned with pay practices in other markets and to support retention in challenging market circumstances. In May, grants of options were made under the 2023 Save As You Earn scheme, and the Committee was pleased that we continue to see high levels of participation from the workforce in this plan.

Our Gender Pay Gap report for the consolidated Harbour Energy business is available on our website, and we continue to work towards a reduction in the gap through our DE&I initiatives.

The Committee regularly consults with employees on reward and other matters. In June 2023, Simon Henry, Belgacem Chariag, Andy Hopwood and I attended a Global Staff Forum meeting where executive pay was discussed. The CEO and Chief Human Resources Officer were also in attendance. The aim of the remuneration discussion was to explain the alignment between executive remuneration and wider company pay policy, as well as describing the executive remuneration outcomes for 2022. The meeting agenda also covered discussions on organisation, culture and actions from the global engagement survey.

Conclusion
I am always pleased to hear shareholder feedback on our approach to executive remuneration at Harbour Energy and look forward to further engagement in future. I hope that you will be able to support our Policy and remuneration report at the upcoming AGM.

On behalf of the Committee, I would like to thank all our stakeholders for their continuing support.

Anne L. Stevens
Committee Chair

Directors’ Remuneration Policy

The following sets out our Directors’ Remuneration Policy (Policy). This Policy is being put forward to shareholders for their binding approval at the AGM on 9 May 2024 and will apply to payments made from this date. Details of how we intend to operate this Policy for the 2024 financial year are set out in the Annual Report on Remuneration on pages 102 and 103.

Key principles of our Remuneration Policy
The objective of the Remuneration Policy is to ensure it supports shareholder interests, reinforces the business strategy and promotes long-term sustainable success. Overall, the Committee aims to ensure that pay rewards all employees fairly and responsibly for their contributions. Remuneration packages are intended to be sufficiently competitive to attract, retain and motivate individuals with the deep sector knowledge and extensive listed company experience required to achieve the Group’s objectives and thereby enhance shareholder value. In addition, the Committee aims to ensure that the Remuneration Policy does not raise environmental, operational, social, safety or governance risks by inadvertently motivating irresponsible behaviours.

The Group’s strategy is to create a leading, global, independent oil and gas company through investment in its high quality, large-scale asset base in the UK and broad international growth, leading to a more balanced and diversified portfolio and delivering value for shareholders. It is critical that the executive remuneration framework provides the capability to attract FTSE 100 or Fortune 50 calibre global talent who are able to deliver the high performance and growth needed to execute the strategy and generate shareholder value. Many sector peers, with whom Harbour competes for talent, are located outside the UK where pay practices vary. The Policy was therefore designed in a way that ensures pay is competitive for a global oil and gas company with a strong focus on pay for performance, while being structured to reflect the expectations of UK institutional investors. The Policy framework meets all of the best practice expectations of a UK plc, but pay levels have been set to recognise the executive directors’ deep sector experience and proven track record of delivering large-scale initiatives at international oil and gas companies and to reflect the global nature of the talent market in our sector.

Committee process in determining the Remuneration Policy
During 2023, the Committee undertook a detailed review of the Remuneration Policy to ensure that it continues to support the Group’s strategic aims and that pay is appropriately positioned to retain and attract the talent necessary to deliver long-term value to shareholders. The process included:

- review of the wider market context, including current practice in different markets (the UK, the US and Europe) as well as in other oil and gas businesses to understand the types of incentive structures used, time horizons and performance measures;
- consideration of alternative incentive structures, including associated risks, and assessment of fit for Harbour;
- review of latest corporate governance best practices and shareholder guidance for UK-listed companies; and
- review of pay benchmarking data against a variety of peer groups.

The Committee was mindful in its deliberations on the new Remuneration Policy of any potential conflicts of interest and sought to minimise them through an open and transparent internal consultation process with the executive directors and other relevant members of senior management, and by seeking independent advice from its external advisers including in relation to current investor views.

Following the review, it was determined that only one change would be made to the Policy which is to the approach to bonus deferral (as described on page 88). The Committee wrote to major shareholders and three of the proxy advisory firms in late 2023 inviting them to discuss the proposed changes to the Policy and its implementation for 2024 and was pleased with the levels of support expressed.

As noted in the Chair’s letter, the Committee will further review the Directors’ Remuneration Policy during the year in the context of the acquisition of Wintershall Dea’s upstream assets.

Directors' Remuneration Policy continued

Executive director Policy

The Policy for executive directors is set out below:

Salary

Purpose and link to strategy	• To provide an appropriate level of salary to support recruitment and retention of executive directors of the calibre required to deliver the Group's strategy, and with due regard to the role and the individual's responsibilities and experience
Operation	• Typically reviewed annually with reference to company and individual performance, each executive's responsibilities and experience, the external market for talent, and salary increases across the Group • Salaries are reviewed taking into account market practice at other oil and gas sector companies in the UK and internationally and UK-listed companies of a similar size to Harbour • Salary increases are normally effective 1 April
Opportunity	• Whilst there is no maximum salary, increases will normally not exceed the typical increases awarded to other employees in the Group • However, increases may be above this level in certain circumstances such as: – Where an executive director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, larger increases may be awarded to move salary positioning closer to typical market level as the executive director gains experience – Where an executive director has been promoted or has had a change in responsibilities – Where the size and complexity of the company has changed materially – Where there has been a significant change in market practice
Performance metrics	• Not applicable

Pension

Purpose and link to strategy	• To help provide a competitive pension provision, facilitating the recruitment and retention of high-calibre executive directors to execute the Group's strategy
Operation	• Executive directors are eligible to participate in the company's defined contribution personal pension plan and/or receive an equivalent cash supplement • The only pensionable element of pay is salary
Opportunity	• Executive directors will receive pension contributions and/or an equivalent cash supplement in line with the contribution for the majority of the UK workforce. Pensions for executive directors are currently set at 20 per cent of base salary, in line with the rate for the company's UK workforce. If the pension range of the company's UK workforce changes then pension provision for executive directors would normally also change in line with the wider workforce
Performance metrics	• Not applicable

Benefits

Purpose and link to strategy	• To provide a benefits package competitive in the market for talent and to support the wellbeing of employees
Operation	• Executive directors receive a competitive benefits package, which may include medical and dental insurance, car allowance, life assurance, income protection cover, personal accident insurance, expatriate benefits, relocation allowance, health checks and a subsidised gym membership • Where an executive director has been required to relocate to perform their role they may be provided with additional benefits to reflect their circumstances, which may include items such as a housing allowance, flights home and tax equalisation. Such benefits will be determined taking into account our expatriate policy for other employees who are moving from their home location to take up their role • Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual director
Opportunity	• Whilst there is no prescribed maximum, benefits will be set at a level which the Committee considers appropriate for the role, location and individual circumstances
Performance metrics	• Not applicable

All-employee share plans

Purpose and link to strategy	• To encourage share ownership in Harbour and increase the alignment of the executive directors' interests to those of stakeholders
Operation	• Executive directors may participate in any all-employee share plans operated by the company on the same terms as other employees • UK-based employees (including UK-based executive directors) may be invited to participate in the following tax advantaged share plans: – Share Incentive Plan (SIP), under which employees may buy partnership shares using gross pay and the company may then grant matching shares. Under the SIP, free shares may also be granted. Dividends may accrue on any shares and be automatically reinvested – Save As You Earn (SAYE) scheme under which employees are invited to make regular monthly contributions over three or five years to purchase shares through options which may be granted at a discount
Opportunity	• Under the SIP, participants may participate up to HMRC prescribed limits • Under the SAYE, employees may save up to HMRC prescribed limits • For any other all-employee plan operated, executive directors may participate on the same basis as other employees
Performance metrics	• Not applicable

Annual bonus

Purpose and link to strategy	• To reinforce the delivery of key short-term financial and operational objectives and, through the deferred share element, help ensure alignment with shareholders and support retention
Operation	• Performance is normally measured on an annual basis for each financial year against stretching but achievable financial and non-financial targets, comprising key performance indicators (KPIs), and other corporate objectives • Performance measures, weightings and targets are set at the beginning of the year and weighted to reflect business priorities • A proportion, normally at least 50 per cent, of any annual bonus earned is deferred in shares for three years. Where the shareholding requirement has been met, awards will normally be delivered up to 75 per cent in cash and 25 per cent in deferred shares • Deferred share awards may be granted in such form as determined by the Committee in accordance with the LTIP rules including in the form of conditional shares and nil cost options • Dividend equivalents may accrue on deferred bonus awards granted under the LTIP and be paid on those shares which vest. Dividend equivalent payments made under this Policy will be made in shares • Annual bonus payouts and deferred shares are subject to malus and clawback in the event of material misstatement of the company's financial results, gross misconduct, material error in the calculation of performance conditions or other conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit • The Committee may exercise malus and clawback until the later of: (i) two years from the payment of the bonus or the vesting of the shares, or (ii) the completion of the second audit after payment/vesting
Opportunity	• Up to 200 per cent of salary in respect of a financial year • Normally 50 per cent of the maximum pays out for target performance • Normally 0 per cent of the maximum pays out for threshold performance but the Committee may increase this to up to 25 per cent of maximum if this is considered appropriate
Performance metrics	• Performance is normally assessed against a corporate scorecard encompassing several performance categories, which may include some or all of Safety, Environment, Operations, Growth/Capital Deployment, and Financial. Other measures may also be incorporated if this is considered appropriate • Normally, the Committee would not expect the weighting for any performance category in the corporate scorecard to be higher than 50 per cent. However, it retains discretion to adjust weightings to align with the business plan for each year • The Committee retains the discretion to adjust outcomes in the event that they are not considered reflective of the underlying business performance and/or wider circumstances over the vesting period

Directors' Remuneration Policy continued

Long Term Incentive Plan: performance share awards

Purpose and link to strategy	• To support alignment with shareholders by reinforcing the delivery of returns to shareholders, with a focus on relative stock market out-performance over the long term, and with due regard for the underlying financial and operational performance of the company
Operation	• The Committee may grant performance share awards annually • Awards may be in the form of nil or nominal priced options or conditional shares • Performance share awards normally vest based on performance assessed over a period not shorter than three years • Awards vesting are normally subject to a minimum two-year holding period such that the total time horizon is at least five years (normally on a net of tax basis) • Dividend equivalents may accrue on performance share awards. Dividend equivalent payments made under this Policy will be made in shares • All performance share awards are subject to malus and clawback in the event of a material misstatement of the company's financial results, gross misconduct, material error in the calculation of performance conditions or other conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit • The Committee may exercise malus and clawback until the later of: (i) two years from the vesting date or (ii) the completion of the second audit after vesting
Opportunity	• Performance share awards may be granted up to 300 per cent of salary • 25 per cent of the award will normally vest for threshold performance, with full vesting for stretch performance. Vesting increases on a straight-line basis between threshold and stretch
Performance metrics	• The Committee will select performance measures and determine their weighting for each cycle to ensure that they continue to be linked to the delivery of company strategy • The Committee retains the discretion to adjust the vesting outcomes in the event that these are not considered reflective of the underlying business performance and/or wider circumstances over the vesting period

Share ownership

Purpose and link to strategy	• Enhances the executive directors' alignment with shareholders' long-term interests while in employment and for a period following departure through the building up of a significant shareholding in the company
Operation	• The executive directors are expected to build up, and maintain, ownership of the company's shares worth 300 per cent of salary for the CEO and 250 per cent of salary for the other executive directors • Shares owned outright (including by persons closely associated), shares held in the Share Incentive Plan and any unvested share awards which are no longer subject to performance (net of taxes) will normally count towards this requirement • The executive directors are also expected to retain no less than 50 per cent of the net value of shares vesting under the company's long-term incentive plans until such a time that the share ownership requirement is met • On cessation of employment, executive directors are expected to retain their minimum shareholding requirement immediately prior to departure for two years. Where their shareholding at departure is below the minimum requirement, the executive director's actual shareholding is expected to be retained for two years • Shares acquired from own resources are excluded from the post-cessation shareholding requirement. The Committee retains discretion to exclude other shares from the post-cessation shareholding requirement if it considers it to be appropriate • The Committee intends to operate an appropriate enforcement mechanism of the post-cessation shareholding requirement. The Committee retains discretion to waive or vary the post-cessation shareholding requirement if it is not considered to be appropriate in the specific circumstances of an executive director's departure
Opportunity	• Not applicable
Performance metrics	• Not applicable

Summary of changes to the Policy

One material change has been made to the Policy compared to the 2021 policy, which is set out below:

Change to the Policy	Reason for change
Introduction of a lower level of bonus deferral (25 per cent of bonus) for executive directors that have met their minimum shareholding guideline (50 per cent deferral rate still applies otherwise)	• Allows packages to be more competitive relative to other global oil and gas companies, where bonus deferral is not common practice, ensuring Harbour's approach to executive pay remains attractive to any future appointments • Executive directors that have met their shareholding requirement will have strong alignment with shareholders' interests, due to their significant shareholdings • Encourages executive directors to build and maintain their shareholding requirements

Other minor changes have been made to the wording of the Policy to aid operation and to increase clarity.

Further details on the Policy

Selection of performance conditions

For the annual bonus, the Committee believes that a mix of financial and non-financial targets is most appropriate for the Group. The use of a corporate scorecard encompassing several performance categories ensures delivery of business milestones in a number of key areas. Performance under the LTIP will typically include a focus on relative stock market outperformance over the long term, in line with common practice in the oil and gas sector, providing a strong indication of the Group's long-term financial growth and the returns delivered to its shareholders.

The Committee retains discretion to amend a performance condition provided that any amended performance condition will be no less fair, no less effective an incentive and not materially less demanding than the original target was when set.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed (i) before 14 May 2014; (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the company or such other person. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than at the time the award is granted. This Policy applies equally to any individual who is required to be treated as a director under the applicable regulations.

Remuneration Policy for other employees

When determining the Policy, the Committee reviewed wider workforce remuneration and incentives to ensure the approach to executive remuneration was compatible in this context. Following the merger of Premier Oil plc and Chrysaor Holdings Limited in 2021, the reward strategy for the workforce was refreshed to ensure pay continued to appropriately motivate and reward the workforce. The new strategy was rolled out in 2022. The Committee will continue to consider the approach to executive remuneration in this context.

The company's policy for all employees is to provide remuneration packages which reward them fairly and responsibly for their contributions. In addition to a competitive salary, employees are typically eligible for a performance-related bonus, pension and a number of benefits, including expatriate benefits where relevant. In the UK, employees are eligible to receive at least the same proportion of salary in pension contributions as the executive directors, in line with UK best practice. The specific bonus framework varies by job level and scope to ensure annual incentives support motivation and retention accordingly.

The Leadership Team and other senior leaders participate in the same annual bonus plan and long-term incentive plan as for executive directors, except that a portion of long-term incentive awards for the Leadership Team and other senior leaders is delivered as restricted shares without performance conditions. Performance for the annual bonus and performance shares is assessed on the same criteria for all, though opportunity levels vary as appropriate. These schemes provide a clear link between pay and performance, ensuring that superior remuneration is paid only if superior performance is delivered, with the use of restricted shares acting as a complementary vehicle to ensure that packages are competitive for the sector.

The company currently operates SIP and SAYE share schemes for UK-based and expatriate employees, to foster a sense of ownership in the company and to increase the alignment of interests across stakeholders. Participation levels among employees in these plans is strong, outperforming market norms.

Incentive plan discretions

The Committee operates the company's incentive plans according to their respective rules and Remuneration Policy, and in accordance with the Listing Rules and HMRC rules where relevant. The rules of the long-term incentive plan (the Harbour 2017 Long Term Incentive Plan) were approved by shareholders at the 2017 AGM and amended at the 2020 AGM and again at the 2021 AGM.

Directors' Remuneration Policy continued

In line with common market practice, the Committee retains discretion as to the operation and administration of these incentive plans, including with respect to:

- who participates;
- the timing of grant and/or payment;
- the size of an award and/or payment and any other terms of the award (within the plan and Policy limits approved by shareholders);
- form of award (eg nil cost option or conditional award);
- the manner in which awards are settled;
- the choice of (and adjustment of) performance measures and targets in accordance with the Remuneration Policy and the plan rules;
- in exceptional circumstances, amendment of any performance conditions applying to an award, provided the new performance conditions are considered fair and reasonable and are not materially less challenging than the original performance targets when set;
- discretion relating to the measurement of performance or other condition in the event of a variation of share capital, change of control, special dividend, distribution or any other corporate event which may affect the current or future value of an award;
- determination of a good leaver (in addition to any specified categories) for incentive-plan purposes, based on the plan rules and the appropriate treatment under the plan rules;
- determination of the operation of the post-vesting holding period; and
- adjustments required in certain circumstances (eg rights issues, share buybacks, special dividends, other corporate events, etc.).

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration for the relevant year. As appropriate, it might also be the subject of consultation with the company's major shareholders.

Minor changes

The Committee may make minor amendments to the Policy set out above (if required for legal, regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without requiring prior shareholder approval for that amendment.

Illustration of application of the executive directors' Remuneration Policy

The performance scenario charts on page 91 show the estimated remuneration that could be received by the current executive directors for 2024, both in absolute terms and as a proportion of the total package under different performance scenarios. The assumptions underlying each performance scenario are detailed in the table below:

Remuneration receivable for different performance scenarios

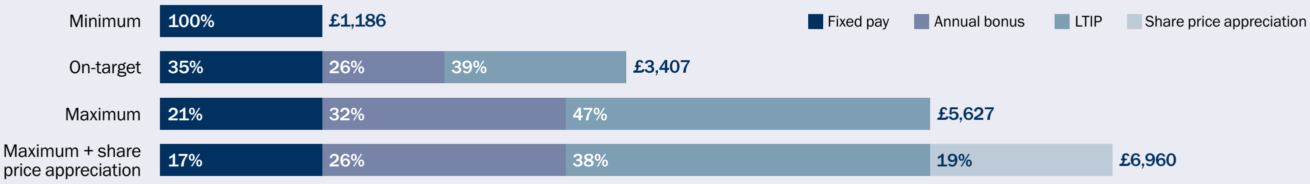
Fixed pay	• 2024 salary, as disclosed in the Annual Report on Remuneration on page 102 • Estimated housing benefits of £120,000 for the CEO, £60,000 for the CFO[1] • Pension contribution of 20 per cent of salary			
	Minimum	**On-target**	**Maximum**	**Maximum with share price growth**
Annual bonus	Nil payout	Payout of 50 per cent of maximum (100 per cent of salary)	Payout of 100 per cent of maximum (200 per cent of salary)	As per maximum
Long Term Incentive Plan	Nil payout	Performance share awards vest at 50 per cent of maximum	Performance share awards vest in full (300 per cent of salary for the CEO and CFO)	As per maximum with a 50 per cent share price increase over three years

Note:

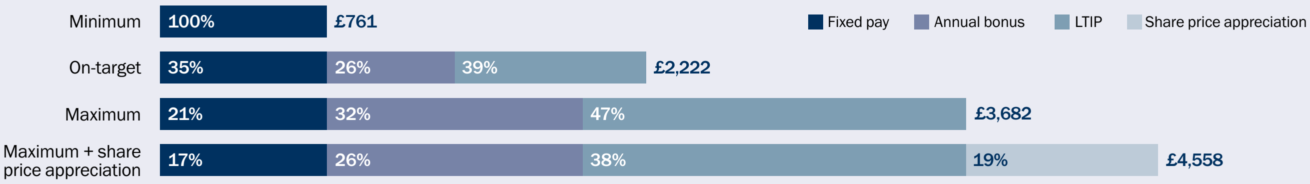
1 The actual value of housing benefits paid during the year is disclosed on page 95 of this report. Other benefits (including tax equalisation for the CEO) are not easily estimated and have been excluded, with the actual value of these benefits received during the year disclosed on page 95 of this report.

The charts below illustrate the potential reward opportunities for the current executive directors for the four performance scenarios:

Chief Executive Officer (£'000s)



Chief Financial Officer (£'000s)



Note:
The valuation of annual bonus and performance share awards (PSAs) for the on-target and maximum scenarios excludes share price appreciation, any dividend accrual and the impact of any scale back of awards. PSAs vest after three years subject to TSR performance and continued employment. PSAs are subject to a holding period ending on the fifth anniversary of the date of grant of the awards.

Approach to remuneration of executive directors on recruitment

When determining the remuneration package for a newly appointed executive director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre and global experience to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- New executive directors will normally receive a base salary, benefits and pension contributions in line with the Policy described above and would also be eligible to join the bonus and long-term incentive plans up to the limits set out in the Policy.
- In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be disclosed as appropriate in the remuneration report for the relevant year.
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities.
- When determining any such 'buyout', the guiding principle would be that awards would generally be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate.
- The maximum level of variable remuneration which may be awarded (excluding any 'buyout' awards referred to above) in respect of recruitment is 500 per cent of salary, which is in line with the current maximum limit under the annual bonus and LTIP.
- Where an executive director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits). Should an executive's employment be terminated without cause by the Group, repatriation costs may be met by the Group.
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards. If an executive director is appointed following an acquisition of, or merger with, another company, legacy terms and conditions that are of higher value than provided in the Policy would normally be honoured.

To facilitate any buyout awards outlined above, the Committee may grant awards to a new executive director relying: (i) on the exemption in the Listing Rules which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an executive director, without seeking prior shareholder approval; or (ii) under any other appropriate company incentive plan.

Directors' Remuneration Policy continued

Service contracts and exit payments and change of control provisions

Executive director service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate directors of the quality required to manage the company. The service contract of each executive director may be terminated on 12 months' notice in writing by either party. Executive directors' contracts are available to view at the company's registered office.

Details of the service contracts of the current executive directors are as follows:

Directors	Contract date	Unexpired term of contract
Linda Z. Cook	01.04.2021	Rolling contract
Alexander Krane	01.04.2021	Rolling contract

The company will consider termination payments in light of the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. In such an event, the remuneration commitments in respect of the executive director contracts could amount to one year's remuneration based on salary, benefits in kind and pension rights during the notice period, together with payment in lieu of any accrued but untaken holiday leave, if applicable.

There are provisions for termination with less than 12 months' notice by the company in certain circumstances. If such circumstances were to arise, the executive director concerned would have no claim against the company for damages or any other remedy in respect of the termination. The Committee would apply general principles of mitigation to any payment made to a departing executive director and will honour previous commitments as appropriate, considering each case on an individual basis.

The table below summarises how performance share awards under the Harbour Energy 2017 Long Term Incentive Plan and annual bonus awards are typically treated in different leaver scenarios and on a change of control. Whilst the Committee retains overall discretion on determining 'good leaver' status, it typically defines a 'good leaver' in circumstances such as retirement with agreement of the company, ill health, disability, death, redundancy, or part of the business in which the individual is employed or engaged ceasing to be a member of the Group.

Event	Timing of vesting/award	Calculation of vesting/payment
Annual bonus/deferred bonus awards		
'Good leaver'	• Annual bonus is normally paid at the same time as to continuing employees but may be paid on departure in compassionate circumstances • Unvested deferred bonus awards vest on the normal vesting date (or, at the Committee's discretion, on cessation of employment) • The Committee has discretion not to defer part of the bonus earned in the year of leaving	• Annual bonus is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked before cessation of employment • Unvested deferred bonus awards will vest in full
'Bad leaver'	• Not applicable	• Individuals lose the right to their annual bonus and unvested deferred bonus awards
Change of control[1]	• Annual bonus is paid and unvested deferred bonus awards vest on the date of change of control	• Annual bonus is paid only to the extent that any performance conditions have been satisfied, and will normally be pro-rated for the proportion of the financial year worked to the effective date of change of control unless the Committee determines otherwise • Unvested deferred bonus awards will vest in full
Performance share awards		
'Good leaver'	• Awards vest on the normal vesting date subject to the holding period (or earlier at the Committee's discretion)	• Unvested awards normally vest to the extent that any performance conditions have been satisfied over the full performance period (or a shorter period at the Committee's discretion) • The number of unvested awards is normally reduced pro-rata to take into account the proportion of the vesting period not served
'Bad leaver'	• Unvested awards lapse • Any vested shares subject to the holding period are forfeited by bad leavers who leave due to gross misconduct, but remain and are released at the end of the holding period for other bad leavers (eg following resignation)	• N/A
Change of control[1]	• Awards vest on the date of the event	• Unvested awards normally vest to the extent that any performance conditions have been satisfied and a pro-rata reduction applies for the proportion of the vesting period not completed unless the Committee determines otherwise

Note:
1 In certain circumstances, the Committee may determine that unvested deferred bonus awards and performance share awards will not vest on a change of control but will instead be replaced by an equivalent grant of a new award, as determined by the Committee, in the new company.

Upon exit or change of control, SAYE and SIP awards will be treated in line with the plan rules.

If employment is terminated by the company, the departing executive director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee retains discretion to settle other amounts reasonably due to the executive director, for example to meet the legal fees incurred by the executive director in connection with the termination of employment, outplacement support, where the company wishes to enter into a settlement agreement (as provided for below) and, in which case, the individual is required to seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing executive directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the company and its shareholders to do so.

External appointments

Executive directors are entitled to accept non-executive director appointments outside the company and retain any fees received providing that the Board's prior approval is obtained.

Consideration of employment conditions elsewhere in the company

While the Committee did not consult with the wider workforce when developing this Policy, more broadly, it receives feedback from employees through engagement opportunities such as the Global Staff Forum, where staff have the chance to engage with members of the Committee and other non-executive directors at least once a year on executive remuneration. The Committee considers the pay and conditions elsewhere in the company, including how company-wide pay tracks against the market. When determining salary and pension for executive directors, the Committee takes account of salary increases and pension contributions across the Group, particularly for those employees based in the UK. The Committee ensures that our policies and practices across the business are fair and consistent, and support diversity and equality. Further, the company seeks to promote and maintain good relationships with employee representative bodies – including trade unions – as part of its employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the company operates.

Consideration of shareholder views

The Committee aims to ensure that the Policy serves shareholder interests and is aligned with the Group's business strategy, market practice and evolving best practice. The Committee Chair engaged with major shareholders and proxy advisers in developing this Remuneration Policy, and will also from time-to-time engage to discuss the Remuneration Policy more generally. The Committee considers all feedback received from such consultations, as well as guidance from shareholder representative bodies more generally, to help to ensure the Policy is aligned with shareholder views.

Non-executive director Remuneration Policy

Non-executive directors' appointments and subsequent re-appointments are subject to annual re-election by shareholders at each Annual General Meeting (AGM) in accordance with the UK Corporate Governance Code. All letters of appointment have a notice period of three months and provide for no arrangements under which any non-executive director is entitled to receive remuneration upon the early termination of his or her appointment. Non-executive directors' letters of appointment are available to view at the company's registered office.

The company's articles of association provide that the remuneration paid to non-executive directors is to be determined by the Board within limits set by the shareholders. The Policy for the Chair and non-executive directors is as follows:

Non-executive director fees

Purpose and link to strategy	• To provide fees that allow Harbour to attract and retain non-executive directors of the highest calibre that add value to our business
Operation	• Fees for non-executive directors are normally reviewed at least every two years • Fees are set with reference to UK and international oil and gas sector companies and UK-listed companies of a similar size to Harbour • Fees paid to the Chair are determined by the Committee, while the fees of the other non-executive directors are determined by the Board • Additional fees may be paid to reflect additional Board or committee responsibilities as appropriate • Fee increases are normally effective 1 January • The non-executive director fees are summarised in the Annual Report on Remuneration on page 103 • Reasonable costs in relation to travel and accommodation for business purposes are reimbursed to the Chair and non-executive directors. The company may meet any tax liabilities that may arise on such expenses • A travel allowance may be provided where intercontinental travel is required to attend a meeting • The Chair and non-executive directors are not entitled to participate in any of the Group's incentive plans or pension plans • Additional benefits may be provided to non-executive directors if considered appropriate
Opportunity	• Non-executive director fees are set at a level that is considered appropriate in the light of relevant market practice and the size/complexity of the role • Aggregate fees are within the limit approved by shareholders in the articles of association
Performance metrics	• Not applicable

Approach to non-executive director recruitment remuneration

In the case of hiring or appointing a new non-executive director, the Committee will follow the Policy as set out in the table above.

Annual Report on Remuneration

Committee membership and operation

Committee members	Date of appointment to the Committee	Meetings attended (eligible to attend)
Anne L. Stevens (Committee Chair)	31 March 2021	4(4)
Alan Ferguson	31 March 2021	4(4)
Andy Hopwood	1 November 2022	4(4)
Louise Hough[1]	1 May 2023	3(3)

Note:
1 Louise Hough joined the Board and was appointed a member of the Remuneration Committee on 1 May 2023.

Committee terms of reference

The Committee acts within written terms of reference which are reviewed regularly and published on the company's website: harbourenergy.com. The terms of reference were reviewed in 2018 with amendments made in order to comply with the 2018 UK Corporate Governance Code. Minor amendments have been made in subsequent years, most recently in August 2023.

The main responsibilities of the Committee include:

- determining the Remuneration Policy for executive directors and senior management and engaging with the company's principal shareholders thereon;
- determining the individual remuneration packages for each executive director, other members of senior management, and any changes thereto;
- approving the remuneration package of the Chair;
- considering the design of, and determining targets for, the annual bonus plan;
- reviewing and recommending to the Board the establishment of any new employee share plans and any material amendments to the company's existing share plans;
- determining the overall quantum and performance conditions for long-term incentive awards;
- reviewing pension arrangements, service agreements and termination payments for executive directors and senior management;
- approving the directors' remuneration report, ensuring compliance with related governance provisions and legislation;
- reviewing the Gender Pay Gap report;
- reviewing bonus outcomes for the company, including executive directors; and
- considering the remuneration policies and practices across the company.

Advisers

The Committee receives advice from independent remuneration committee advisers Deloitte LLP. Deloitte LLP were appointed by the Committee in March 2021 following a competitive tender process.

The fees charged for the provision of independent advice to the Committee during the year were £96,600 from Deloitte LLP. Other than in relation to advice on remuneration, Deloitte LLP provided support to management in relation to corporate tax, indirect tax, payroll taxes, internal audit, internal controls, financial advisory services in relation to mergers and acquisitions, and other related services.

Deloitte are founding members of the Remuneration Consultants Group and voluntarily operated under its code of conduct in dealings with the Committee. The Committee is satisfied that the Deloitte engagement team, who provided remuneration advice to the Remuneration Committee, do not have connections with Harbour Energy plc or its directors that may impair their independence.

During the year, the Committee also took into account the views of the Chief Executive Officer and other members of management. Their attendance at Remuneration Committee meetings was by invitation from the Committee Chair to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. No director was present for any discussions that related directly to their own remuneration.

Voting on remuneration matters

Votes received at the 2023 AGM in respect of approval of the Annual Report on Remuneration and the 2021 AGM in respect of the Directors' Remuneration Policy are set out below:

Resolution	Votes FOR and % of votes cast		Votes AGAINST and % of votes cast		Votes WITHHELD
Annual Report on Remuneration (2023 AGM)	527,704,770	97.16%	15,439,596	2.84%	57,802
Directors' Remuneration Policy (2021 AGM)	14,593,098,273	97.19%	421,903,633	2.81%	72,728,980

Single total figure of remuneration for executive directors (audited)

Executive directors	Year	Salary £'000	Taxable benefits[1] £'000	Pension £'000	Total fixed remuneration £'000	Bonus £'000	LTIP[2] £'000	Total variable remuneration £'000	Total remuneration £'000
Linda Z. Cook	**2023**	**850.0**	**615.4**	**125.6**	**1,591.0**	**816.0**	**–**	**816.0**	**2,407.0**
	2022	850.0	873.9	125.6	1,849.5	1,275.0	–	1,275.0	3,124.5
Alexander Krane	**2023**	**540.8**	**132.7**	**69.7**	**743.2**	**519.1**	**–**	**519.1**	**1,262.3**
	2022	525.0	97.5	67.4	689.9	787.5	–	787.5	1,477.4

Notes to 2023 figures (unless stated):

1 The executive directors receive a benefits package aligned with the approach for other employees. In 2021, Linda Z. Cook and Alexander Krane relocated from the US and Norway respectively to join Harbour Energy and they are entitled to receive the same expatriate benefits as other employees relocating internationally. They both elected not to take the full expatriate benefits available to them, and their benefits are therefore limited to housing costs and two return flights home per year as well as tax equalisation arrangements. Alexander Krane received £64,272 in respect of housing costs during the year and his benefit figure also includes £50,704 in respect of tax equalisation payments for his housing allowance. Linda Z. Cook received £120,000 in respect of housing costs during the year and her benefit figure also includes £459,139 in respect of a tax equalisation benefit. Given Linda was required to relocate from the US to the UK to take up the role of CEO, tax equalisation is provided to ensure that she is not required to pay more tax in the UK than she would do in the US. Tax equalisation disclosed for 2022 of £740,270 was based on an estimate of the value of this benefit. The final amounts were determined in 2023 following the submission of the relevant tax returns and resulted in a decrease of £512,860 and therefore the amount disclosed in respect of 2023 has been reduced by this amount. Any changes to the estimated value of benefits disclosed in 2023 will be adjusted against the 2024 amounts. As outlined in the Notice of 2021 AGM, the Committee approved the provision of these benefits to the executive directors for an initial three-year period. The Committee considers it appropriate to continue providing these benefits, including the housing allowance, given the executive directors' criticality to the business.

2 No portion of the executive directors' LTIP awards vested during the period.

Single total figure of remuneration for non-executive directors (audited)

Non-executive directors	Year	Base fees[2] £'000	Travel allowance[3] £'000	Expenses[4] £'000	Total remuneration £'000
R. Blair Thomas (Chair)[1]	**2023**	**300.0**	**20.0**	**3.7**	**323.7**
	2022	300.0	30.0	4.0	334.0
Simon Henry	**2023**	**140.0**	**–**	**3.0**	**143.0**
	2022	140.0	–	2.0	142.0
Belgacem Chariag[5]	**2023**	**73.3**	**20.0**	**8.4**	**101.7**
	2022	–	–	–	–
Alan Ferguson	**2023**	**120.0**	**–**	**0.7**	**120.7**
	2022	120.0	–	0.4	120.4
Andy Hopwood	**2023**	**110.0**	**–**	**3.3**	**113.3**
	2022	105.8	–	2.7	108.5
Louise Hough[5]	**2023**	**76.7**	**–**	**0.1**	**76.8**
	2022	–	–	–	–
Margareth Øvrum	**2023**	**115.0**	**–**	**6.0**	**121.0**
	2022	115.0	–	5.1	120.1
Anne L. Stevens	**2023**	**115.0**	**25.0**	**12.4**	**152.4**
	2022	115.0	30.0	11.9	156.9
Former non-executive directors					
G. Steven Farris[6]	**2023**	**34.6**	**10.0**	**5.9**	**50.5**
	2022	95.0	25.0	11.1	131.1

Notes to 2023 figures (unless stated):

1 The base fees for R. Blair Thomas were paid to EIG Management LLC.

2 In addition to base fees for acting as a non-executive director, base fees include amounts payable for acting as a member or Chair of a Committee, and fees for the Senior Independent Director role. Further detail on the level of these fees is set out on page 103. The Chair waived his fees for acting as Chair of the Nomination Committee.

3 In accordance with the Remuneration Policy approved by shareholders in June 2021, R. Blair Thomas, G. Steven Farris, Anne L. Stevens and Belgacem Chariag received an allowance for intercontinental travel during 2023.

4 Amounts disclosed relate to taxable travel and accommodation expenses paid to non-executive directors in respect of qualifying services during the year.

5 Belgacem Chariag and Louise Hough were appointed to the Board on 1 May 2023. The fees reflect the time served as non-executive directors since that date.

6 G. Steven Farris stepped down from the Board on 10 May 2023.

Annual Report on Remuneration continued

2023 Annual bonus outcome (audited)

The maximum bonus opportunity for executive directors in respect of 2023 was 200 per cent of salary. The scorecard below summarises the Group's performance against the financial and operational targets set by the Board for 2023 that are used to determine the level of bonus awarded.

			2023 performance		Scorecard		
Category	Metric	Weighting	Actual	Weighted	Threshold	Target	Stretch
Safety & environment (35%)	**Safety incident rate** TRIR incident rate/ million hours	10%	**0.69**	**17%**	1.20	0.9	0.6
	Process safety Tier 1 and Tier 2 events	10%	**0**	**20%**	3	2	1
	GHG emissions ktonnes CO_2e	15%	**1,282**	**30%**	1,520	1,435	1,350
Operations (30%)	**Oil and gas production** kboepd	20%	**186**	**2%**	185	198	205
	Unit operating costs $/boe	10%	**16.4**	**2%**	16.5	15.9	15.0
Growth & capital deployment (20%)	**Expenditure vs AFE** %	10%	**113**	**4%**	120	100	85
	Reserves vs AFE %	10%	**114**	**17%**	80	100	120
Financial (15%)	**Free cash flow** Million $[1]	15%	**1,042**	**4%**	910	1,410	1,910
Total				**96%**			

Note:
1 Free cash flow is post-tax, pre-dividend and pre-share buyback.

Summary of performance

Safety & environment

- Safety incident rate: Target exceeded, with the Total Recordable Injury Rate of 0.69 being materially better than target, an improvement over 2022 (0.75) and prior years.
- Process safety: Stretch target met. For the first time since the company was established, no Tier 1 or Tier 2 events were recorded, representing an improvement on our performance in 2022 (one Tier 2 process safety event).
- GHG emissions: Emissions were better than the stretch target, reflecting the success of decarbonisation projects during the year as well as the production shortfall.

Operations

- Production: 2023 production was 186 kboepd, short of our target of 198 kboepd and resulting in performance close to threshold.
- Unit operating costs: Driven by lower than forecast production volumes, unit costs were $16.4/boe, more than our target of $15.9/boe.

Growth & capital deployment

- Expenditure vs AFE: Expenditure of 113 per cent was higher than anticipated, reflecting cost performance above estimates for capital projects.
- Reserves vs AFE: Performance of 114 per cent, exceeding target and reflecting higher than predicted volumes developed or discovered in relation to capital projects.

Financial

- Free cash flow: Cash flow generation of $1,042 million was below our target of $1,410 million, driven mainly by lower production volumes and lower commodity prices than forecast.

The calculated score was 96 per cent of the target bonus (where the target bonus is 100 per cent of salary and the maximum is 200 per cent of salary). The Committee considered this score in the context of broader company performance and approved bonus payouts for the executive directors on that basis.

Amounts paid to executive directors are set out below. In line with the 2021 Remuneration Policy, 50 per cent of the bonus paid to the executive directors will be deferred into shares for three years.

Directors	Bonus as a % of maximum	Total value £'000s	Cash amount £'000s	Amount deferred into shares £'000s
Linda Z. Cook	48%	816.0	408.0	408.0
Alexander Krane	48%	519.1	259.56	259.56

LTIP awards vesting in respect of the year ended 31 December 2023 (audited)

LTIP awards were granted to the executive directors in 2021. Awards were subject to relative TSR performance conditions over the three years to 31 December 2023. The structure and performance outcome were as follows:

Performance element	Weighting	Minimum performance	Mid performance	Maximum performance	Actual performance	Vesting outcome
Relative TSR performance vs FTSE 100 index[1]	50%	25% vesting at median performance (50th percentile)	Linear vesting between minimum and maximum performance	100% vesting if in the upper quartile (75th percentile)	-21.4% (Below median)	0
Relative TSR vs bespoke peer group of oil and gas companies[2]	50%				-21.4% (Below median)	0

Notes:
1 Constituents of the FTSE 100 as at the start of the performance period on 1 January 2021.
2 Selected oil and gas peer group, including European and US independent oil and gas companies. The group consists of the following 17 companies: Aker BP, Apache Corp, bp, Capricorn Energy, Diversified Energy, Energean, Genel Energy, Hess, Kosmos Energy, Lundin Energy, Marathon Oil, Murphy Oil, Shell, Seplat Energy, Tullow Oil, Vermillion Energy and John Wood Group. As announced in the 2022 directors' remuneration report, the Committee determined to remove Lundin Energy (now Orrön Energy) from the peer group for inflight awards as it was no longer a relevant comparator.

Based on the above performance levels, the vesting outcome was 0 per cent. The Committee considered whether to exercise any discretion to amend the formulaic outcome, and determined that the outcome was appropriate in the context of company performance in the round. The amounts vesting to the executive directors are therefore as follows:

Executive directors	Vesting outcome (% of maximum)	Value of shares vesting £'000s	Value of dividend equivalents accrued £'000s	Total £'000s
Linda Z. Cook	0%	0	0	0
Alexander Krane	0%	0	0	0

LTIP awards granted during the year ended 31 December 2023 (audited)

For the awards granted to executive directors under the 2017 LTIP during 2023, the performance condition is based 100 per cent on relative TSR performance conditions against two peer groups. The structure has been summarised below:

Performance element	Weighting	Minimum performance	Mid performance	Maximum performance	Performance period
Relative TSR performance vs FTSE 100 index[1]	50%	25% vesting at median performance (50th percentile)	Linear vesting between minimum and maximum performance	100% vesting if in the upper quartile (75th percentile)	1 January 2023 – 31 December 2025
Relative TSR vs bespoke peer group of oil and gas companies[2]	50%				

Notes:
1 Constituents of the FTSE 100 as at the start of the performance period on 1 January 2023.
2 Selected oil and gas peer group, including European and US independent oil and gas companies. This group consists of the following 17 companies: Aker BP, Apache Corp, bp, Capricorn Energy, Diversified Energy, Energean, EnQuest, Genel Energy, Hess, Kosmos Energy, Marathon Oil, Murphy Oil, Shell, Seplat Energy, Serica Energy, Tullow Oil and Vermillion Energy. The group was updated in 2023, with John Wood Group and Orrön Energy (formerly Lundin Energy) removed and EnQuest and Serica Energy added.

Details of the awards made to executive directors are as follows:

Executive directors	Date of grant	Number of shares awarded	Type of award	Face value (% of salary)	Face value[1]
Linda Z. Cook	03.04.23	947,955	Performance share award	300%	£2,550,000
Alexander Krane	03.04.23	507,434	Performance share award	250%	£1,365,000

Note:
1 Face value was calculated using the average of the mid-market closing prices for the five dealing days preceding the award date being £2.69 per share.

Annual Report on Remuneration continued

Outstanding share awards

2017 Long Term Incentive Plan (2017 LTIP)

As at 31 December 2023, Linda Z. Cook and Alexander Krane held the following outstanding performance share awards (PSAs) and conditional share awards (CSAs) under the 2017 LTIP:

Directors	Type of award[1]	Date of grant	Awards held at 1 January 2023	Granted	Dividend equivalents accrued	Lapsed	Vested	Awards held at 31 December 2023	Market price of shares on date of award	Earliest vesting date
Linda Z. Cook	CSA 2021-24[2]	04.05.21	804,653	–	47,713	–	418,450	433,916	393.53p	04.05.24
	PSA 2021-24	30.06.21	703,921	–	55,271	–	–	759,192	378.28p	30.06.24
	PSA 2022-25	24.03.22	604,631	–	47,475	–	–	652,106	440.40p	24.03.25
	PSA 2023-26	03.04.23	–	947,955	74,433	–	–	1,022,388	269.00p	03.04.26
			2,113,205	**947,955**	**224,892**	**–**	**418,450**	**2,867,602**		
Alexander Krane	CSA 2021-24	30.06.21	276,048	–	21,675	–	–	297,723	378.28p	01.04.24
	PSA 2021-24	30.06.21	362,312	–	28,448	–	–	390,760	378.28p	30.06.24
	PSA 2022-25	24.03.22	311,207	–	24,435	–	–	335,642	440.40p	24.03.25
	PSA 2023-26	03.04.23	–	507,434	39,843	–	–	547,277	269.00p	03.04.26
			949,567	**507,434**	**114,401**	**–**	**–**	**1,571,402**		

Notes:

1 Any vested awards (except for Linda Z. Cook's 2021 conditional share award) are subject to a two-year holding period such that the total time horizon is five years.

2 Linda Z. Cook received a buyout award to compensate for loss of performance-based incentives from her previous employer. This award was made on a like-for-like basis and is to vest one-third per year on the first, second and third anniversary of the award. The first tranche of the award vested on 4 May 2022, the second tranche vested on 4 May 2023 and the third tranche will vest on 4 May 2024. Further details of the award can be found in the 2021 directors' remuneration report.

Deferred bonus awards

As of 31 December 2023, the following deferred bonus awards were held in respect of the deferred element of the annual bonus award.

Directors	Date of grant	Awards held at 1 January 2023	Granted	Dividend equivalents accrued	Lapsed	Vested	Awards held at 31 December 2023	Market price of shares on date of award[1]	Earliest vesting date
Linda Z. Cook	24.03.22	50,109	–	3,934	–	–	54,043	440.40p	24.03.25
	03.04.23	–	236,988	18,608	–	–	255,596	269.00p	03.04.26
		50,109	**236,988**	**22,542**	**–**	**–**	**309,639**		
Alexander Krane	24.03.22	30,274	–	2,377	–	–	32,651	440.40p	24.03.25
	03.04.23	–	146,375	11,493	–	–	157,868	269.00p	03.04.26
		30,274	**146,375**	**13,870**	**–**	**–**	**190,519**		

Note:

1 The average of the closing prices of a Harbour Energy share over the five dealing days immediately preceding the award date (on a post-consolidation basis).

Statement of directors' shareholdings and scheme interests (audited)

The table below summarises the directors' interests in shares, including unvested awards under employee share schemes, as at 31 December 2023. The total share interests as at 6 March 2024 were the same as shown below for all directors in service as at 31 December 2023. Further details of all outstanding awards are provided on page 98.

Directors	Own shares at 31 December 2023 (or date of leaving)[1]	Unvested shares subject to continued employment at 31 December 2023 (or date of leaving)[2]	Unvested shares subject to performance at 31 December 2023
Linda Z. Cook	8,517,482	743,555	2,433,686
Alexander Krane	0	488,242	1,273,679
R. Blair Thomas	12,824,781	–	–
Simon Henry	20,000	–	–
Belgacem Chariag	0	–	–
Alan Ferguson	14,203	–	–
Andy Hopwood	10,000	–	–
Louise Hough	0	–	–
Margareth Øvrum	8,500	–	–
Anne L. Stevens	30,000	–	–
Former directors[3]			
G. Steven Farris	418,343	–	–

Notes:

1 Own shares includes shares held by the director and/or connected persons. For R. Blair Thomas this figure includes indirect interests he holds in shares in the company through certain entities managed by EIG, the company's major shareholder. R. Blair Thomas is also Chief Executive Officer of EIG and a director of a number of EIG's wholly owned subsidiaries. Details regarding EIG's shareholding are set out on page 105.

2 Unvested shares subject to continued employment comprise deferred bonus awards and conditional share awards awarded to Linda Z. Cook and Alexander Krane in connection with their recruitment. The deferred bonus awards are subject to malus and clawback in accordance with the terms set out in the Directors' Remuneration Policy on page 87. Alexander Krane's CSA is subject to the malus and clawback provisions set out in the 2021 Directors' Remuneration Policy on page 84 of the 2022 Annual Report. The malus and clawback provisions for Linda Z. Cook's buyout award are in line with those set out on page 88 for the performance share awards of the LTIP.

3 Shares owned outright are reported as at 10 May 2023, the date on which G. Steven Farris's directorship ceased.

Awards under all the company's share schemes may be met using a combination of market purchases, financed by the company through the Harbour Energy plc Employee Benefit Trust, and newly issued shares. The company complies with the Investment Association's recommended guidelines on shareholder dilution through employee share schemes: awards under the company's discretionary schemes which may be satisfied with newly issued shares must not exceed 5 per cent of the company's issued share capital in any rolling 10-year period, and the total of all awards satisfied with newly issued shares under all plans must not exceed 10 per cent of the company's issued share capital in any rolling 10-year period.

Directors' shareholding requirements

The company requires the executive directors to retain no less than 50 per cent of the net value of shares vesting under the company's long-term incentive plans until such a time that they have reached a holding worth 300 per cent of salary (CEO) and 250 per cent of salary (CFO).

Shares owned outright including shares purchased and received from incentive arrangements, shares subject to deferral or a holding period (which are not beneficially owned by the senior executive) net of any relevant tax and social security that would be due, vested but unexercised nil cost options under any share plan, unvested share plan awards where vesting is not subject to the achievement of any performance conditions or underpins net of any relevant tax and social security and free shares under any UK share incentive plan count towards this requirement.

Based on an average share price of £2.45 during the final three months of 2023, Linda Z. Cook currently holds shares (directly and indirectly), an unvested conditional share award and a deferred bonus award worth 2,669 per cent of her salary. Alexander Krane holds an unvested conditional share award and deferred bonus awards worth 219 per cent of his salary using the same average price. Alexander is working towards the guideline of 250 per cent of salary and will continue to be subject to 50 per cent deferral of his annual bonus until his minimum shareholding is met.

Under the company's Remuneration Policy, the shareholding requirement extends for two years post-cessation of employment. Shares purchased by the departed executive directors are not covered by the post-cessation requirement.

Executive director external appointments

Executive directors are permitted to accept non-executive appointments outside the company providing that the Board's approval is obtained. Details of external appointments are set out on pages 70 and 71.

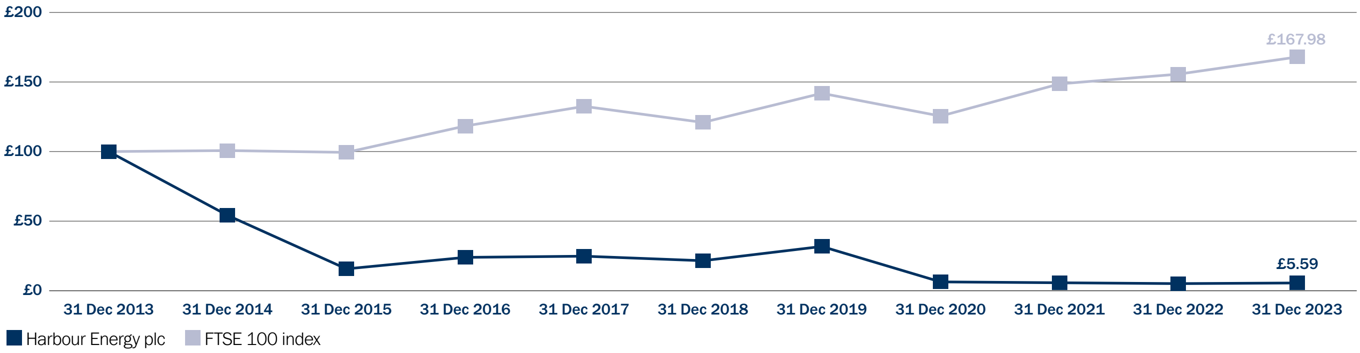
Annual Report on Remuneration continued

Comparison of company performance

The chart below compares the value of £100 invested in the company's shares, including reinvested dividends, on 31 December 2013 compared to the equivalent investment in the FTSE 100 index over the last 10 financial years. The FTSE 100 index has been chosen as the comparator for this graph because it is used as a peer group against which relative TSR performance is measured for awards granted under the 2017 LTIP.

10-year TSR performance

Value of £100 invested on 31 December 2013:



Note:
The closing share price of the company on 29 December 2023 was 308.6p. On 6 March 2024, being the date of approval of this report, the closing share price was 273.3p.

The table below shows the CEO single figure of remuneration for the past 10 years and corresponding performance under the annual and long-term incentives, as a percentage of maximum.

Year	CEO	CEO single figure of remuneration £'000s	Annual bonus payout as % of maximum	Equity pool as % of maximum[1]	Restricted share award vesting as % of maximum[2]	Performance share award vesting as % of maximum	Matching share award vesting as % of maximum
2014[3]	Simon Lockett	680.3	39 (pro-rated)	0	–	0	0
	Tony Durrant	428.7	40	0	–	0	0
2015	Tony Durrant	1,040.4	10	0	–	0	0
2016	Tony Durrant	1,404.3	66.5	0	–	0	0
2017	Tony Durrant	1,474.3	63.4	0	–	0	0
2018	Tony Durrant	1,558.4	54.3	45.1	–	75.1	0
2019	Tony Durrant	1,631.1	65	–	100	38	–
2020[4]	Tony Durrant	814.1	10.4	–	0	0	–
2021[5]	Richard Rose	436.6	0	–	0	0	–
	Linda Z. Cook	5,978.3	33	–	–	–	–
2022	Linda Z. Cook	3,124.5	75	–	–	–	–
2023	Linda Z. Cook	2,407.0	48	–	–	–	–

Notes:
1 The maximum opportunity for the 2016 equity pool was 50 per cent of salary.
2 The maximum opportunity for the restricted share award was 20 per cent of salary.
3 Figures shown for 2014 for Tony Durrant relate to the period during 2014 that he served as Chief Executive Officer: 25 June to 31 December 2014; and for Simon Lockett relate to the period during 2014 that he served as Chief Executive Officer: 1 January to 25 June 2014.
4 Tony Durrant stepped down from the Board on 16 December 2020.
5 Figures shown for 2021 for Richard Rose relate to the period during 2021 that he served as interim Chief Executive Officer: 1 January 2021 to 31 March 2021; and for Linda Z. Cook relate to the period during 2021 that she served as Chief Executive Officer: 1 April 2021 to 31 December 2021.

Percentage change in directors' remuneration compared with other employees

The table below shows the percentage change in each director's remuneration, comprising salary/fees, benefits and annual bonus, and comparable data for the average of all UK-based employees within the company, over each of the four years from 2020 to 2023. Figures are presented on an annualised basis to allow for comparison.

	Salary/fees				Benefits				Annual bonus[1]			
	2023	2022	2021	2020	2023	2022	2021	2020	2023	2022	2021	2020
Executive directors												
Linda Z. Cook[2]	0%	0%	–	–	(26)%	103%	–	–	(36)%	126%	–	–
Alexander Krane	3%	0%	–	–	23%	4%	–	–	(34)%	118%	–	–
Non-executive directors												
R. Blair Thomas	0%	–	–	–	–	–	–	–	–	–	–	–
Simon Henry	0%	–	–	–	–	–	–	–	–	–	–	–
Belgacem Chariag	–	–	–	–	–	–	–	–	–	–	–	–
Alan Ferguson	0%	–	–	–	–	–	–	–	–	–	–	–
Andy Hopwood[3]	4.0%	0.76%	–	–	–	–	–	–	–	–	–	–
Louise Hough	–	–	–	–	–	–	–	–	–	–	–	–
Margareth Øvrum	0%	–	–	–	–	–	–	–	–	–	–	–
Anne L. Stevens	0%	–	–	–	–	–	–	–	–	–	–	–
Former non-executive directors												
G. Steven Farris	0%	–	–	–	–	–	–	–	–	–	–	–
All employees	7.48%	2.91%	3.69%	2.51%	7.11%	11.85%	26.09%	(3.54)%	(30.07)%	115.82%	98.20%	(69.43)%

Notes:
1 Includes cash bonus and amount deferred into shares.
2 The benefits figure for Linda Z. Cook for 2022 and 2023 reflects increased tax equalisation payments provided in connection with the vesting of the first and second tranche of the conditional share award during 2022 and 2023.
3 The increase for Andy Hopwood in 2022 and 2023 reflects a change in his committee membership and therefore an increase in the scope and complexity of his role.

CEO pay ratio

The table below sets out the ratio of the CEO's pay to the lower quartile, median and upper quartile pay of the company's UK employees for the past five years.

Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2023	Method A	22.03 : 1	18.16 : 1	13.40 : 1
	Total pay and benefits	£109,255	£132,570	£179,575
	Salary	£73,665	£70,187[1]	£114,002
2022	Method A	28.35 : 1	23.68 : 1	17.10 : 1
	Total pay and benefits	£110,200	£131,961	£182,684
	Salary	£57,220	£85,513	£92,870
2021	Method A	76.6 : 1	62.3 : 1	40.99 : 1
	Total pay and benefits	£80,077	£98,476	£149,729
	Salary	£58,880	£70,210	£97,340
2020	Method A	10.8 : 1	7.5 : 1	5.1 : 1
	Total pay and benefits	£75,717	£108,225	£160,027
	Salary	£58,140	£81,412	£121,107
2019	Method A	19.8 : 1	11.9 : 1	8.2 : 1
	Total pay and benefits	£82,237	£136,538	£200,076
	Salary	£52,508	£79,465	£124,584

Note:
1 The salary for the median employee in 2023 is less than that received by the lower quartile employee. This reflects a higher proportion of variable pay received by the median employee. This anomaly arises due to the differences in the nature and pay structure of certain roles.

The 2023 pay ratio of 18.16 for the median group reflects the fact that CEO remuneration is heavily weighted to variable pay, resulting in larger year-on-year variations than wider workforce pay. The difference in the 2023 ratio when compared with 2022 is a result of the decrease in the CEO's bonus outcome compared to the prior year. The pay ratio for 2021 reflects that the CEO's 2021 remuneration included a one-off buyout award in respect of remuneration forfeited at her former employer, without which the 2021 ratio would have been 16.1 for the median position. The 2020 and 2019 figures represent the data for Premier Oil plc prior to the merger.

Total pay and benefits for all employees has remained in line with 2022. The median pay ratio is consistent with the pay, reward and progression policies for the company's UK employees as a whole, with pay grades benchmarked to the oil and gas industry and a graduated bonus scheme based on these grades. The results are consistent with the professional nature of our workforce.

Annual Report on Remuneration continued

The Committee believes that, of the methodologies permitted under the regulations, Method A provides the most statistically accurate representation of the Chief Executive Officer's remuneration relative to the UK workforce. Total pay and benefits (on a full-time equivalent basis) for the people employed at 31 December 2023 have been calculated in line with the 'single figure methodology' used for the Chief Executive Officer. Employees were then ranked to identify each individual at the 25th, 50th and 75th percentiles.

Relative importance of spend on pay

The table below shows the company's actual expenditure on shareholder distributions and total employee pay expenditure for the financial years ending 31 December 2022 and 31 December 2023. Total shareholder distribution expenditure is composed of dividends and share buybacks.

	2023 $ million	2022 $ million	% change
Remuneration paid to or receivable by all employees of the Group	379	366	3.6%
Distributions to shareholders by way of dividend	190	191	(0.5)%
Distributions to shareholders by way of share buyback	248[2]	359[1]	(30.9)%

Notes:
1 The $300 million share buyback programme completed on 26 September 2022. The company announced a further $100 million share buyback programme on 3 November 2022, which was implemented across 2022 and 2023. The 2022 figure reflects the cost of the shares during the buyback programmes in 2022 and excludes associated fees of $2 million.
2 Part of the share buyback programme announced on 3 November 2022 (referenced in note 1) was implemented during 2023 and concluded on 15 February 2023. On 9 March 2023 the company announced a further $200 million share buyback programme which concluded on 28 September 2023. The 2023 figure reflects the cost of the shares during 2023 and excludes associated fees of $1 million.

Implementation of executive director Remuneration Policy for 2024

This section sets out the proposed implementation of the Directors' Remuneration Policy in 2024.

Salary

The salaries of the executive directors are reviewed annually to ensure that they remain appropriate. The Committee reviewed salary levels in early 2024 and agreed to award the CEO an increase of 4.5 per cent, slightly below the average increase for the broader workforce, which was 5 per cent. The Committee agreed to award the CFO an increase of 7 per cent in recognition of the increased scope of his role in the context of M&A activities and execution of the company's strategy.

The base salaries of the executive directors effective from 1 April 2024 are shown below:

Directors	Position	Salary from 1 April 2023 £	Salary from 1 April 2024 £	Percentage increase %
Linda Z. Cook	Chief Executive Officer	850,000	888,250	4.5%
Alexander Krane	Chief Financial Officer	546,000	584,220	7%

Pension and benefits

As discussed in the Remuneration Committee Chair's statement on page 84, from 2024 pension levels for executive directors will increase from 15 per cent to 20 per cent of salary, which is the level available to the wider workforce. There are no other changes intended to the benefits provided to executive directors. The Committee has considered the housing allowances for the executive directors, and given the ongoing requirement for both executive directors to remain in the UK, and in recognition of their criticality to the business, agreed to extend the housing allowances whilst each director remains in role.

Annual bonus

The executive director annual bonus corporate scorecard, setting out measures for 2024, is summarised below. Individual performance targets are considered to be commercially sensitive and will be disclosed in next year's Annual Report & Accounts.

Category	Targets	Weighting (% of maximum corporate bonus opportunity)
1. Safety & environment	Safety incident rate, Process safety, GHG emissions	35%
2. Operations	Oil and gas production, Unit operating costs	30%
3. Growth & capital deployment	Expenditure vs AFE, Reserves vs AFE	20%
4. Financial	Free cash flow	15%

Long Term Incentive Plan

The Committee intends to grant LTIP awards to executive directors of a value equal to 300 per cent of salary in line with the Policy. In recognition of the increased scope of his role in relation to M&A activities and execution of the company's strategy, the Committee agreed in March 2024 to increase the CFO LTIP award from 250 per cent to 300 per cent of base salary. The award will continue to be assessed against relative TSR, with 50 per cent of the award being assessed against the FTSE 100 index and 50 per cent against a bespoke oil and gas peer group. The Committee carried out a further review of the bespoke oil and gas peer group in late 2023 and determined that Shell and bp should be removed for the 2024 LTIP award due to their size and status as integrated oil and gas businesses rather than independent operators. The Committee also considered that Ithaca Energy and Vår Energi ASA, as genuinely relevant competitors due to their location and size, should be added to the bespoke comparator group. The structure of the award will be threshold vesting (25 per cent of maximum) for performance in line with the median and maximum vesting for performance in line with the upper quartile.

Non-executive director remuneration

The fee structures for the Chair and non-executive directors are reviewed annually to ensure that they remain appropriate to reflect time commitment, demands and responsibilities for the role. The Board last approved changes to fee levels in April 2021, with no changes made in 2022 or 2023.

Following a review in March 2024, the Remuneration Committee approved a 4.5 per cent increase to the base fee for the Chair. The Board approved the same increase to the base fee for non-executive directors, marginally lower than the average increase for the wider UK workforce (5 per cent). The remuneration arrangements for the Chair and non-executive directors will be adjusted with effect from 1 April 2024 as per the table below:

Basic fees	**Salary from 1 April 2023**	**Salary from 1 April 2024**
Chair all-inclusive fee	300,000	313,500
Other non-executive directors' basic fee	85,000	88,825
Supplementary fees		
Senior Independent Director	30,000	–
Chair of Audit and Risk Committee Chair of Remuneration Committee	20,000	–
Chair of Health, Safety, Environment and Security Committee Chair of Nomination Committee (N.B. waived by R. Blair Thomas) Member of Audit and Risk Committee Member of Remuneration Committee	15,000	–
Member of Health, Safety, Environment and Security Committee Member of Nomination Committee	10,000	–

For and on behalf of the Remuneration Committee:

Anne L. Stevens
Committee Chair
6 March 2024

Directors' report

The directors present their Annual Report on the affairs of the Group, together with the audited Group and parent company financial statements and Auditor's report for the year ended 31 December 2023. There are certain disclosure requirements which form part of the directors' report and are included elsewhere in this Annual Report. The location of information incorporated by reference into this directors' report is set out on page 106.

Dividend

The Board is proposing a final dividend of 13 cents per ordinary share (2022: 12 cents) to be paid in pound sterling at the spot rate prevailing on the record date. This dividend is subject to shareholder approval at the AGM, to be held on 9 May 2024. If approved, the dividend will be paid on 22 May 2024 to shareholders on the register as of 12 April 2024 (the record date).

Annual General Meeting

The company anticipates that the next AGM will be held on 9 May 2024. The notice of the AGM (the Notice), together with details of all resolutions which will be placed before the meeting, will be published in due course and will be available online in the shareholder information section of the website.

Directors

The directors of the company as at 6 March 2024 are shown on pages 70 and 71. Changes to the directors during the year and up to the date of this report are set out below:

Appointments	Role	Effective date of appointment
Belgacem Chariag	Non-Executive Director	1 May 2023
Louise Hough	Non-Executive Director	1 May 2023

Resignations	Role	Effective date of departure
G. Steven Farris	Non-Executive Director	10 May 2023

Meeting attendance

Ten Board meetings were held during the year, seven of which were scheduled meetings covering a full agenda of strategic, performance and governance items.

Three additional meetings were called during the year to discuss specific topics.

Director	Meetings attended	Percentage
R. Blair Thomas	10/10	100%
Linda Z. Cook	10/10	100%
Alexander Krane	10/10	100%
Simon Henry	10/10	100%
Alan Ferguson	10/10	100%
Andy Hopwood	10/10	100%
Margareth Øvrum	10/10	100%
Anne L. Stevens	10/10	100%
Belgacem Chariag[1]	7/7	100%
Louise Hough[2]	7/7	100%
G. Steven Farris[3]	4/4	100%

1 Belgacem Chariag joined the Board on 1 May 2023.
2 Louise Hough joined the Board on 1 May 2023.
3 G. Steven Farris stepped down from the Board on 10 May 2023.

Articles of association

The company's articles of association were adopted at the 2021 Annual General Meeting (AGM) and may only be amended by a special resolution of the shareholders. The company's articles of association contain provisions regarding the appointment, retirement and removal of directors and how the directors can use all of the company's powers. A copy of the articles of association can be found on our website: harbourenergy.com.

Indemnification of directors and insurance

During the financial year, the company had in place an indemnity to each of its directors and the Company Secretary under which the company will, to the fullest extent permitted by law and to the extent provided by the articles of association, indemnify them against all costs, charges, losses and liabilities incurred by them in the execution of their duties. The indemnity was in force for all directors who served during the year. The company also has directors' and officers' liability insurance in place.

Share capital

Details of the company's issued share capital, together with details of any movement in the issued share capital during the year, are shown in note 24 to the consolidated financial statements on page 164. The company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at shareholder meetings of the company.

The company was authorised at the 2023 AGM to allot (i) relevant securities for a nominal amount of up to £5,562 and (ii) equity securities up to a nominal amount of £11,124 less the nominal amount of any shares issued under part (i) of the authority. In connection with the all-employee Save As You Earn scheme, 5,092 shares were allotted under the first authority during the year at a price of £2.208 per share.

Purchase of own shares

During the period from 1 January to 15 February 2023 the company completed the $100 million share buyback programme announced on 3 November 2022, repurchasing 11,093,925 ordinary shares.

Shareholders approved a resolution at the 2023 AGM for the company to make purchases of its own shares up to a maximum of approximately 14.99 per cent (125,000,000 shares) of its issued share capital. This authority will expire at the conclusion of the 2024 AGM.

The Board announced a further $200 million share buyback programme on 9 March 2023. The buyback programme commenced on 15 March 2023, concluding on 28 September 2023 with a total of 65,709,133 ordinary shares repurchased for cancellation.

The total amount of shares repurchased by the company during 2023 was therefore 76,803,058 ordinary shares, 9 per cent of the company's issued share capital for a total consideration of $249 million.

Significant shareholdings

As at 6 March 2024, the company had received notification from the institutions below, in accordance with chapter 5 of the Disclosure and Transparency Rules, of their significant holdings of voting rights (3 per cent or more) in its ordinary shares:

Name of shareholder	Date of notification to the stock exchange	Notified number of voting rights[1]	Notified percentage of voting rights	Nature of holding
EIG Asset Management, LLC	11.07.2023	134,281,887	16.74%	Direct
Control Empresarial de Capitales	23.02.2024	54,901,500	7.13%	Direct
Bank of America Corporation	22.02.2024	25,380,961	3.29%	Indirect

1 Notified number of voting rights in issue at the time of the announcement to the market.

Employee share schemes

Details of employee share schemes are set out in note 25 to the consolidated financial statements on pages 165 and 166. Voting rights in relation to the shares held within the Employee Benefit Trust are exercisable by the trustee but it has no obligation to do so. Details of the number of shares held by the Employee Benefit Trust are set out in note 24 to the financial statements on page 164.

Equal opportunities

Full and fair consideration is given to all applications for employment by disabled persons, having regard for any particular aptitudes and abilities. We strive to provide continued employment and arrange appropriate training for members of our workforce who become disabled whilst employed by us. We provide training, career development and promotion of disabled employees. Our commitment to building a diverse, equitable and inclusive environment is foundational to our values and is underpinned by our People and Diversity, Equity and Inclusion Policies.

American Depositary Receipt programme

Harbour Energy plc has a sponsored Level 1 American Depositary Receipt (ADR) programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one ordinary share of the company. The ADRs trade on the US over-the-counter market under the symbol HBRIY.

Hedging and risk management

Details of the Group's hedging and risk management are provided in the Financial review on page 30. A further disclosure has been made in notes 22 and 23 to the consolidated financial statements on pages 158 and 159, related to various financial instruments and exposure of the Group to price, credit, liquidity and cash flow risk.

Branches

As a global group our interests and activities are held or operated through subsidiaries, branches, joint arrangements or associates established in and subject to the laws and regulations of different jurisdictions.

Relationship agreement

The company has in place a relationship agreement with EIG Global Energy Partners (EIG) which was entered into on completion of the merger in March 2021 (the relationship agreement). EIG currently holds 16.74 per cent of the company's issued share capital. Participation in this agreement will continue in force unless and until EIG and its affiliates cease to own at least 10 per cent or more of the ordinary shares or the voting rights attaching to the ordinary shares. EIG may terminate the relationship agreement in certain circumstances, including where the ordinary shares cease to be admitted to the premium listing segment of the Official List and admitted to trading to the London Stock Exchange's main market for listed securities.

Under the relationship agreement, EIG is entitled to nominate one non-executive director for appointment to the Board for so long as it holds between 10 per cent and 25 per cent of the issued shares of the company and two non-executive directors for so long as it holds over 25 per cent of the shares. At the current time, R. Blair Thomas (Chair) is EIG's nominated appointee.

In addition, pursuant to the relationship agreement EIG undertakes that it shall not:

- take any action that would have the effect of preventing the company from complying with its obligations under the Listing Rules;
- propose or procure the proposal of a shareholder resolution of the company which is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- exercise any of its voting rights in the company in a way that would be inconsistent with, or breach any of the provisions of, the relationship agreement;
- influence the day-to-day running of the company at an operational level and shall allow the company to operate on an independent basis;
- vote its ordinary shares, and shall use its reasonable endeavours to procure that any director appointed by it does not vote his or her shares, in a manner that would prevent the company from operating and making decisions for the benefit of shareholders of the company as a whole; and
- act in a manner which would be inconsistent with the independence of the Board being maintained in accordance with the rules of the London Stock Exchange or the FCA applicable to the company, including the Listing Rules and the UK Corporate Governance Code.

Significant agreements

The following significant agreements will, in the event of a change of control of the company, be affected as follows:

- under the up to $2.75 billion senior secured revolving borrowing base facility agreement between, among others, the company, certain subsidiaries of the company and a syndicate of financial institutions, upon a change of control (save for certain exceptions), each lender has the right to serve notice, and following a short prescribed period after such notice, all of that lender's commitments under the agreement would be cancelled and all amounts owing to it would become immediately due and payable; and
- the Group has outstanding senior unsecured bond notes totalling $500 million due 2026. Upon a change of control (save for certain exceptions), each noteholder will have the right to require Harbour Energy plc to repurchase all or any part of that holder's notes at a premium, together with accrued interest.

Political donations

No political donations were made during the year (2022: $nil).

Significant events since 31 December 2023

Details of significant events since the balance sheet date are contained in note 30 to the financial statements on page 169.

Information set out in the Strategic Report

In accordance with s414C(11) of the Companies Act 2006, the directors have chosen to set out the information outlined below, required to be included in the directors' report, in the Strategic Report.

- the main trends and factors likely to affect the future development, performance and position of the business: pages 4 to 9;
- information on the company's research and development activities: page 20 and page 45;
- a summary of the company's principal risks: pages 60 to 65;
- employee engagement and involvement: pages 12 to 15 and pages 50 and 51;
- diversity, equity and inclusion: pages 51 and 52;
- information about greenhouse gas emissions and addressing our environmental impact: pages 38 to 47; and
- engagement with suppliers, customers and other stakeholders: pages 12 to 15.

The Strategic Report and the directors' report together include the 'management report' for the purposes of the FCA's Disclosure & Transparency Rules (DTR 4.1.8R).

Information set out elsewhere in this Annual Report

Information regarding the company's governance arrangements is included in the corporate governance report and related Board committee reports on pages 66 to 103. These sections of the report are incorporated into this report by reference.

For the purposes of Listing Rule 9.8.4C R, the information required to be disclosed by Listing Rule 9.8.4 R can be found in the following locations:

Listing rule sub-section	Item	Location
9.8.4 (1)	Interest capitalised	Note 7 to the financial statements: page 141
9.8.4 (4)	Details of long-term incentive schemes	Directors' remuneration report: pages 97 and 98, and 103
9.8.4 (5)	Waiver of emoluments by a director	Directors' remuneration report: page 95

Non-financial reporting

In order to consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of non-financial reporting, the table opposite shows where in this Annual Report to find each of the disclosure requirements.

Audit information

Each of the persons who is a director at the date of approval of this Annual Report and financial statements confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all reasonable steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. By order of the Board:

Rachel Rickard
Company Secretary
6 March 2024

Non-financial and sustainability information statement

Complying with the UK's non-financial reporting directive

Non-financial measures are an important part of our business and the Board is committed to acting responsibly and working with our stakeholders to manage the impact of our activities. The table and cross references below aim to help stakeholders better understand our approach to key non-financial matters.

Reporting requirement	Internal policies and standards	External frameworks and standards	Information on our business impacts and outcomes
Safety matters	• Health, Safety, Environment and Security (HSES) Policy • Corporate Major Accident Prevention Policy	• ISO 45001 occupational health and safety management system standards • International Association of Oil & Gas Producers (member) • Global Reporting Initiative (GRI) Standards	• Pages 34 to 37
Environmental matters	• Health, Safety, Environment and Security (HSES) Policy • Sustainability Policy	• ISO 14001 (environmental) and OHSAS 18001 (occupational health and safety) management system standards • International Association of Oil & Gas Producers (member) • Global Reporting Initiative (GRI) Standards	• Pages 38 to 47
Climate change	• Health, Safety, Environment and Security (HSES) Policy • Sustainability Policy	• Task Force on Climate-related Financial Disclosures (TCFD)	• Pages 39 to 44 • Pages 124 to 127
Employees	• People Policy • Sustainability Policy • Corporate Major Accident Prevention Policy	• N/A	• Pages 50 to 52
Human rights	• Human Rights Statement • Supply Chain Policy • Sustainability Policy	• Voluntary Principles on Security and Human Rights • United Nations Guiding Principles on Business and Human Rights	• Page 52
Social matters	• Sustainability Policy	• N/A	• Pages 48 to 52
Anti-corruption and anti-bribery	• Code of Conduct • Tax Policy	• N/A	• Pages 53 to 55
Business model description	• N/A	• N/A	• Pages 10 and 11
Principal risks and uncertainties	• Risk Management Policy	• ISO 31000 risk management system standard	• Pages 56 to 58 • Pages 60 to 65
Non-financial KPIs	• N/A	• N/A	• Throughout

Section 414CB(2A) of the Companies Act 2006 requires that organisations disclose information to support all material environmental, social and governance aspects through their Annual Report & Accounts. Through the 2023 materiality process a number of topics with increasing importance to Harbour and our stakeholders were identified. These include Biodiversity and Local Communities as examples. Harbour intends to support this increased potential risk by developing additional policies and associated standards, as required, to ensure the correct focus and risk mitigation are in place across the organisation.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Group financial statements

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group and the company for that period.

In preparing the Group and parent company financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS and, in respect of the parent company financial statements, FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether International Accounting Standards in conformity with the requirements of the Companies Act 2006/applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/or the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website: harbourenergy.com.

Directors' responsibility statement (DTR 4.1)

The directors, whose names and functions are set out on pages 70 and 71, confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the Annual Report & Accounts, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks that they face; and
- that they consider the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

This responsibility statement was approved by the board of directors on 6 March 2024 and is signed on its behalf by:

Linda Z. Cook
Chief Executive Officer

Independent auditor's report to the members of Harbour Energy plc

Opinion

In our opinion:

- Harbour Energy plc's Group financial statements and parent company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Harbour Energy plc (the parent company) and its subsidiaries (the Group) for the year ended 31 December 2023 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2023	Company balance sheet as at 31 December 2023
Consolidated income statement for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 10 to the financial statements including material accounting policy information
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 31 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the UK Financial Reporting Council's (FRC) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of management's going concern assessment process in conjunction with our walkthrough of the Group's financial close process and engaging with management to confirm all relevant assumptions were considered
- Obtaining the cash flow forecasts prepared by management for the Group, including the base case and downside scenarios
- Testing the integrity of management's going concern model by ensuring the forecasts were consistent with the budget approved by the Board and with other areas of the audit such as the impairment assessments
- Challenging the key assumptions included in the model, including management's oil and gas price assumptions. Our assessment of these price assumptions included a comparison of management's price assumptions with recent broker and consultant estimates together with estimates used by other market participants, including those estimates that reflect the potential impact of the climate change transition risks
- Evaluating the reasonableness of all other key assumptions, such as production profiles and operating and capital expenditure forecasts, through assessing their consistency with other areas of the audit, including management's impairment assessments. We also ensured these assumptions were consistent with the budget approved by Harbour Energy's Board
- Inspecting the Group's loan agreements, ensuring that the cash outflows relating to interest and repayments are consistent with the agreements, verifying that no covenants have been breached and evaluating whether there is any forecast covenant breach in either the base case or downside case scenarios during the going concern period

- Verifying that the cash flow forecasts included estimated outflows in respect of the Energy Profits Levy (EPL) and ensuring such outflows were consistent with our work on management's impairment assessments
- Reviewing management's reverse stress tests in order to identify what factors would lead to the Group not meeting the financial covenants during the going concern period, including the minimum liquidity requirement as set in the reserve based lending loan agreement, and assessing the likelihood of occurrence of such a scenario
- Understanding the impact of the proposed Wintershall Dea AG transaction on the cash flow forecasts and loan covenants in the going concern period
- Evaluating the appropriateness of the going concern disclosures in the financial statements to determine whether they are accurate and in line with IAS 1 – Presentation of financial statements and our expectations given the procedures we have performed

Based on the procedures performed, we observed that the oil and gas prices are within the range of recent brokers' and consultants' estimates and production profiles are consistent with those used in management's impairment assessment and in our work on oil and gas reserves. In the downside cases modelled by management, we observed that there remained liquidity headroom and that under these cases the Group operates within the requirements of its financial covenants. We concluded that the modelled plausible downside scenarios were reasonable for concluding on the going concern assumption. In addition, we have concluded that the reverse stress test scenarios, under which there is either a liquidity issue or the covenants are breached, have a remote likelihood of occurrence.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period up to 30 June 2025.

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of six components and audit procedures on specific balances for a further 14 components • The components where we performed full or specific audit procedures accounted for 94% of Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA), 99% of Revenue and 93% of Total assets
Key audit matters	• Oil and gas reserves estimation including reserves used in the calculation of depreciation, depletion and amortisation, impairment testing and the assessment of recoverability of deferred tax assets • Impairment of tangible oil and gas properties and associated goodwill • Tax liabilities and contingencies
Materiality	• Overall Group materiality of $72m which represents 2.7% of Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA)

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 95 reporting components of the Group, we selected 20 components covering entities within the United Kingdom, Indonesia and Vietnam, which represent the principal business units within the Group.

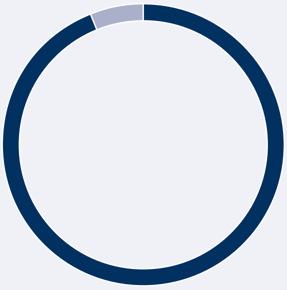
Of the 20 components selected, we performed an audit of the complete financial information of six components (full scope components) which were selected based on their size or risk characteristics. Out of these six components, the UK integrated primary team performed audit procedures for five components. Of the remaining 14 components (specific scope components), we performed audit procedures on specific accounts within these components that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. Out of these 14 components, the UK integrated primary team performed audit procedures for 12 components.

The reporting components where we performed audit procedures accounted for 94% (2022: 99%) of the Group's Adjusted EBITDA, 99% (2022: 97%) of the Group's Revenue and 93% (2022: 91%) of the Group's Total assets. For the current year, the full scope components contributed 94% (2022: 99%) of the Group's Adjusted EBITDA, 90% (2022: 97%) of the Group's Revenue and 68% (2022: 81%) of the Group's Total assets. The specific scope components contributed 0% (2022: 0%) of the Group's Adjusted EBITDA, 8% (2022: 0%) of the Group's Revenue and 18% (2022: 10%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 75 components that together represent 6% of the Group's Adjusted EBITDA, none are individually greater than 1% of the Group's Adjusted EBITDA. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

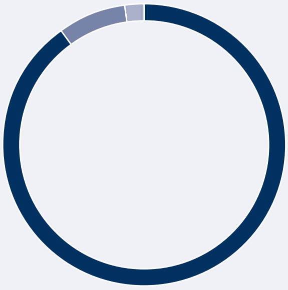
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Adjusted EBITDA



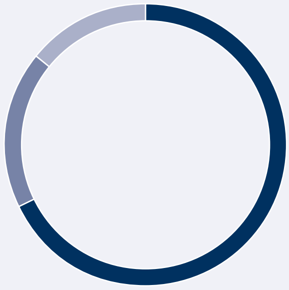
Full scope components	94%
Specific scope components	0%
Other procedures	6%

Revenue



Full scope components	90%
Specific scope components	8%
Other procedures	2%

Total assets



Full scope components	68%
Specific scope components	18%
Other procedures	14%

Changes from the prior year

We decreased the number of full scope components from nine to six in the current year and increased the number of specific scope components from seven to 14 reflecting the change in contribution to the Group's results across these entities.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the six full scope components and 14 specific scope entities, audit procedures were performed on five of the full scope entities and 12 of the specific entities directly by the integrated primary audit team. One full scope entity and two specific scope entities were audited by component teams based in Indonesia and Vietnam, where we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The majority of the Group's activities are based in the UK for which all audit procedures are performed by the UK integrated primary team. The Group audit team continued to follow a programme of planned virtual meetings and file review for the component teams in Indonesia and Vietnam. This included the involvement of the Senior Statutory Auditor and were in the form of video calls with local management and with the local EY component teams. During the visits we held discussions on the audit approach and understood any issues arising from their work and were responsible for the scope and direction of the audit process. We reviewed the component team's working papers remotely to validate that the required procedures had been performed in line with our audit instructions. We also virtually attended year-end closing meetings for both the components and interacted regularly with the component teams throughout the year.

Climate change

Stakeholders are increasingly interested in how climate change will impact Harbour Energy plc. The Group has determined that the most significant future impacts from climate change on their operations will be from reduced customer demand for fossil fuels, policy incentives and emerging regulation curtailing future fossil fuel demand, carbon pricing mechanisms applied to direct operations, limitations on access to capital or the increase in the cost of capital, and acute physical risks. These are explained on pages 42 and 43 in the required Task Force On Climate-related Financial Disclosures and on page 65 in the principal risks and uncertainties. The Group has also explained its climate commitments on page 40. All of these disclosures form part of the 'Other information', rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on 'Other information'.

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in note 2 – Accounting Policies, how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to achieve net zero across gross operated Scope 1 and 2 emissions by 2035 and their interim target of a 50% reduction in 2030 against their 2018 baseline. Significant judgements and estimates relating to climate change are included in note 2 to the financial statements. In this note, management has provided supplementary sensitivity disclosures showing the impact of oil, gas and carbon costs under IEA scenarios (Net Zero Emissions by 2050 (NZE), Stated Policies (STEPS) and Announced Pledges (APS)) on the carrying value of tangible oil and gas assets.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, their climate commitments, the effects of material climate risks disclosed on pages 40, 42 and 43, and 65 and the significant judgements and estimates disclosed in note 2 and whether these have been appropriately reflected in (i) oil and gas reserves estimation, (ii) the impairment assessments for tangible oil and gas assets and associated goodwill and associated sensitivity disclosures, (iii) the valuation of net deferred tax liabilities, and (iv) the timing and nature of decommissioning liabilities recognised following the requirements of UK-adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists and senior audit team members with significant experience in climate change and energy transition. This included meetings with the Group's net zero strategy, Financial Planning and Group Finance teams and a review of peer disclosures and sector guidance on climate change and energy transition to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and the associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the following key audit matters: oil and gas reserves estimation; and impairment of tangible oil and gas properties and associated goodwill. Details of the impact, our procedures and findings are included in our explanation of key audit matters below.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Oil and gas reserves estimation Refer to the Audit and Risk Committee report (page 76); Material accounting policies (page 123); and Additional information (page 182). At 31 December 2023, Harbour reported 361 million barrels of oil equivalent (mmboe) of proven and probable (2P) reserves (2022: 410 mmboe). The estimation and measurement of oil and gas reserves impacts various material elements of the financial statements including depreciation, depletion and amortisation (DD&A), impairment, decommissioning provisions and deferred tax asset (DTA) recoverability. Auditing the estimation of oil and gas reserves is complex, as there is significant estimation uncertainty in assessing the quantities of reserves and resources in place. Estimation uncertainty is further elevated given the transition to a low-carbon economy which could impact life-of-field assumptions and increase the risk of underutilised or stranded oil and gas assets. Also, given the estimation of oil and gas reserves is complex, there is a risk that inappropriate management bias influences the estimates. Management's 2P reserves estimates are prepared by an internal specialist whilst an external specialist is engaged for the purpose of assessing the appropriateness of management's internal estimates.	The audit procedures in respect of oil and gas reserves estimation were performed by the primary audit team; our procedures covered 100% of 2P reserve volumes. Our work to address the identified risks included the following procedures: • we confirmed our understanding of Harbour's oil and gas reserve estimation process as well as the control environment implemented by management; • we assessed the appropriateness of reliance on management's internal and external reserve specialists by undertaking procedures to evaluate their competence and objectivity; • we met separately with management's internal and external specialists to understand the basis, and therefore appropriateness, for any significant variances between the two sets of estimates at a cash-generating unit (CGU) level; • where variances of a technical nature were identified, we utilised the knowledge and expertise of an EY internal specialist from our Financial Accounting Advisory Services practice with significant oil and gas reserves expertise as part of our work to assess the nature of the variances and appropriateness of management's estimates; • we recalculated net entitlement production that reflects the terms of production sharing contracts for the relevant fields and is derived from reserves prepared by internal specialists and independently assessed by external specialists; • we investigated all material volume movements from management's prior period estimates and where there was a lack of movement where changes were expected based on our understanding of the Group's operations and findings from other areas of our audit; • in light of Harbour's pledge to reach net zero for Scope 1 and 2 emissions by 2035 (equity share), we considered the extent of 2P reserves recognised that are due to be produced beyond 2035 in assessing the potential impact of a risk of stranded assets; and • we ensured the 2P reserve volumes were consistently applied throughout all relevant accounting processes including DD&A, impairment, decommissioning provisions and DTA recoverability.	We reported to the Audit and Risk Committee that based on our procedures performed, we had not identified any errors or factual inconsistencies with reference to Harbour's oil and gas reserves estimates that would materially impact the financial statements and that, as a result, we consider the reserve estimates to be reasonable. We reported that a significant majority of Harbour's 2P reserves are expected to be produced by 2035. As such we are satisfied that the risk of there being a material stranded asset is low. Management has sufficient time and options to decarbonise their assets in line with their stated target, including the use of carbon capture and storage facilities or through the purchase of carbon credits.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Impairment of tangible oil and gas properties and associated goodwill Refer to the Audit and Risk Committee report (page 76); Material accounting policies (pages 123 to 137); and notes 10 and 12 of the Consolidated Financial Statements (pages 145 and 146, and pages 147 and 148). In the current period, management noted impairment indicators for certain of the Group's assets and recorded a pre-tax impairment of $239 million (2022: net pre-tax impairment reversal of $170 million). Management prepares the tangible asset impairment tests under the Fair Value Less Cost to Sell methodology. The impairment models include a number of estimates including: future oil and gas prices; discount rates; inflation rates; production forecasts; operating expenditures; and capital expenditures for each CGU. Changes to any of these key inputs could lead to a material change in an impairment or a reversal of impairment, hence this is considered a key audit matter.	Our audit response was executed by the primary audit team, covering all assets at risk of material impairment. We performed the following audit procedures with respect to management's impairment assessment: • confirmed our understanding of Harbour's impairment assessment process, as well as the controls implemented by management; • considered the internal and external sources of information included in IAS 36 to identify any potential indicators of impairment loss and/or reversal, including any downgrades in oil and gas reserve estimates or sustained increase / decrease in oil and gas prices compared to the prior year; • following management's identification of impairment indicators, we obtained the discounted cash flow model that reflects the expectations of an external market participant for each of these CGUs and tested the models for integrity which included the use of EY technology tools to evaluate spreadsheet integrity; • we assessed the appropriateness of management's oil and gas price assumptions through comparison with the estimates of market participants; • in conjunction with our EY valuations specialists, we assessed the appropriateness of management's impairment discount rates based on an independent re-calculation of the Group's weighted average cost of capital; • we evaluated management's production profiles through reconciliation to the results of our audit work in respect of oil and gas reserves estimation; • we tested the appropriateness of other cashflow assumptions such as opex, capex and decommissioning spend by comparing against Board approved plans and actual costs incurred. We compared inflation and FX rates to recent market forecasts to assess their reasonableness; • we performed headroom analysis for the oil and gas production CGUs as part of our assessment of the recoverability of the goodwill recognised in the Group financial statements; and • we also evaluated the accuracy and completeness of the impairment disclosures included in the notes to the financial statements. In assessing the impact of climate transition risk on impairment, we performed the following procedures: • comparison of Harbour's long-term oil and gas price assumption to International Energy Association (IEA) Announced Pledges Scenario (APS) and Net Zero Emissions (NZE) Scenario; • reasonableness assessment of carbon prices and sensitivity of future carbon costs in the cash flow models, including comparison of prices to IEA APS and NZE scenarios; • understood how management intend to achieve their planned Scope 1 and 2 emissions reductions and whether these actions have been reflected in the cash flow forecasts; • analysed the emissions and production data to understand the current and future carbon intensity of assets to identify higher risk assets; • evaluated the stranded asset risk arising from useful economic lives of assets post 2035; and • verified the appropriateness of the climate change sensitivity included in note 2 to the financial statements.	We reported to the Audit and Risk Committee in its March 2024 meeting that the key assumptions used within the impairment models were within a reasonable range and, based on our testing performed, we considered the recognition and valuation of the current period impairment charge to be reasonable. Specifically related to our procedures on climate change, we reported that Harbour's oil and gas price assumptions are in line or lower than the commodity prices in the IEA APS scenario from 2023 onwards. We concur with management that carbon costs are not a sensitive assumption in the cash flow forecasts; the results of our independent sensitivity analysis indicated that applying the IEA NZE50 carbon prices would not lead to a material impact on the valuation of oil and gas assets. For assets with a higher risk of impact from climate change, we assessed the headroom in the most recent impairment models and also checked the reasonableness of the costed plans in place to decarbonise the assets. Overall, we concluded there were no additional impairment triggers arising from the impact of climate change in the 2023 financial statements.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Tax liabilities and contingencies Refer to the Audit and Risk Committee report (page 76); Material accounting policies (page 135); and note 8 to the financial statements on page 142). As described in note 8 to the consolidated financial statements, the misallocation of hedging positions across certain UK subsidiaries of the Group has resulted in the disclosure of a contingent tax liability currently estimated not to exceed $120 million. The recognition and/or disclosure of a contingent liability involves judgement related to assessing whether a future cash outflow is probable, possible or remote. It often also involves estimation risk since management is required to provide an estimate of the potential financial effect of the matter giving rise to the contingent liability. There is therefore a risk that a liability is not recognised, or a contingent liability is not disclosed, in the financial statements and a risk that the estimated financial effect may be materially misstated.	The audit procedures in respect of tax liabilities and contingencies were performed by the primary audit team, which included team members with significant UK tax experience and knowledge of oil and gas tax legislation and tax disregard rules applicable to commodity hedging. Our work to assess potential tax liabilities related to the misallocation of hedging positions at UK legal entity level included the following procedures: • We held several discussions with management and understood the fact patterns and judgements involved in the matter; • With the assistance of our tax controversy and risk management specialist team, we reviewed the reports from management's external specialists – comprising both legal and tax advisors – and raised certain challenges to management's analysis and conclusions with reference to the accounting guidance in IFRIC 23 and IAS 37; • We obtained management's analysis to support their estimate of the potential financial effect of the hedge misallocations and assessed its reasonableness, including the calculation basis, the apportionment pre and post the introduction of the Energy Profits Levy (EPL) and the consistency of derivative hedging transactions with those we have audited in prior periods; and • We reviewed the contingent liability disclosure in the notes to the financial statements and management's assessment of any penalties and interest that may be applicable.	We reported to the Audit and Risk Committee in its March 2024 meeting that the disclosure of a contingent liability for the tax exposure created by the hedging misallocations was appropriate on the basis of a possible risk of a future cash outflow at the balance sheet date. We communicated to the Committee that we had evaluated and were satisfied with the judgements and supporting documentation that management had relied upon when determining the probability of a materially higher financial outcome to be remote. We also confirmed our agreement with management's estimate of the potential financial effect disclosed in the financial statements.

Principal changes as compared to prior year

In the prior year, our auditor's report included a key audit matter for the 'Impact of Energy Profits Levy on current and deferred taxes', since these represented new UK tax legislation which required management to make certain judgements and had a material impact on both current and deferred taxes. In the current year there have been no changes to the legislation and the computation was non-complex and hence we concluded it is not a key audit matter.

In the current year, assessing the financial statement impact from the hedging misallocation in line with IAS 37 and IFRIC 23 required significant management and auditor judgement and audit effort including reliance on both management's external and EY internal specialists. Hence, we have included this as a key audit matter.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Our key criterion in determining materiality remains our perception of the needs of Harbour's stakeholders. We consider which earnings, activity or capital-based measure aligns best with the expectations of the users of Harbour's financial statements. In doing so, we apply a 'reasonable investor perspective', which reflects our understanding of the common financial information needs of the members of Harbour as a group. We consider EBITDA, adjusted for the impact of any non-recurring items, to be consistent with the type of measures that are the primary focus of Harbour's investors.

We determined that the basis of planning materiality should be earnings before interest, tax, depreciation, impairments and amortisation, adjusted to exclude exploration cost write-off but including exploration and evaluation expenses and new ventures (Adjusted EBITDA). We believe that Adjusted EBITDA provides us with a measure that is of particular focus to shareholders and is closely linked to both the metric used in the covenant included in the Group's major loan agreement and the key performance indicator for the Group, EBITDAX. Measures such as EBITDAX are a primary indicator of company valuation and cash flow generation across the upstream oil and gas sector.

Based on the above, we determined materiality for the Group to be $72 million (2022: $93 million), which is 2.7% of Adjusted EBITDA (2022: 2.9% of Normalised Adjusted EBITDA). In 2022, the war in Ukraine led to exceptionally high oil and gas prices and in response we normalised the Adjusted EBITDA downwards. As oil and gas prices have returned to a more stable state in 2023, we have not normalised Adjusted EBITDA for materiality purposes.

Starting basis
- $2,675 million (EBITDAX)

Adjustments
- Less adjustments related to:
  - Exploration and evaluation expenses and new ventures of $36 million

Materiality
- Basis: Adjusted EBITDA $2,639 million
- Materiality of $72 million (2.7% of materiality basis)

We determined materiality for the parent company to be $27 million (2022: $46.7 million), which is 0.7% (2022: 0.7%) of Total Assets.

During the course of our audit, we reassessed initial materiality and found no reason to change from our original assessment at planning.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely $36 million (2022: $46.5 million). We have set performance materiality at this percentage due to quantitative and qualitative assessment of prior year misstatements, our assessment of the Group's overall control environment, and consideration of relevant changes in market conditions during the year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $6.5 million to $26 million (2022: $8.4 million to $35 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of $3.6 million (2022: $4.7 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

Other information comprises the information included in the annual report set out on pages 1 to 188 – including the Strategic report, Governance and Additional information sections – other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 31;
- directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 59;
- directors' statement on whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities set out on page 59;
- directors' statement on fair, balanced and understandable set out on page 108;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 58; and
- the section describing the work of the Audit and Risk committee set out on page 76.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 108, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted international accounting standards, Companies Act 2006, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which Harbour Energy plc operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, relating to health and safety, employee matters, environmental, and bribery and corruption practices. We understood how Harbour Energy plc is complying with those frameworks by making enquiries of management, Internal Audit, Legal Counsel and the Company Secretary. We corroborated our enquiries through inspection of board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies and there was no contradictory evidence.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the degree of incentive, opportunity and rationalisation that may exist to undertake fraud. We also considered performance targets and their potential impact on risks related to managing earnings or influencing the perceptions of analysts. We engaged our forensics specialists to assist with our assessment of the susceptibility of the Group's financial statements to fraud. We have determined there is a risk of fraud associated with management override related to manual revenue journals that do not follow the expected process. We performed audit procedures to address the identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Legal Counsel, Group management, Internal Audit, and component management at all full scope components; review of the volume and nature of whistleblowing complaints received during the year; and focused testing, including in respect of management override through manual revenue journals and specific searches derived from forensic investigations experience.
- If any instances of non-compliance with laws and regulations were identified, these were communicated to the Group team and the relevant local EY teams who performed sufficient and appropriate audit procedures, supplemented by audit procedures performed at the Group level.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee we were appointed on 22 April 2021 to audit the Group and parent company financial statements for the year ending 31 December and subsequent financial periods. Our appointment was subsequently ratified at the annual general meeting of the company.
- On 31 March 2021, Harbour Energy plc (formerly Premier Oil plc) acquired Chrysaor Holdings Limited as part of a reverse acquisition. EY was the auditor of Premier Oil plc from the period ended 31 December 2017 up to and including the period ended 31 December 2020. As a result, the period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the period from our appointment as auditors of Premier Oil plc for the period ended 31 December 2017 to the period ended 31 December 2023 as auditors of Harbour Energy plc.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Smyth (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
6 March 2024

Consolidated income statement

For the year ended 31 December 2023

	Note	2023 $ million	2022 $ million
Revenue	4	**3,715**	5,390
Other income	4	**36**	41
Revenue and other income		**3,751**	5,431
Cost of operations	5	**(2,357)**	(2,845)
(Impairment)/impairment reversal of property, plant and equipment	5, 12	**(214)**	170
Impairment of goodwill	5, 10	**(25)**	–
Exploration and evaluation expenses and new ventures	5	**(36)**	(42)
Exploration costs written-off	5	**(57)**	(64)
Gain on disposal	5	**–**	12
General and administrative expenses	5	**(149)**	(121)
Operating profit		**913**	2,541
Finance income	7	**104**	279
Finance expenses	7	**(420)**	(358)
Profit before taxation		**597**	2,462
Income tax expense	8	**(565)**	(2,454)
Profit for the year		**32**	8
Profit for the year attributable to:			
Equity owners of the company		**32**	8

Earnings per share	Note	$ cents	$ cents
Basic	9	**4**	1
Diluted	9	**4**	1

Consolidated statement of comprehensive income
For the year ended 31 December 2023

	2023 $ million	2022 $ million
Profit for the year	**32**	8
Other comprehensive profit		
Items that may be subsequently reclassified to income statement:		
Fair value gains on cash flow hedges	**3,168**	269
Tax (expense)/credit on cash flow hedges	**(2,376)**	1,006
Exchange differences on translation	**103**	(198)
Other comprehensive profit for the year, net of tax	**895**	1,077
Total comprehensive profit for the year	**927**	1,085
Total comprehensive profit attributable to:		
Equity owners of the company	**927**	1,085

Consolidated balance sheet
As at 31 December 2023

	Note	2023 $ million	2022 $ million
Assets			
Non-current assets			
Goodwill	10	**1,302**	1,327
Other intangible assets	11	**1,172**	880
Property, plant and equipment	12	**4,717**	5,690
Right-of-use assets	13	**587**	735
Deferred tax assets	8	**7**	1,406
Other receivables	15	**184**	298
Other financial assets	22	**112**	103
Total non-current assets		**8,081**	10,439
Current assets			
Inventories	14	**200**	143
Trade and other receivables	15	**832**	1,403
Other financial assets	22	**170**	81
Cash and cash equivalents	16	**280**	500
		1,482	2,127
Assets held for sale	17	**334**	–
Total current assets		**1,816**	2,127
Total assets		**9,897**	12,566
Equity and liabilities			
Equity			
Share capital	24	**171**	171
Other reserves		**289**	(606)
Retained earnings		**1,080**	1,456
Total equity		**1,540**	1,021
Non-current liabilities			
Borrowings	21	**493**	1,216
Provisions	20	**3,818**	3,934
Deferred tax	8	**1,260**	397
Trade and other payables	19	**13**	19
Lease creditor	13	**474**	604
Other financial liabilities	22	**87**	1,279
Total non-current liabilities		**6,145**	7,449
Current liabilities			
Trade and other payables	19	**886**	1,252
Borrowings	21	**16**	22
Lease creditor	13	**199**	221
Provisions	20	**230**	231
Current tax liabilities		**442**	199
Other financial liabilities	22	**197**	2,171
		1,970	4,096
Liabilities directly associated with the assets held for sale	17	**242**	–
Total current liabilities		**2,212**	4,096
Total liabilities		**8,357**	11,545
Total equity and liabilities		**9,897**	12,566

The notes on pages 123 to 171 form part of these financial statements.

The financial statements on pages 118 to 171 were approved by the board of directors and authorised for issue on 6 March 2024 and signed on its behalf by:

Alexander Krane
Chief Financial Officer

Consolidated statement of changes in equity
For the year ended 31 December 2023

	Share capital $ million	Share premium[1] $ million	Merger reserve[1] $ million	Capital redemption reserve $ million	Cash flow hedge reserve[2] $ million	Costs of hedging reserve[2] $ million	Currency translation reserve $ million	Retained earnings $ million	Total equity $ million
At 1 January 2022	171	1,505	677	8	(2,062)	2	98	75	474
Profit for the year	–	–	–	–	–	–	–	8	8
Other comprehensive income	–	–	–	–	1,286	(11)	(198)	–	1,077
Total comprehensive income	–	–	–	–	1,286	(11)	(198)	8	1,085
Purchase and cancellation of own shares	–	–	–	–	–	–	–	(361)	(361)
Share-based payments	–	–	–	–	–	–	–	36	36
Capital restructuring[1]	–	(1,505)	(406)	–	–	–	–	1,911	–
Purchase of ESOP Trust shares	–	–	–	–	–	–	–	(22)	(22)
Dividend paid	–	–	–	–	–	–	–	(191)	(191)
At 31 December 2022	171	–	271	8	(776)	(9)	(100)	1,456	1,021
Profit for the year	–	–	–	–	–	–	–	32	32
Other comprehensive income	–	–	–	–	779	13	103	–	895
Total comprehensive income	–	–	–	–	779	13	103	32	927
Purchase and cancellation of own shares	–	–	–	–	–	–	–	(249)	(249)
Share-based payments	–	–	–	–	–	–	–	46	46
Purchase of ESOP Trust shares	–	–	–	–	–	–	–	(15)	(15)
Dividends paid	–	–	–	–	–	–	–	(190)	(190)
At 31 December 2023	**171**	**–**	**271**	**8**	**3**	**4**	**3**	**1,080**	**1,540**

1 Share premium and merger reserve balances recategorised to retained earnings following capital reduction effective 3 August 2022.
2 Disclosed net of deferred tax.

Consolidated statement of cash flows

For the year ended 31 December 2023

	Note	2023 $ million	2022 $ million
Net cash inflow from operating activities	27	**2,144**	3,130
Investing activities			
Expenditure on exploration and evaluation assets		**(202)**	(127)
Expenditure on property, plant and equipment	12	**(496)**	(477)
Expenditure on non-oil and gas intangible assets		**(20)**	(30)
Expenditure on other intangible assets		**(81)**	–
Receipts for sub-lease income		**10**	10
Proceeds from/(payments) relating to disposal of oil and gas properties		**3**	(6)
Expenditure on business combinations – deferred consideration		**–**	(19)
Finance income received		**93**	20
Net cash outflow from investing activities		**(693)**	(629)
Financing activities			
Repurchase of shares		**(249)**	(361)
Proceeds from new borrowings – reserve based lending facility	21	**660**	–
Proceeds from new borrowings – exploration financing facility	21	**–**	11
Lease liability payments		**(259)**	(254)
Repayment of reserve based lending facility	21	**(1,435)**	(1,663)
Repayment of exploration financing facility	21	**(11)**	(38)
Repayment of financing arrangement	21	**(21)**	(15)
Purchase of ESOP Trust shares		**(12)**	(21)
Interest paid and bank charges		**(150)**	(142)
Dividends paid	29	**(190)**	(191)
Net cash outflow from financing activities		**(1,667)**	(2,674)
Net decrease in cash and cash equivalents		**(216)**	(173)
Net foreign exchange difference		**(4)**	(26)
Cash and cash equivalents at 1 January		**500**	699
Cash and cash equivalents at 31 December		**280**	500

Notes to the consolidated financial statements

1. Corporate information

Harbour Energy plc (Harbour or the company) is a limited liability company incorporated in Scotland and listed on the London Stock Exchange. The address of the registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, United Kingdom.

The consolidated financial statements of the company and all its subsidiaries (the Group) for the year ended 31 December 2023 were authorised for issue by the board of directors on 6 March 2024.

The Group's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK and Norwegian continental shelves, Indonesia, Vietnam and Mexico.

2. Material accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006. The analysis used by the Directors in adopting the going concern basis considers the various plans and commitments of the Group as well as various sensitivity and reverse stress test analyses. The results from the downside sensitivities and reverse stress testing with regard to production and commodity price assumptions, which in management's view reflect two of the principal risks, indicate that material changes within one year that would impact the going concern basis of preparation are unlikely. Further details are within the financial review on page 26 and viability statement on page 59.

The presentation currency of the Group financial information is US dollars and all values in the Group financial information are presented in millions ($ million) and all values are rounded to the nearest 1 million, except where otherwise stated.

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities, including derivative financial instruments, which have been measured at fair value.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023. All accounting policies are consistent with those adopted and disclosed in Harbour's 2022 Annual Report & Accounts, except for the inclusion of a new policy for the cost of carbon allowances.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2023. Subsidiaries are those entities over which the Group has control. Control is achieved where the Group has the power over the subsidiary, has rights, or is exposed to variable returns from the subsidiary and has the ability to use its power to affect its returns. All subsidiaries are 100 per cent owned by the Group and there are no non-controlling interests.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries acquired to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions and balances have been eliminated on consolidation.

Use of judgements and estimates

In preparing these financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses including those that have the potential impact to materially impact the balance sheet over the next 12 months. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty, were the same as those described in Harbour's 2022 Annual Report & Accounts, with the addition of judgements in relation to the tax risk associated with the uncertain tax position on commodity derivatives. Disclosure regarding the judgements and estimates made in assessing the impact of climate change and the energy transition are detailed on pages 124 to 127 and references to notes to the financial statements are provided.

2. Material accounting policies continued

Impact of climate change on the financial statements and related disclosures

Judgements and estimates made in assessing the impact of climate change and the energy transition

Harbour monitors global climate change and energy transition developments and plans. Management recognises there is a general high level of uncertainty about the speed and scale of impacts which, together with limited historical information, provides challenges in the preparation of forecasts and plans with a range of possible future scenarios, which may have the potential to materially impact the balance sheet.

The Group's continued strategic ambition is to achieve net zero by 2035 with an interim target of a 50 per cent reduction in Scope 1 and 2 emissions by 2030 against the 2018 baseline. This will be achieved through several opportunities, including operational efficiency improvements, UK offshore electrification and the eventual cessation of production of mature fields. In addition, opportunities for offshore electrification are being explored and the company is investing in the development of carbon capture and storage projects in the UK. Where the Group cannot reduce its Scope 1 and 2 emissions, it will invest in high quality, independently verified, carbon offsets to achieve the goal of net zero.

All new economic investment decisions include the cost of carbon, and opportunities are assessed on their climate-impact potential and alignment with Harbour Energy's net zero goal, taking into consideration both GHG volumes and intensity. The corporate modelling that supports the preparation of the financial statements (such as asset and goodwill impairment assessment, going concern and viability, deferred tax asset recoverability) includes project costs related to CCS, certain limited electrification and other activities to reduce Scope 1 and 2 GHG emissions, the UK Emissions Trading Scheme and carbon offset purchases.

Emissions reduction incentives are part of staff remuneration through the annual bonus programme. Additionally, the cost of borrowing is tied to our gross operated CO_2 emissions performance, with GHG metrics being linked to our RBL interest expense, further incentivising our emissions reduction targets.

Climate change and the energy transition have the potential to significantly impact the accounting estimates adopted by management and therefore the valuation of assets and liabilities reported on the balance sheet. On an ongoing basis management continues to assess the potential impacts on the significant judgements and estimates used in the preparation of the financial statements. Estimates adopted in the financial statements reflect management's best estimate of future market conditions where, in particular, commodity prices can be volatile. Commodity and carbon price curve assumptions are described below noting that there is consideration given to other assumptions, not exhaustively, such as foreign exchange and discount rates. Notwithstanding the challenges around climate change and the energy transition, it is management's view that the financial statements are consistent with the disclosures in the Strategic report.

This note provides insight into how Harbour has considered the impact on valuations of key line items in the financial statements and how they could change based on the climate change scenarios and sensitivities considered. The scenarios presented show what the possible impact could be on the financial statements considering both high and low commodity price outlooks. Importantly, these climate change scenarios do not form the basis of the preparation of the financial statements but rather indicate how the key assumptions that underpin the financial statements would be impacted by the climate change scenarios. They are also designed to challenge management's perspective on the future business environment. It is recognised that the reality of the nature of progress of energy transition will bring greater levels of disruption and volatility than these external scenarios expect and do not represent management's current best estimate.

Management's current best estimate for the foreseeable future, which was derived from consideration of a range of considered economic forecasts, has been used on the same basis to prepare the financial statements and is represented by the Harbour scenario oil price curve. Management continues to review these estimates and assumptions to ensure they reflect the latest economic environment conditions and market information available.

Impairment of property, plant and equipment, and goodwill

The energy transition has the potential to significantly impact future commodity and carbon prices which would, in turn, affect the future operating and capital costs, estimates of cessation of production, useful lives, and consequently the recoverable amount of property, plant and equipment and goodwill. In the current period, when testing for impairment, the Harbour scenario real long-term commodity price assumptions from 2026 for Brent crude were $70/bbl (2022: $65/bbl) and UK NBP gas 90 pence/therm (2022: 65 pence/therm) combined with the short-term forecast period reflecting market forward curves at the year end.

Carbon costs will develop over time and carry considerable uncertainty due to the rate of transition and maturity of regulatory regimes. For the UK price of carbon, Harbour management's real forward price curve assumption in 2024 is £50/tonne ($63/tonne) rising to £140/tonne ($175/tonne) in 2030. The sensitivity was run on the IEA Net Zero carbon price curve. The foreign exchange rate was assumed to be $1.00:£1.25 flat for future periods to convert to nominal prices. Such assumptions are inherently uncertain and may ultimately differ from the actual amounts.

During 2023 there was a total net pre-tax impairment charge of $239 million (2022: $170 million net reversal) across goodwill of $25 million and property, plant and equipment of $214 million. Further details can be found in note 10 and note 12 respectively.

Further, sensitivities on the impairment of property, plant and equipment and goodwill have been prepared using various commodity price scenarios to show the possible impact on net book carrying values. As noted, the Harbour scenario is the basis for the preparation of the financial statements. Impairment sensitivities have been prepared at an average -10 per cent and +10 per cent to the Harbour scenario average for crude, gas and carbon and selected published climate change price curves.

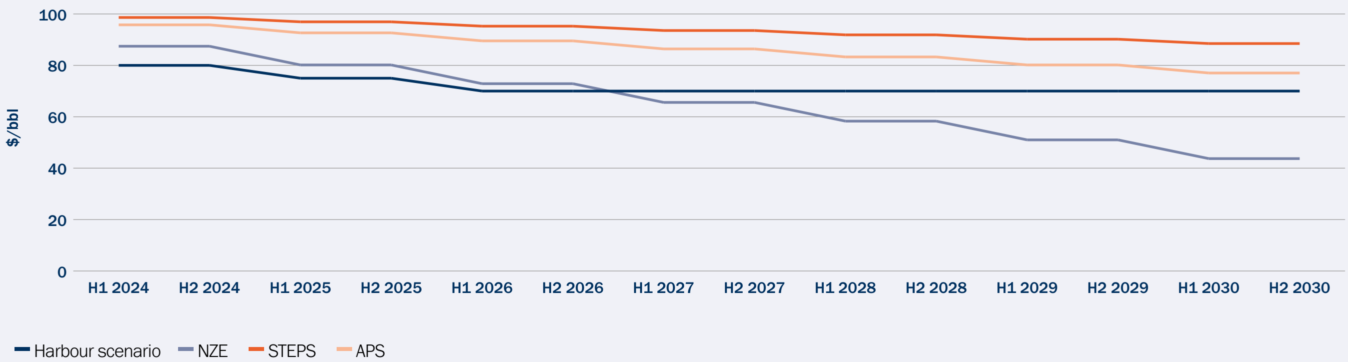
The sensitivity scenarios described below incorporate changes to the commodity price assumptions and assume that all other factors remain unchanged from the Harbour scenario used for the basis of preparation of the financial statements. These sensitivities are stated before any management mitigation actions to manage downside risks if the scenarios were to occur.

The ESG review on pages 39 to 44 discusses both transition and physical risk climate change scenarios. This analysis covers the transition risks and the graphs below show the crude oil and UK NBP gas price curves for the period to 2050 for the following scenarios: IEA Net Zero 2050, IEA Stated Policies and IEA Announced Pledges.

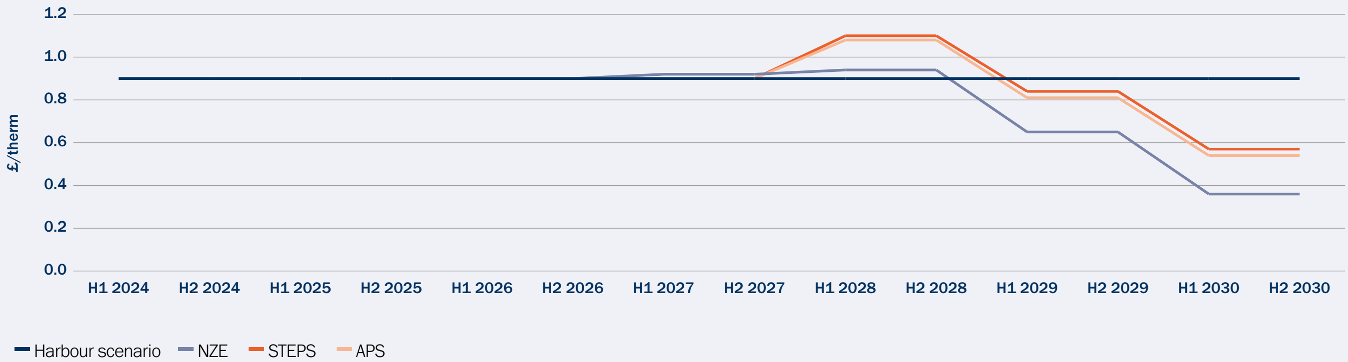
All the scenario price curves are dependent on factors covering supply, demand, economic and geopolitical events and therefore are inherently uncertain and subject to significant volatility and hence unlikely to reflect the future outcome.

- Harbour scenario: base price curves used for impairment testing
- IEA Net Zero Emissions by 2050 (NZE): limiting global temperature rise to 1.5°C
- IEA Stated Policies (STEPS): current policy commitments by sector and country
- IEA Announced Pledges (APS): current climate commitments by governments and industries

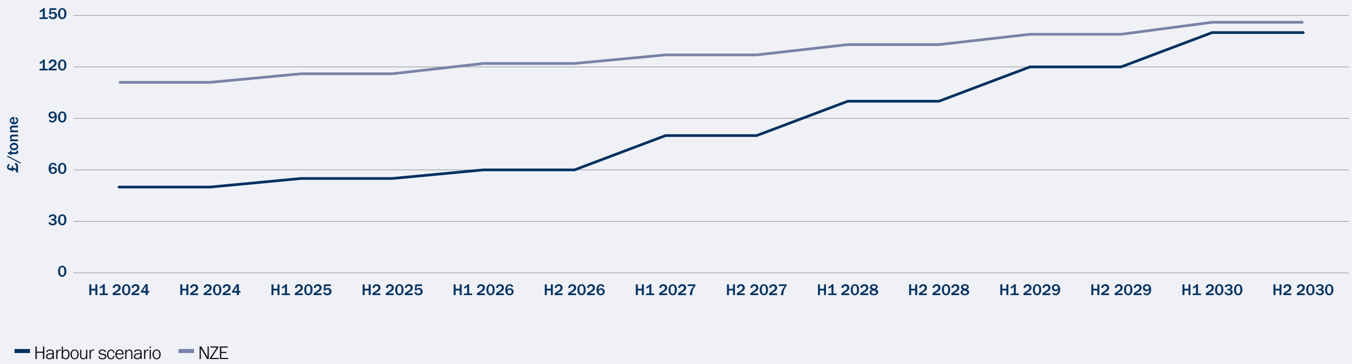
Crude



Gas



Carbon



2. Material accounting policies continued

The crude price curves reflect the published IEA price curves for all periods. For UK NBP gas there are no IEA published price curves therefore management has derived the UK NBP gas price curves by converting from the published IEA European gas price curve. This was achieved by converting from USD per mbtu to pence per therm and applying other known correlation coefficients between the European and UK gas markets. In addition, for the period 2024-2027, the derived gas price curve matches the Harbour scenario price curve to create a scenario that was considered reasonably plausible.

Pre-development assets such as Zama in Mexico and Andaman in Indonesia are recorded in other intangible assets ahead of demonstration of commerciality and recognition of 2P reserves and hence are not included below, however they are subject to the same management rigour with the corporate models.

The results of the sensitivities are as follows and show the impact on the property, plant and equipment balance sheet carrying values when it had resulted in a material decrease in carrying value.

			Pre-tax sensitivity in carrying value $ million				
	Commodity	Carrying value $ million	+10% price to Harbour scenario	-10% price to Harbour scenario	IEA Net Zero Emissions by 2050 (NZE)	IEA Stated Policies (STEPS)	IEA Announced Pledges (APS)
Property, plant and equipment (note 12)	Crude oil	**4,717**	–	(86)	(221)	–	–
	UK NBP gas (derived)		–	(21)	(9)	–	–
	Carbon		–	–	(27)	N/A	N/A

The +/-10 per cent price curves used in the Harbour scenarios adjust long-term prices from 2027.

Under the -10 per cent price to Harbour scenario for crude there is a pre-tax impairment to property, plant and equipment on two UK fields of $86 million (post-tax $40 million) and for UK NBP gas a pre-tax impairment on a single UK field of $21 million (post-tax $6 million).

For crude, under the IEA NZE 2050 scenario, there is a pre-tax impairment to property, plant and equipment on a single UK field of $221 million (post-tax $104 million) and for UK NBP gas, there is a pre-tax impairment on two UK fields of $9 million (post-tax $3 million).

There is no impairment to property, plant and equipment across the three +10 per cent price to Harbour scenarios nor the IEA STEPS and APS scenarios.

Under the IEA Net Zero Emissions by 2050 scenario for carbon, there is a pre-tax impairment to property, plant and equipment on a single UK field of $27 million (post-tax $13 million).

For goodwill, there are no impairments under any scenario except for the -10 per cent price to Harbour scenario for UK NBP gas which reflects an impairment of $4 million.

Property, plant and equipment – depreciation and expected useful lives
A significant proportion of property, plant and equipment assets are expected to reach cessation of production over the next 10 to 20 years. There are no significant judgements and/or critical estimation uncertainty related to climate factors.

See Accounting policy: Property, plant and equipment – oil and gas assets for further information (page 129).

Intangible assets – exploration and evaluation assets
The energy transition has the potential to affect the future development or viability of exploration and evaluation prospects. A significant portion of the Group's exploration and evaluation assets relate to prospects that could be tied back to existing infrastructure and hence require less capital investment as these assets are less exposed to the impacts of the energy transition compared to large frontier developments. At each balance sheet date, all exploration and evaluation prospects are reviewed against the Group's financial framework to ensure that the continuation of activities is planned and expected. There are no significant judgements and/or critical estimation uncertainty related to climate factors.

See Judgements: Exploration and evaluation expenditure (page 137) and note 11 to the financial statements for further information.

Decommissioning cost and provisions

The energy transition may accelerate the decommissioning of assets which would result in an increase in the carrying value of associated decommissioning provisions. Whilst the Group currently expects to incur decommissioning costs over the next 40 years, we anticipate the majority of costs will be incurred between the next 10 to 20 years which will reduce the exposure to the impact of the energy transition. Decommissioning cost estimates are based on the current regulatory and external environment. These cost estimates and recoverability of associated deferred tax may change in the future, including as a result of the energy transition.

On the basis that all other assumptions in the calculation remain the same, a 10 per cent increase in the cost estimates, and a 10 per cent reduction in the applied discount rates used to assess the final decommissioning obligation, would result in increases to the decommissioning provision of approximately $456 million and $440 million, respectively. This change would be principally offset by a change to the value of the associated asset unless the asset is fully depreciated, in which case the change in estimate is recognised directly within the income statement.

Currently, the timing of decommissioning expenditures has not been materially brought forward and management do not consider that any reasonable change in the timing of decommissioning expenditure will have a material impact on the decommissioning provisions.

See Key sources of estimation uncertainty: Decommissioning costs for further information (page 137).

Cost of carbon allowances

Harbour is part of the UK Emissions Trading Scheme (UK ETS) and purchases carbon allowances under the scheme to meet its regulatory obligations under the scheme. The costs for purchasing allowances are recorded in costs of operations matching emissions for the period. Accruals that are required for allowances to be purchased are measured at market price. Allowances owned in excess of liabilities to date that are available to be used in future periods are recorded in other intangible assets and measured at cost. Harbour is entitled to receive a share of free allowances according to UK ETS regulations.

Segment reporting

The Group's activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves and related activities and are split geographically and managed in two Business Units: namely 'North Sea' and 'International'.

Joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Exploration and production operations are usually conducted through joint arrangements with other parties. The Group reviews all joint arrangements and classifies them as either joint operations or joint ventures depending on the rights and obligations of each party to the arrangement and whether the arrangement is structured through a separate vehicle. The Group's interest in joint operations, such as exploration and production arrangements, are accounted for by recognising its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Expenses, including its share of any expenses incurred jointly

A joint venture, which normally involves the establishment of a separate legal entity, is a contractual arrangement whereby the parties that have joint control of the arrangement have the rights to the arrangement's net assets. The results, assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. During 2023, the Group did not have any interests in joint ventures.

Where the Group transacts with its joint operations, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

2. Material accounting policies continued

Foreign currency translation

Each entity in the Group determines its own functional currency, being the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements are presented in US dollars, which is also the parent company's functional currency.

Transactions recorded in foreign currencies are initially recorded in the entity's functional currency by applying an average rate of exchange. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the initial transaction and subsequently not retranslated.

On consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly exchange rates for the year. Equity is held at historic cost and is not retranslated. The resulting exchange differences are recognised as other comprehensive income and are transferred to the Group's currency translation reserve.

When an overseas operation is disposed of, such translation differences relating to it are recognised as income or expense.

Goodwill

In the event of a business combination or acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, the acquisition method of accounting is applied. Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. If however, the fair value of the purchase consideration transferred is lower than the fair value of the identifiable assets and liabilities acquired, the difference is recognised in the income statement as negative goodwill. Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, which are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is treated as an asset of the relevant entity to which it relates and accordingly non-US dollar goodwill is translated into US dollars at the closing rate of exchange at each reporting date.

Goodwill, as disclosed in note 10, is not amortised but is reviewed for impairment at least annually by assessing the recoverable amount of the CGUs to which the goodwill relates. Where the carrying amount of the CGU and related goodwill is higher than the recoverable amount of the CGU, an impairment loss is recognised in the income statement. The recoverable amounts of the CGUs have been determined on a fair value less costs to sell basis. Impairment losses relating to goodwill cannot be reversed in future periods. Goodwill acquired through business combinations has been allocated to two CGUs, being North Sea and International.

Intangible oil and gas assets

Pre-licence costs
Pre-licence costs are expensed in the period in which they are incurred.

Licence and property acquisition costs
Licence and property acquisition costs paid in connection with a right to explore in an existing exploration area are capitalised as exploration and evaluation costs within intangible assets.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. If no future activity is planned or the related licence has been relinquished or has expired, the carrying value of the property acquisition costs is written off through the income statement. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, costs directly associated with the exploration are capitalised as exploration and evaluation (E&E) intangible non-current assets until the exploration is complete and the results have been evaluated. If no potential commercial resources are discovered, the exploration asset is written off.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the income statement.

When proved reserves of oil or natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and, if required, any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties within development and production assets. No amortisation is charged during the exploration and evaluation phase.

Farm-outs – in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Property, plant and equipment – oil and gas assets

Oil and gas development and production assets are accumulated generally on a field-by-field basis. This represents expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets, as outlined in the intangible asset policy above, which is capitalised as oil and gas properties within development and production assets.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets, where relevant, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

An item of development and production expenditure and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Expenditure on major maintenance includes refits, inspections or repairs comprising the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

Depreciation, depletion and amortisation (DD&A) of oil and gas assets

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is provided generally on a field-by-field basis, using the unit of production method by reference to the ratio of production in the year and the related commercial proven and probable reserves of the field, considering future development expenditures necessary to bring those reserves into production.

When there is a change in the estimated total recoverable proven and probable reserves of a field, that change is accounted for in the depreciation charge over the revised remaining proven and probable reserves.

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for using the acquisition method when the assets acquired and liabilities assumed constitute a business.

Transactions involving the purchase of an individual field interest, or a group of field interests, which do not constitute a business, are treated as asset purchases irrespective of whether the specific transactions involve the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or oil and gas property disposed of and any surplus is recorded as a gain on disposal in the income statement.

2. Material accounting policies continued

Decommissioning

A provision for decommissioning is recognised in full when the related facilities are installed. The amount recognised is the present value of the estimated future expenditure. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas property. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is dealt with from the start of the financial year as an adjustment to the opening provision and the oil and gas property. The unwinding of the discount is included as a finance cost.

Non-oil and gas assets

Property, plant and equipment – fixtures and fittings and office equipment

Fixtures and fittings and office equipment is stated at cost less accumulated depreciation and impairment. Depreciation is provided for on a straight-line basis at rates sufficient to write off the cost of the assets less any residual value over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

- Fixtures and fittings: Up to 10 years
- Office furniture and equipment: Up to 5 years

Intangible assets

Intangible assets principally comprise IT software/licences and carbon allowances. IT software/licences are carried at cost less any accumulated amortisation. These assets are amortised on a straight-line basis over their useful economic lives of between three and ten years. Carbon allowances are carried at cost and subject to impairment testing.

Impairment of non-current assets (excluding goodwill)

In accordance with IAS 36 Impairment of Assets, impairment tests are carried out on items of property, plant and equipment and intangible assets where there is an indicator of impairment, or an indicator identified that a prior year impairment may have reversed or decreased. Such indications may be based on events or changes in the market environment, or on internal sources of information.

Impairment and reversal indicators

Property, plant and equipment and intangible assets with finite useful lives are only tested for impairment when there is an indication that they may be impaired. This is generally the result of significant changes to the environment in which the assets are operated or when asset performance is significantly lower than expected.

The main impairment indicators used by the Group are described below:

- External sources of information:
  - Significant changes in the economic, technological, political or market environment in which the entity operates or to which an asset is dedicated
  - Fall in demand
  - Changes in commodity prices and exchange rates
- Internal sources of information:
  - Evidence of obsolescence or physical damage
  - Significantly lower than expected production or cost performance
  - Reduction in reserves and resources, including as a result of unsuccessful results of drilling operations
  - Pending expiry of licence or other rights
  - In respect of capitalised exploration and evaluation costs, lack of planned future activity on the prospect or licence
  - For reversals, plausible downside sensitivity scenarios are run to test the robustness of the asset carrying values typically against changes in production and commodity prices

Measurement of recoverable amount

The cash-generating unit (CGU) applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single CGU where the cash inflows of each field are interdependent. The carrying value of each CGU is compared against the expected recoverable amount of the asset, which is primarily determined based on the fair value less cost of disposal (FVLCD) method, where the fair value is determined from the estimated present value of the future net cash flows expected to be derived from production of commercial reserves. Standard valuation techniques are used based on the discount rates that reflect the specific characteristics of the operating entities concerned; discount rates are determined on a post-tax basis and applied to post-tax cash flows.

Any impairment loss is recorded in the income statement under 'Impairment of property, plant and equipment'. Impairment losses recorded in relation to property, plant and equipment may be subsequently reversed if the recoverable amount of the assets subsequently increases above carrying value. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised in prior periods.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal group, excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as assets held for sale. Assets and liabilities classified as held for sale are presented separately as current line items in the balance sheet.

Financial assets

Financial assets are recognised and measured in accordance with IFRS 9 Financial Instruments.

The Group uses two criteria to determine the classification of financial assets: the Group's business model and contractual cash flow characteristics of the financial assets. Where appropriate the Group identifies three categories of financial assets: amortised cost, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVOCI).

Financial assets held at amortised cost

Financial assets held at amortised cost are initially measured at fair value except for trade debtors which are initially measured at cost. Both are subsequently carried at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is presented within finance income in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages:

- 12-month ECL: for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events (payment, prospective or covenant) that are possible within the next 12 months
- Lifetime ECL: for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs as allowed under IFRS 9. Provision rates are calculated based on estimates including the probability of default by assessing counterparty credit ratings, as adjusted for forward-looking factors specific to the debtors, the economic environment and the Group's historical credit loss experience.

2. Material accounting policies continued

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as default or past due event
- The restructuring of a loan or advance by the Group on terms that the Group would otherwise not consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for a security because of financial difficulties

Financial liabilities

Financial liabilities are recognised and measured in accordance with IFRS 9 Financial Instruments.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs which are capitalised and amortised over the term of the borrowings. Where borrowings have been fully repaid but the borrowing facility remains, directly attributable transaction costs that remain unamortised are presented within current and/or non-current assets.

Borrowings and loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps, commodity option contracts and commodity swap arrangements, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Derivative financial instruments are initially recognised and subsequently remeasured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with the Group's risk management policies. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instrument are recognised within the income statement.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives maturing in less than 12 months and expected to be realised or settled in less than 12 months are presented as current assets or current liabilities.

Cash flow hedges

The effective portion of gains and losses arising from the remeasurement of derivative financial instruments designated as cash flow hedges are deferred within other comprehensive income and subsequently transferred to the income statement in the period the hedged transaction is recognised in the income statement. When a hedging instrument is sold or expires, any cumulative gain or loss previously recognised in other comprehensive income remains deferred until the hedged item affects profit or loss or is no longer expected to occur. Any gain or loss relating to the ineffective portion of a cash flow hedge is immediately recognised in the income statement. Hedge ineffectiveness could arise if volumes of the hedging instruments are greater than the hedged item of production, or where the creditworthiness of the counterparty is significant and may dominate the transaction and lead to losses.

Fair values

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Under IFRS 9, embedded derivatives are not separated from a host financial asset, and are classified based on their contractual terms and the Group's business model.

Equity

Share capital

Share capital includes the total net proceeds, both nominal and share premium, on the issue of ordinary and preference shares of the company.

Capital redemption reserve

The capital redemption reserve represents the nominal value of shares transferred following the company's purchase of them.

Merger reserve

On 31 March 2021, Harbour Energy plc (formerly Premier Oil plc) acquired Chrysaor Holdings Limited as part of a reverse acquisition. Under the terms of the merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquirer for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The merger reserve primarily represents Premier's opening balance on the legal reserve plus the fair value of the assets and liabilities acquired by Chrysaor.

Cash flow hedge reserve

The cash flow hedge and cost of hedging reserves represent gains and losses on derivatives classified as effective cash flow hedges. Upon the designation of option instruments as hedging instruments, the intrinsic and time value components are separated, with only the intrinsic component being designated as the hedging instrument and the time value component is deferred in other comprehensive income as a 'cost of hedging'.

Currency translation reserve

This reserve comprises exchange differences arising on consolidation of the Group's operations with a functional currency other than the US dollar.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. The Group has share-based awards that are equity and cash settled as defined by IFRS 2. The fair value of the equity-settled awards has been determined at the date of grant of the award allowing for the effect of any market-based conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. For cash-settled awards, a liability is recognised for the goods or service acquired. This is measured initially at the fair value of the liability. The fair value of the liability is subsequently remeasured at each balance sheet date until the liability is settled, and at the date of settlement, with any changes in fair value recognised in the income statement.

Inventories

All inventories, except for petroleum products, are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on a weighted average cost basis. Petroleum products and underlift and overlift positions are measured at net realisable value using an observable year-end oil or gas market price, and are included in other debtors or creditors, respectively.

2. Material accounting policies continued

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of lease term and useful life. The Group recognises right-of-use assets and lease liabilities on a gross basis and the recovery of lease costs from joint operations' partners is recorded as other income.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Group assuming leases run to full term. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

- The lease payments are discounted using the Group's incremental borrowing rates of between 1.9 per cent and 8.8 per cent, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions

To determine the incremental borrowing rate, the Group where possible:

- Uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- Makes adjustments specific to the lease, for example term, country, currency and security

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs and restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

For lease arrangements where all partners of a joint operation are considered to share the primary responsibility for lease payments under a lease contract, the Group recognises its share of the respective right-of-use asset and lease liability. This situation is most common where the parties of a joint operation co-sign the lease contract.

The Group recognises a gross lease liability for leases entered into on behalf of a joint operation where it has primary responsibility for making the lease payments. In such instances, if the arrangement between the Group and the joint operation represents a finance sublease, the Group recognises a net investment in sublease for amounts recoverable from non-operators whilst derecognising the respective portion of the gross right-of-use asset. The gross lease liability is retained on the balance sheet.

The net investment in sublease is classified as either trade and other receivables or long-term receivables on the balance sheet according to whether or not the amounts will be recovered within 12 months of the balance sheet date. Finance income is recognised in respect of net investment in subleases.

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the income statement.

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full when the related facilities are installed. The amount provided is the present value of the estimated future restoration cost. A non-current asset is also recognised. Any changes to estimated costs or discount rates are dealt with prospectively.

The Group recognises provision for the estimated CO_2 emissions costs when actual emissions exceed the emission rights granted and still held. When actual emissions exceed the amount of emission rights granted, provision is recognised for the exceeding emission rights based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

Group retirement benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

The Group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Trade payables

Initial recognition of trade payables is at fair value. Subsequently they are stated at amortised cost.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity, not in the income statement.

Deferred tax

Deferred taxation is recognised in respect of all timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date. The carrying amount of the deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Group reassesses any unrecognised deferred tax assets each year taking into account changes in oil and gas prices, the Group's proven and probable reserves and resources profile and forecast capital and operating expenditures
- Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Group to make a single net payment

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

2. Material accounting policies continued

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Group satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Revenue associated with the sale of crude oil, natural gas, and natural gas liquids (NGLs) is measured based on the consideration specified in contracts with customers with reference to quoted market prices in active markets, adjusted according to specific terms and conditions as applicable according to the sales contracts. The transfer of control of oil, natural gas, natural gas liquids and other items sold by the Group occurs when title passes at the point the customer takes physical delivery. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

Over/underlift

Differences between the production sold and the Group's share of production result in an overlift or an underlift. Underlift positions are measured at net realisable value using an observable year-end oil or gas market price. Overlift positions are measured using the sales price that generated the overlift. Underlift and overlift positions are included in receivables or payables respectively. Movements during the accounting period are recognised within cost of sales.

Interest income

Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

New accounting standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures removing accounting policies not considered to be material along with associated notes, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (ie life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Significant accounting judgements and estimates

The preparation of the Group's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. In particular, the Group has identified the following areas where significant judgement, estimates and assumptions are required.

Judgements

The significant accounting judgements for the Group are considered to be:

- the carrying value of intangible exploration and evaluation assets, in relation to whether commercial determination of an exploration prospect had been reached;
- the carrying value of property, plant and equipment regarding assessing assets for indicators of impairment;
- decommissioning costs in relation to the timing of when decommissioning would occur;
- tax including assessment of risks around tax uncertainties and the recognition of deferred tax assets; and
- the application of the going concern basis of accounting (see 'Basis of preparation' section above).

Key sources of estimation uncertainty

Details of the Group's critical accounting estimates are set out in these financial statements and are considered to be:

- the carrying value of property, plant and equipment and goodwill, where the key assumptions relate to oil and gas prices expected to be realised, the estimation of 2P reserves and the associated production profiles;
- decommissioning costs where the key assumptions relate to the discount and inflation rates applied, applicable rig rates and expected timing of cessation of production (COP) on each field;
- the provision for, or disclosure of, areas of uncertainty for tax purposes where the key assumptions are driven by technical analysis corroborated by external advice; and
- recognition of net deferred tax liabilities, where key assumptions relate to oil and gas prices expected to be realised, and production profiles.

The results from downside sensitivities prepared with regard to production and commodity price assumptions, which in management's view reflect the principal risks, indicate that material changes that would impact the carrying amounts of assets and liabilities within the next financial year are unlikely.

Further information is provided in the Audit and Risk Committee report on pages 76 to 79.

3. Segment information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the Group's business segments, has been identified as the Chief Executive Officer.

The Group's activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves and related activities, and are split geographically and managed in two regions, namely 'North Sea' and 'International'. The North Sea segment includes the UK and Norwegian continental shelves, and the 'International' segment includes Indonesia, Vietnam and Mexico.

Information on major customers can be found in note 4.

3. Segment information continued

Income statement

	2023 $ million	2022 $ million
Revenue		
North Sea	**3,478**	5,082
International	**237**	308
Total Group sales revenue	**3,715**	5,390
Other income		
North Sea	**36**	41
International	**–**	–
Total Group revenue and other income	**3,751**	5,431
Operating profit		
North Sea	**898**	2,388
International	**15**	153
Group operating profit	**913**	2,541
Finance income	**104**	279
Finance expenses	**(420)**	(358)
Profit before income tax	**597**	2,462
Income tax expense	**(565)**	(2,454)
Profit for the financial year	**32**	8

Balance sheet

	2023 $ million	2022 $ million
Segment assets		
North Sea	**8,632**	11,346
International	**1,265**	1,220
Total assets	**9,897**	12,566
Segment liabilities		
North Sea	**(7,818)**	(10,938)
International	**(539)**	(607)
Total liabilities	**(8,357)**	(11,545)

Other information

	2023 $ million	2022 $ million
Capital additions		
North Sea	**611**	576
International	**110**	109
Total capital additions	**721**	685
Depreciation, depletion and amortisation		
North Sea	**1,369**	1,471
International	**61**	75
Total depreciation, depletion and amortisation	**1,430**	1,546
Exploration and evaluation expenses and new ventures		
North Sea	**36**	34
International	**–**	8
Total exploration and evaluation expenses and new ventures	**36**	42
Exploration costs written-off		
North Sea	**38**	71
International[1]	**19**	(7)
Total exploration costs written-off	**57**	64

1 In 2022, International included a credit to the income statement related to a change to the decommissioning estimate in the Falkland Islands Business Unit.

4. Revenue from contracts with customers and other income

	2023 $ million	2022 $ million
Type of goods		
Crude oil sales	**2,086**	2,792
Gas sales	**1,415**	2,322
Condensate sales	**179**	238
Total revenue from contracts with customers[1]	**3,680**	5,352
Tariff income	**30**	30
Other revenue	**5**	8
Total revenue from production activities	**3,715**	5,390
Other income[2]	**36**	41
Total revenue and other income	**3,751**	5,431

1 Revenues from contracts with customers of $4,591 million (2022: $8,537 million) include crude oil sales of $2,179 million (2022: $3,545 million) and gas sales of $2,233 million (2022: $4,754 million). This was prior to realised hedging losses in the period of $93 million (2022: $753 million) on crude oil and $818 million (2022: $2,432 million) on gas sales.
2 Other income mainly represents partner recoveries related to lease obligations and, in 2023 a receipt related to the Viking CCS Development Agreement that was signed in March.

Approximately 88 per cent (2022: 84 per cent) of the revenues were attributable to sales to energy trading companies of the Shell group.

5. Operating profit

	Note	2023 $ million	2022 $ million
Cost of operations			
Production, insurance and transportation costs		**1,171**	1,114
Gas purchases		**12**	36
Royalties		**4**	5
Depreciation of oil and gas assets	12	**1,192**	1,319
Depreciation of right-of-use oil and gas assets	13	**230**	219
Capitalisation of IFRS 16 lease depreciation on oil and gas assets	13	**(27)**	(30)
Amortisation of capacity rights		**–**	1
Movement in over/underlift balances and hydrocarbon inventories		**(225)**	181
Total cost of operations		**2,357**	2,845
Impairment expense/(reversal) of property, plant and equipment	12	**108**	(88)
Impairment loss/(gain) due to increase/(decrease) in decommissioning provisions on oil and gas tangible assets	12	**106**	(82)
Impairment of goodwill	10	**25**	–
Exploration costs written-off[1]	11	**57**	64
Exploration and evaluation expenditure and new ventures[2]		**36**	42
Gain on disposal[3]		**–**	(12)
General and administrative expenses			
Depreciation of right-of-use non-oil and gas assets	13	**9**	11
Depreciation of non-oil and gas assets	12	**3**	5
Amortisation of non-oil and gas intangible assets	11	**23**	21
Other administrative costs[4]		**114**	84
Total general and administrative expenses		**149**	121
Auditor's remuneration			
Audit fees			
Fees payable to the company's auditor for the company's Annual Report		**3**	3
Audit of the company's subsidiaries pursuant to legislation		**1**	1
Non-audit fees[5]			
Other services pursuant to legislation – interim review		**–**	–
Other services[6]		**1**	1

1 Exploration costs written-off of $57 million (2022: $64 million) includes $13 million related to the Ix-1EXP well in Mexico, $15 million related to the JDE well in Norway, and also includes costs associated with licence relinquishments and uncommercial well evaluations and $4 million related to an increase in decommissioning provisions in the North Sea (note 11).
2 Exploration and evaluation expenditure and new ventures of $36 million (2022: $42 million) includes $29 million (2022: $28 million) of early project costs on new ventures incurred in respect of the Group's interest in CCS and electrification projects in the UK, plus $7 million (2022: $13 million) of ongoing pre-licence costs.
3 The gain on disposal in 2022 of $12 million relates to the release of a provision associated with Premier's sale of its legacy Pakistan assets in 2019 after the expiry of the deadline in the period for tax claims to be submitted.
4 Other administrative costs in 2023 include consultancy costs of $33 million (2022: $9 million).
5 The company has a policy on the provision of non-audit services by the auditor which is aimed at ensuring their continued independence. This policy is available on the company's website. The use of the external auditor for services relating to accounting systems or financial statement preparations is not permitted, as are various other services that could give rise to conflicts of interest or other threats to the auditor's objectivity that cannot be reduced to an acceptable level by applying safeguards.
6 Other non-audit services in 2023 primarily relate to transaction related activities.

6. Staff costs

	2023 $ million	2022 $ million
Wages and salaries and other staff costs	**325**	306
Social security costs	**25**	30
Pension costs	**29**	30
Total staff costs	**379**	366

Average annual number of employees employed by the Group worldwide was:	2023 No.	2022 No.
Offshore based	**534**	559
Office and administration	**1,271**	1,273
Total staff	**1,805**	1,832

Staff costs above are recharged to joint venture partners where applicable, or are capitalised to the extent that they are directly attributable to capital or decommissioning projects. The above costs include share-based payments as disclosed in note 25.

All employees were engaged in the acquisition, exploration, development and production of oil and gas reserves, and energy transition activities.

The Group operates a defined contribution scheme and one defined benefit pension scheme for which further details are provided in note 26.

7. Finance income and finance expenses

	Note	2023 $ million	2022 $ million
Finance income			
Bank interest		**19**	10
Other interest and finance gains		**6**	20
Lease finance income		**2**	2
Realised gains on interest rate swaps		**–**	6
Realised gains on foreign exchange forward contracts		**9**	1
Gains on derivatives[1]		**68**	38
Foreign exchange gains[2]		**–**	202
Total finance income		**104**	279
Finance expenses			
Interest payable on reserve based lending		**15**	71
Interest payable on bond		**27**	27
Other interest and finance expenses		**17**	12
Lease interest	13	**51**	25
Losses on derivatives[1]		**–**	48
Finance expense on deferred revenue	19	**4**	20
Foreign exchange losses		**57**	–
Bank and financing fees[3]		**100**	91
Unwinding of discount on decommissioning and other provisions	20	**156**	65
		427	359
Finance costs capitalised during the year[4]		**(7)**	(1)
Total finance expense		**420**	358

1 Gains and losses on derivatives mainly relates to changes in the fair value of an embedded derivative within one of the Group's gas contracts (2022: $48 million loss on derivatives). Gains on derivatives in 2022 included mark to market gains on unrealised interest rate and foreign exchange derivatives.
2 In 2022, significant unrealised foreign exchange gains arose mainly from the revaluation of open gas hedges denominated in sterling.
3 Bank and financing fees include an amount of $48 million (2022: $55 million) relating to the amortisation of arrangement fees and related costs capitalised against the Group's long-term borrowings (note 21).
4 The amount of finance costs capitalised was determined by applying the weighted average rate of finance costs applicable to the borrowings of the Group of 6.0 per cent to the expenditures on the qualifying assets (2022: 4.4 per cent).

8. Income tax

	2023 $ million	2022 $ million
Current income tax expense		
UK corporation tax	**641**	672
Overseas tax	**14**	53
Adjustments in respect of prior years	**22**	(19)
Total current income tax expense	**677**	706
Deferred tax (credit)/expense		
UK corporation tax[1]	**(74)**	1,772
Overseas tax	**(18)**	(8)
Adjustments in respect of prior years	**(20)**	(16)
Total deferred tax (credit)/expense	**(112)**	1,748
Total tax expense reported in the income statement	**565**	2,454
The tax expense/(credit) in the statement of comprehensive income is as follows:		
Tax expense/(credit) on cash flow hedges	**2,376**	(1,006)

1 2022 includes a $1,469 million charge in respect of the revaluation of the deferred tax on the balance sheet due to the introduction of the Energy Profits Levy.

Reconciliation of tax expense and the accounting profit before taxation multiplied by the statutory rate of corporation tax and supplementary charge applying to UK oil and gas production operations for the years ended 31 December 2023 and 2022 is as follows:

	2023 $ million	2022 $ million
Profit before income tax	**597**	2,462
At the Group's statutory income tax rate of 75.0% (2022: 55.0%)	**448**	1,354
Effects of:		
Expenses/(income) not deductible/(taxable) for tax purposes	**101**	(12)
Interest not deductible for supplementary charge and Energy Profits Levy	**60**	53
Adjustments in respect of prior years	**2**	(36)
Remeasurement of deferred tax	**13**	(72)
Deferred Energy Profits Levy	**–**	1,469
Impact of different tax rates	**(29)**	(190)
Expenses not deductible for Energy Profits Levy	**52**	8
Energy Profits Levy investment allowance	**(64)**	(81)
Investment allowance	**(18)**	(39)
Total tax expense reported in the consolidated income statement at the effective tax rate of 95% (2022: 100%)	**565**	2,454

The effective tax rate for the year was 95 per cent, compared to 100 per cent for 2022.

The tax expense reconciliation has been prepared based on the statutory rate of taxation applying to UK oil and gas production because the majority of Group profit was generated on the UK continental shelf. UK oil and gas production is taxed at a rate of 30 per cent (2022: 30 per cent), a supplementary charge of 10 per cent (2022: 10 per cent), and with effect from 1 January 2023, the Energy Profits Levy (EPL) of 35 per cent (2022: 25 per cent) to give an overall tax rate of 75 per cent (2022: 65 per cent). As the EPL was introduced part way through the previous financial year, a blended average rate of 55 per cent was applied.

The future effective tax rate is impacted by the mix of jurisdictions in which the Group operates. The UK statutory tax rate for oil and gas production operations is expected to remain a primary influence on the effective tax rate. The Energy Profits Levy at the 35 per cent rate is currently in place until 31 March 2028.

Deferred tax

The principal components of deferred tax are set out in the following tables:

	Note	2023 $ million	2022 $ million
Deferred tax assets		**7**	1,406
Deferred tax liabilities		**(1,291)**	(397)
		(1,284)	1,009
Reclassification of deferred tax liabilities directly associated with assets held for sale	17	**31**	–
Total deferred tax		**(1,253)**	1,009

The origination of and reversal of temporary differences are, as shown in the next table, related primarily to movements in the carrying amounts and tax base values of expenditure and the timing of when these items are charged and/or credited against accounting and taxable profit.

	Accelerated capital allowances $ million	Decommissioning $ million	Losses $ million	Fair value of derivatives $ million	Other $ million	Overseas $ million	Total $ million
As at 1 January 2022	(2,820)	2,013	1,314	1,392	39	(187)	1,751
Deferred tax (expense)/credit	(658)	(362)	(745)	49	(40)	8	(1,748)
Comprehensive income	–	–	–	1,006	–	–	1,006
Foreign exchange	82	(86)	–	5	(2)	1	–
As at 31 December 2022	(3,396)	1,565	569	2,452	(3)	(178)	1,009
Deferred tax (expense)/credit	546	(25)	(388)	(61)	22	18	112
Comprehensive expense	–	–	–	(2,376)	1	–	(2,375)
Foreign exchange	(51)	34	–	(9)	1	(5)	(30)
As at 31 December 2023	**(2,901)**	**1,574**	**181**	**6**	**21**	**(165)**	**(1,284)**

The Group's deferred tax assets as at 31 December 2023 are recognised to the extent that taxable profits are expected to arise against which the tax assets can be utilised. The Group assessed the recoverability of its UK ring fenced losses and allowances using corporate assumptions which are consistent with the Group's impairment assessment. Based on those assumptions, the Group expects to fully utilise its recognised UK tax losses and allowances. The recovery of the Group's UK decommissioning deferred tax asset is additionally supported by the ability to carry back decommissioning tax losses and set these against ring fence taxable profits of prior periods.

The EPL increased to a rate of 35 per cent from 25 per cent with effect from 1 January 2023. The EPL will currently be in place until 31 March 2028. Any temporary differences subject to the EPL expected to reverse in this period have consequently been remeasured to the higher rate. Ring fence tax losses cannot be offset against profits subject to EPL nor are deductions given for expenditure incurred on decommissioning. Consequently, the deferred tax assets representing future decommissioning deductions and ring fence tax losses are not impacted by EPL with the effect of EPL primarily being on the deferred tax liability associated with accelerated capital allowances. The closing deferred tax liability for the period of $1,284 million includes $1,014 million of deferred tax liabilities arising from the impact of EPL.

In line with other sensitivity analysis undertaken, we have assessed the impact on the recoverability of deferred tax assets based on an average -10 per cent to the Harbour scenario average crude price curves. The sensitivity analysis indicates that there would no material impact to the recoverability of deferred tax assets.

The Group has unrecognised UK tax losses and allowances as at 31 December 2023 of approximately $181 million (2022: $202 million) in respect of ring fence losses, $138 million (2022: $111 million) in respect of ring fence investment allowance and $803 million (2022: $807 million) in respect of non-ring fence losses.

The Group also has unrecognised tax losses of approximately $168 million (2022: $157 million) in respect of its international operations. These losses include amounts of $13 million which will expire within 10 years and $24 million which will expire within five years.

The overseas deferred tax relates mainly to temporary differences associated with fixed asset balances.

No deferred tax liabilities have been provided on unremitted earnings of overseas subsidiaries, because due to the application of withholding reliefs under international double taxation treaties and dividend exemptions under UK and Netherlands legislation no additional taxation is expected to arise on future distribution.

8. Income tax continued

Legislation was introduced in UK Finance Act 2021 to increase the main rate of UK corporation tax for non-ring fence profits from 19 per cent to 25 per cent from 1 April 2023. This change does not have a material impact on the Group as the UK profits are primarily subject to the UK ring fence tax rate.

Global minimum corporation tax rate – Pillar Two requirements

The legislation implementing the Organisation for Economic Co-operation and Development's (OECD) proposals for a global minimum corporation tax rate (Pillar Two) was substantively enacted into UK law on 20 June 2023. The rules have effect from 1 January 2024 and therefore the rules do not impact the Group's results to 31 December 2023.

The Group has applied the mandatory exception to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar Two income taxes in accordance with the amendments to IAS 12 published by the IASB on 23 May 2023.

The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes for periods from 1 January 2024. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15 per cent and the transitional safe harbour relief is expected to apply. On this basis the Group does not expect a material exposure to Pillar Two income taxes in any jurisdictions.

Uncertain tax positions

During the period an uncertain tax position has been identified in certain UK subsidiaries relating to the timing of the taxation of fair value movements and realised gains and losses on hedges entered into in order to manage commodity price risk. On the strength of independent advice, management considers that there is no expectation of a net additional outflow of funds. As such no additional liability has been recognised in the consolidated financial statements as at 31 December 2023. However, a contingent liability exists as the UK Tax Authorities could take an alternative view on whether the fair value movements on the hedged instruments are disregarded for tax purposes. While not considered a likely outcome, if the UK Tax Authorities were to disagree and successfully challenge the position, a possible liability currently estimated not to exceed $120 million could arise because of the differences in tax rates across the periods in question.

9. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the year.

Diluted EPS is calculated by dividing the profit after tax attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2023	2022
Earnings for the year ($ millions)		
Earnings for the purpose of basic earnings per share	**32**	8
Effect of dilutive potential ordinary shares	**–**	–
Earnings for the purpose of diluted earnings per share	**32**	8
Number of ordinary shares (millions)		
Weighted average number of ordinary shares for the purpose of basic earnings per share[1]	**804**	900
Dilutive potential ordinary shares[2]	**2**	12
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**806**	912
Earnings per share ($ cents)		
Basic	**4**	1
Diluted	**4**	1

1 During the current period 76.8 million ordinary shares were repurchased as part of the share buyback programme.
2 Excludes certain share options outstanding at 31 December 2023 as their option price was greater than market price.

10. Goodwill

Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets.

Cost and net book value	2023 $ million	2022 $ million
At 1 January	**1,327**	1,327
Impairment charge	**(25)**	–
At 31 December	**1,302**	1,327

The goodwill balance consists of balances arising from the completion of the all-share merger between Premier Oil plc and Chrysaor Holdings Limited in March 2021, on Chrysaor Holdings Limited's acquisition of the ConocoPhillips UK business, and of the UK North Sea assets from Shell, which completed on 30 September 2019 and 1 November 2017, respectively.

Goodwill acquired through business combinations has been allocated to two groups of cash-generating units (CGUs), being the North Sea, of $1,278 million (2022: $1,278 million), and International, of $24 million (2022: $49 million).

Impairment testing of goodwill

In accordance with IAS 36 Impairment of Assets, goodwill is reviewed for impairment at the year end or more frequently if there are indications that goodwill might be impaired. In assessing whether goodwill has been impaired, the carrying amount of the CGU for goodwill is compared with its recoverable amount. At the year end, the Group tested for impairment in accordance with the accounting policy and recognised a goodwill impairment of $25 million in the International CGU (2022: $ nil) related to the Vietnam business being classed as an asset held for sale as per note 17.

Determining recoverable amount

The recoverable amounts of the CGU and fields have been determined on a fair value less costs to sell basis. The key assumptions used in determining the fair value are often subjective, such as the future long-term oil and gas price assumption, or the operational performance of the assets. Discounted cash flow models comprising asset-by-asset life of field projections using level 3 inputs (based on the IFRS 13 fair value hierarchy) have been used to determine the recoverable amounts.

The cash flows have been modelled on a post-tax and post-decommissioning basis, inflated at 2.5 per cent per annum from 1 January 2027, and discounted at the Group's post-tax discount rate of between 9.0 per cent and 12.4 per cent (pre-tax 12.0 – 15.5 per cent) (2022: 8.5 – 11.0 per cent post-tax; pre-tax 12.1 per cent – 14.1 per cent). Risks specific to assets within the CGU are reflected within the cash flow forecasts.

Key assumptions used in calculations

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

Commodity and carbon prices
Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. The first three years reflect the market forward prices curves transitioning to a long-term price thereafter. The long-term commodity prices and carbon prices are shown in note 2 to the financial statements on page 123.

Production volumes and oil and gas reserves
Based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques and they are assessed at least annually by management and by an independent consultant. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Costs
Operating expenditure, capital investment and decommissioning costs, which have been inflated at 2.5 per cent per annum from 1 January 2027, are derived from the Group's business plan.

Discount rates
Represent management's estimate of the Group's country-based weighted average cost of capital (WACC), considering both debt and equity. The cost of equity is derived from an expected return on investment by the Group's investors, and the cost of debt is based on its interest-bearing borrowings. Segment-specific risk is incorporated by applying a beta factor based on publicly available market data. The discount rate is based on an assessment of a relevant peer group's post-tax WACC.

10. Goodwill continued

Foreign exchange rates
Based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

Sensitivity to changes in assumptions used in calculations

The Group has run sensitivities on its long-term commodity price assumptions, which have been based on long-range forecasts from external financial analysts, using alternate long-term price assumptions, and discount rates. These are considered to be reasonably possible changes for the purposes of sensitivity analysis. As shown in note 2 to the financial statements the sensitivity analysis on commodity prices reflecting a 10 per cent reduction in the long-term oil and gas price deck applied in the impairment test would result in a reduction to the goodwill impairment of $4 million. A 1 per cent increase in the discount rate would result in a further impairment to goodwill of $1 million.

11. Other intangible assets

	Note	Oil and gas assets $ million	Non-oil and gas assets[1] $ million	Carbon allowances[2] $ million	Total $ million
Cost					
At 1 January 2022		813	119	–	932
Additions during the year		111	31	–	142
Transfers to property, plant and equipment	12	(29)	–	–	(29)
Reduction in decommissioning asset	20	(12)	–	–	(12)
Exploration write-off[3]		(64)	–	–	(64)
Currency translation adjustment		(2)	(13)	–	(15)
At 31 December 2022		817	137	–	954
Additions during the year		210	20	–	230
Transfers from property, plant and equipment	12	–	7	–	7
Reclassification from trade and other receivables[2]		–	–	86	86
Increase in decommissioning asset	20	4	–	–	4
Exploration write-off[3]		(57)	–	–	(57)
Currency translation adjustment		42	8	–	50
At 31 December 2023		**1,016**	**172**	**86**	**1,274**
Amortisation					
At 1 January 2022		–	60	–	60
Charge for the year		–	21	–	21
Currency translation adjustment		–	(7)	–	(7)
At 31 December 2022		–	74	–	74
Charge for the year		–	23	–	23
Currency translation adjustment		–	5	–	5
At 31 December 2023		**–**	**102**	**–**	**102**
Net book value					
At 31 December 2022		817	63	–	880
At 31 December 2023		**1,016**	**70**	**86**	**1,172**

1 Non-oil and gas assets relate primarily to Group IT software.
2 On 31 December 2023, the Group reclassified purchases of UK ETS carbon allowances of $61 million and Voluntary Emissions Reductions (VER) credits of $25 million from trade and other receivables to intangible assets, $43 million of which are expected to be released to the income statement in the next 12 months.
3 The exploration write-off of $57 million (2022: $64 million) includes $13 million related to the Ix-1EXP well in Mexico, $15 million related to the JDE well in Norway and also includes costs associated with licence relinquishments and uncommercial well evaluations and $4 million related to an increase in decommissioning provisions in the North Sea (note 20) (2022: $6 million credit).

12. Property, plant and equipment

	Note	Oil and gas assets $ million	Fixtures and fittings & office equipment $ million	Total $ million
Cost				
At 1 January 2022		12,022	30	12,052
Additions[1]		532	11	543
Transfers from intangible assets	11	29	–	29
Decrease in decommissioning asset[2]	20	(778)	–	(778)
Currency translation adjustment		(369)	(3)	(372)
At 31 December 2022		11,436	38	11,474
Additions[1]		482	9	491
Transfers to intangible assets	11	–	(7)	(7)
Reclassification of asset held for sale	17	(198)	–	(198)
Decrease in decommissioning asset[2]	20	(22)	–	(22)
Currency translation adjustment		159	2	161
At 31 December 2023		**11,857**	**42**	**11,899**
Accumulated depreciation				
At 1 January 2022		4,785	21	4,806
Charge for the year		1,319	5	1,324
Net impairment reversal		(170)	–	(170)
Currency translation adjustment		(174)	(2)	(176)
At 31 December 2022		5,760	24	5,784
Charge for the year		1,192	3	1,195
Impairment charge		214	–	214
Reclassification of asset held for sale	17	(103)	–	(103)
Currency translation adjustment		91	1	92
At 31 December 2023		**7,154**	**28**	**7,182**
Net book value				
At 31 December 2022		5,676	14	5,690
At 31 December 2023		**4,703**	**14**	**4,717**

1 Included within property, plant and equipment additions of $491 million (2022: $543 million) are associated cash flows of $496 million (2022: $477 million) and non-cash flow movements of $5 million (2022: $66 million), represented by a $30 million decrease in capital accruals (2022: $43 million increase), $18 million of capitalised lease depreciation (2022: $22 million) and $7 million of capitalised interest (2022: $1 million).
2 A decrease in the decommissioning assets of $22 million (2022: $778 million) was made during the year as a result of both an update to the decommissioning estimates and new obligations (note 20).

During the year, the Group recognised a pre-tax impairment charge of $214 million (post-tax $109 million) (2022: net impairment credit of $170 million; post-tax $50 million). This comprised a pre-tax impairment charge representing a write-down of property, plant and equipment assets of $108 million (2022: $163 million) across two CGUs in the UK of $70 million. Of these CGUs, one was driven primarily by a significant reduction in the gas price forward curve, and the other by a revised decommissioning cost profile. In addition, there was a Vietnam fair value impairment on the held for sale asset of $38 million and a pre-tax impairment charge of $106 million (2022: $82 million credit) in respect of revisions to decommissioning estimates on the Group's non-producing assets with no remaining net book value (see note 20).

In 2022, a net pre-tax impairment credit of $170 million was recognised as a result of impairment reversals on North Sea assets of $251 million driven by a higher forward curve and long-term price assumption for gas, and a pre-tax impairment credit of $82 million in respect of revisions to decommissioning estimates on the Group's non-producing assets with no remaining net book value. This was partially offset by an impairment to property, plant and equipment of $163 million from a single CGU in the UK North Sea, driven primarily by the contracted price realised for crude sales being negatively impacted by the pricing differential between Urals and Brent crude and a revised operating cost profile for the field.

12. Property, plant and equipment continued

Key assumptions used in calculations

Assumptions used in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

Commodity and carbon prices

The Group uses the fair value less cost of disposal method (FVLCD) to calculate the recoverable amount of the cash-generating units (CGU) consistent with a level 3 fair value measurement (see note 22). In determining the recoverable value, appropriate discounted-cash-flow valuation models were used, incorporating market-based assumptions. Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. Individual field price differentials are then applied. The first three years reflect the market forward price curves transitioning to a long-term price from 2027, thereafter inflated at 2.5 per cent per annum. The long-term commodity prices used were $70 per barrel for crude and 90 pence per therm for gas.

Production volumes and oil and gas reserves

Production volumes are based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques, assessed at least annually by management. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Costs

Operating expenditure, capital expenditure and decommissioning costs are derived from the Group's business plan. The discount rate reflects management's estimate of the Group's country-based weighted average cost of capital (WACC). Foreign exchange rates are based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

Sensitivity to changes in assumptions used in calculations

Reductions or increases in the long-term oil and gas prices of 10 per cent are considered to be reasonably possible changes for the purpose of sensitivity analysis. As shown in note 2 to the financial statements the decreases to the long-term oil and gas prices from 1 January 2027 specified above would result in a further pre-tax impairment of $86 million (post-tax $40 million) and $21 million (post-tax $6 million), respectively.

Considering the discount rates, the Group believes a 1 per cent increase in the post-tax discount rate is considered to be a reasonable possibility for the purpose of sensitivity analysis. A 1 per cent increase in the post-tax discount rate would lead to a further pre-tax impairment of $24 million (post-tax $11 million), and a 1 per cent decrease in the post-tax discount rate would have no impact on the post-tax impairment charge.

13. Leases

This note provides information for leases where the Group is a lessee.

Balance sheet

Right-of-use assets	Note	Land and buildings $ million	Drilling rigs $ million	FPSO $ million	Offshore facilities $ million	Equipment $ million	Total $ million
Cost							
At 1 January 2022		100	153	509	–	18	780
Additions during the year[1]		–	–	–	338	–	338
Cost revisions/remeasurements		3	33	53	(4)	4	89
Disposals		(6)	–	–	–	–	(6)
Currency translation adjustment		(9)	(17)	–	–	(2)	(28)
At 31 December 2022		88	169	562	334	20	1,173
Additions during the year[1]		25	–	–	–	1	26
Cost revisions/remeasurements		1	48	63	(6)	4	110
Reclassification as asset held for sale	17	(5)	–	(71)	–	–	(76)
Disposals		(4)	(19)	–	–	–	(23)
Currency translation adjustment		4	10	–	–	1	15
At 31 December 2023		**109**	**208**	**554**	**328**	**26**	**1,225**
Accumulated depreciation							
At 1 January 2022		22	98	102	–	7	229
Charge for the year		12	43	107	61	7	230
Disposals		(6)	–	–	–	–	(6)
Currency translation adjustment		(2)	(12)	–	–	(1)	(15)
At 31 December 2022		26	129	209	61	13	438
Charge for the year		9	42	94	89	5	239
Reclassification of asset held for sale	17	(2)	–	(23)	–	–	(25)
Disposals		(4)	(19)	–	–	–	(23)
Currency translation adjustment		1	7	–	–	1	9
At 31 December 2023		**30**	**159**	**280**	**150**	**19**	**638**
Net book value							
At 31 December 2022		62	40	353	273	7	735
At 31 December 2023		**79**	**49**	**274**	**178**	**7**	**587**

1 Additions of $26 million mainly related to new land and buildings were made to the right-of-use assets during the year (2022: total additions of $338 million related to the Tolmount offshore facilities).

13. Leases continued

Right-of-use liabilities	Note	2023 $ million	2022 $ million
At 1 January		**825**	654
Additions		**28**	338
Remeasurement		**110**	89
Finance costs charged to income statement	7	**51**	25
Finance costs charged to decommissioning provision	20	**1**	1
Reclassification of liabilities as held for sale	17	**(95)**	–
Lease payments		**(262)**	(254)
Currency translation adjustment		**15**	(28)
At 31 December		**673**	825
Classified as			
Current		**199**	221
Non-current		**474**	604
Total lease liabilities		**673**	825

The significant portion of the Group's lease liabilities represent lease arrangements for an FPSO vessel on the Catcher asset, and offshore facilities on the Tolmount asset.

The lease liabilities and associated right-of-use-assets have been calculated by reference to in-substance fixed lease payments in the underlying agreements incurred throughout the non-cancellable period of the lease along with periods covered by options to extend the lease where the Group is reasonably certain that such options will be exercised. When assessing whether extension options were likely to be exercised, assumptions are consistent with those applied when testing for impairment.

Income statement

Depreciation charge of right-of-use assets	Note	2023 $ million	2022 $ million
Land and buildings – non-oil and gas assets		**8**	11
Land and buildings – oil and gas assets		**1**	1
Drilling rigs		**42**	43
FPSO		**94**	107
Offshore facilities		**89**	61
Equipment – non-oil and gas assets		**1**	–
Equipment – oil and gas assets		**4**	7
		239	230
Capitalisation of IFRS 16 lease depreciation[1]			
Drilling rigs		**(25)**	(26)
Equipment		**(2)**	(4)
Depreciation charge included within the consolidated income statement		**212**	200
Lease interest	7	**51**	25

1 Of the $27 million (2022: $30 million) capitalised IFRS 16 lease depreciation, $18 million (2022: $22 million) has been capitalised within property, plant and equipment and $9 million (2022: $8 million) within provisions (note 20).

The total cash outflow for leases in 2023 was $259 million (2022: $254 million).

14. Inventories

	2023 $ million	2022 $ million
Hydrocarbons	**49**	22
Consumables and subsea supplies	**151**	121
Total inventories	**200**	143

Inventories of consumables and subsea supplies include a provision of $28 million (2022: $25 million) where it is considered that the net realisable value is lower than the original cost.

Inventories recognised as an expense during the year ended 31 December 2023 amounted to $1 million (2022: $22 million). These expenses are included within production costs.

15. Trade and other receivables

	2023 $ million	2022 $ million
Trade receivables	**359**	392
Underlift position	**146**	69
Other debtors	**67**	97
Prepayments and accrued income	**223**	785
Corporation tax receivable	**37**	60
Total trade and other receivables	**832**	1,403

Trade receivables are non-interest bearing and are generally on 20-to-30-day terms. As at 31 December 2023, there were no trade receivables that were past due (2022: nil).

Other debtors include the current element of the unamortised portion of issue costs and bank fees of $19 million related to the RBL (note 27) and includes amounts due from joint venture partners.

Prepayments and accrued income mainly comprise amounts due, but not yet invoiced, for the sale of oil and gas.

The carrying value of the trade and other receivables are equal to their fair value as at the balance sheet date.

Other long-term receivables

	2023 $ million	2022 $ million
Net investment in sublease	**1**	44
Decommissioning funding asset[1]	**56**	62
Other receivables[2]	**127**	164
Prepayments and accrued income	**–**	28
Total other long-term receivables	**184**	298

1 The decommissioning funding asset relates to the Decommissioning liability agreement entered into with E.ON whereby E.ON agreed to part fund Premier's share of decommissioning the Johnston and Ravenspurn North assets. Under the terms of the agreement, E.ON will reimburse 70 per cent of the decommissioning costs between a range of £40 million to £130 million based on Premier's net share of the total decommissioning cost of the two assets. This results in maximum possible funding of £63 million from E.ON. At 31 December 2023, a long-term decommissioning funding asset of $56 million (2022: $62 million) has been recognised utilising the year-end US dollar/pound sterling exchange rate and underlying assumptions consistent with those used for the corresponding decommissioning provision.

2 Other receivables includes $39 million in cash held in escrow accounts for expected future decommissioning expenditure in Indonesia and Vietnam (2022: $123 million), and $21 million (2022: $23 million) held as security for the Mexican letters of credit. Also included are the non-current element of the unamortised portion of issue costs and bank fees of $42 million related to the RBL (note 27).

16. Cash and cash equivalents

	2023 $ million	2022 $ million
Cash at banks and in hand	**280**	500

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Group only deposits cash with major banks of high quality credit standing.

17. Assets held for sale

In August 2023, Harbour announced that it had entered into a Sale and Purchase Agreement to sell its business in Vietnam, which holds its 53.125 per cent interest in Chim Sáo and Dua producing fields to Big Energy Joint Stock Company for a consideration of $84 million. The transaction, which is subject to government approvals, has an effective date of 1 January 2023. The assets and liabilities of Vietnam have been classified as assets held for sale in the balance sheet as at 31 December 2023 as completion is expected to be achieved within 12 months from entering into the SPA.

The Group's Vietnam operations are included in the International segment however are not considered a major geographical area or line of business and therefore the disposal has not been classified as discontinued operations.

The major classes of assets and liabilities of the Group as held for sale as at 31 December 2023 are as follows:

Current	Note	2023 $ million
Assets		
Property, plant and equipment	12	**95**
Right-of-use-assets	13	**51**
Other receivables and working capital		**188**
Assets held for sale		**334**
Liabilities		
Provisions	20	**87**
Lease creditor	13	**95**
Trade and other payables		**29**
Deferred tax	8	**31**
Liabilities directly associated with assets held for sale		**242**
Net assets directly associated with disposal group		**92**
Impairment loss recorded		**38**

Immediately before the classification of the disposal group as assets held for sale, the recoverable amount was estimated for the disposal group and no impairment loss was identified. The assets in the disposal group are held at the lower of their carrying amount and fair value less costs to sell. As at 31 December 2023, an impairment of $38 million was recognised as the fair value less cost to sell, being the expected consideration adjusted for items agreed under the SPA, was below the carrying amount of the disposal group. Following the impairment charge the net assets directly associated with the disposal group held on the consolidated balance sheet were $92 million.

18. Commitments

Capital commitments

As at 31 December 2023, the Group had commitments for future capital expenditure amounting to $389 million (2022: $409 million). Where the commitment relates to a joint arrangement, the amount represents the Group's net share of the commitment. Where the Group is not the operator of the joint arrangement then the amounts are based on the Group's net share of committed future work programmes.

19. Trade and other payables

	2023 $ million	2022 $ million
Current		
Trade payables	**52**	47
Overlift position	**33**	132
Other payables	**143**	118
Matured financial instruments	**48**	258
Accruals	**600**	682
Deferred income[1]	**10**	15
	886	1,252
Non-current		
Other payables	**13**	11
Deferred income[1]	**–**	8
	13	19

1 Deferred income includes $10 million (2022: $23 million) in relation to the closing year-end fair value payable to FlowStream. In June 2015, Premier received $100 million from FlowStream in return for granting them 15 per cent of production from the Solan field until sufficient barrels have been delivered to achieve the rate of return within the agreement. This balance is being released to the income statement within revenue as barrels are delivered to FlowStream from production from Solan. The estimated fair value includes unobservable inputs and is level 3 in the IFRS 13 hierarchy and is held at fair value through profit and loss. The balance has decreased by $13 million in the year reflecting the impact of barrels delivered to FlowStream ($15 million) and a change in estimate following an increase in the oil price resulting in a debit of $4 million to the income statement within finance expense (note 7).

20. Provisions

	Decommissioning provision $ million	Other $ million	Total $ million
At 1 January 2022	5,354	27	5,381
Additions	24	–	24
Changes in estimates – decrease to oil and gas tangible decommissioning assets	(720)	–	(720)
Changes in estimates – decrease to oil and gas intangible decommissioning assets	(6)	–	(6)
Changes in estimate – credit to income statement	–	(1)	(1)
Changes in estimate on oil and gas tangible assets – credit to income statement	(82)	–	(82)
Changes in estimate on oil and gas intangible assets – credit to income statement	(6)	–	(6)
Amounts used	(223)	(2)	(225)
Disposal	(9)	–	(9)
Interest on decommissioning lease	(1)	–	(1)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset	(8)	–	(8)
Unwinding of discount	65	–	65
Currency translation adjustment	(247)	–	(247)
At 31 December 2022	4,141	24	4,165
Additions	40	–	40
Changes in estimates – decrease to oil and gas tangible decommissioning assets	(203)	–	(203)
Changes in estimate on oil and gas tangible assets – debit to income statement	141	–	141
Changes in estimate on oil and gas intangible assets – debit to income statement	4	–	4
Changes in estimate – debit to income statement	–	3	3
Amounts used	(248)	–	(248)
Reclassification of liabilities directly associated with assets held for sale	(87)	–	(87)
Interest on decommissioning lease	(1)	–	(1)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset	(9)	–	(9)
Unwinding of discount	156	–	156
Currency translation adjustment	87	–	87
At 31 December 2023	**4,021**	**27**	**4,048**

Classified within	Non-current liabilities $ million	Current liabilities $ million	Total $ million
At 31 December 2022	3,934	231	4,165
At 31 December 2023	**3,818**	**230**	**4,048**

Decommissioning provision

All of the $40 million decommissioning provision additions relate to oil and gas tangible assets (2022: $24 million).

The Group provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. The Group currently expects to incur decommissioning costs within the next 40 years, the majority of which are anticipated to be incurred between the next 10 to 20 years. These estimated future decommissioning costs are inflated at the Group's long-term view of inflation of 2.5 per cent per annum (2022: 2.5 per cent per annum) and discounted at a risk-free rate of between 4.3 per cent and 5.2 per cent (2022: 3.5 per cent and 3.7 per cent) reflecting a six-month (2022: six-month) rolling average of market rates over the varying lives of the assets to calculate the present value of the decommissioning liabilities. The unwinding of the discount is presented within finance costs.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. In addition, the timing of decommissioning liabilities will depend upon the dates when the fields become economically unviable, which in itself will depend on future commodity prices and climate change, which are inherently uncertain.

Other provisions

Other provisions relate to termination benefit provision in Indonesia of $27 million (2022: $24 million), where the Group operates a service, severance and compensation pay scheme under a collective labour agreement with the local workforce.

21. Borrowings and facilities

The Group's borrowings are carried at amortised cost:

	2023 $ million	2022 $ million
Reserve based lending (RBL) facility[1]	–	702
Bond	493	491
Exploration finance facility	–	11
Other loans	16	34
Total borrowings	**509**	1,238
Classified within		
Non-current liabilities	493	1,216
Current liabilities	16	22
Total borrowings	**509**	1,238

1 The reserve based lending (RBL) facility was fully repaid in the year, leaving $61 million of unamortised fees and related costs to be amortised over the remaining term of the facility which have been reclassified within current and non-current assets as appropriate.

The RBL facility was amended and extended in November 2023, and the key terms of the amended facility are:

- Term matures 31 December 2029
- Facility size of $2.75 billion, with a $1.75 billion letter of credit sub-limit
- Debt availability at $1.346 billion effective 24 November 2023
- Debt availability to be redetermined on an annual basis
- Interest at compounded SOFR plus a margin of 3.2 per cent, rising to a margin of 3.4 per cent from November 2025 and 3.6 per cent from November 2027
- A margin adjustment linked to carbon-emission reductions
- Straight-line amortisation of letter of credit sub-limit from January 2027 to six months before maturity. No material cash collateralisation required until 2028
- Liquidity and leverage covenant tests
- A syndication group of 15 banks

Certain fees are also payable, including fees on available commitments at 40 per cent of the applicable margin and commission on letters of credit issued at 50 per cent of the applicable margin.

In October 2021, the Group issued a $500 million bond under Rule 144A and with a tenor of five years to maturity. The coupon was set at 5.50 per cent and interest is payable semi-annually.

At the balance sheet date, the outstanding RBL balance excluding incremental arrangement fees and related costs was $nil (2022: $775 million). As at 31 December 2023, $1,340 million remained available for drawdown under the RBL facility (2022: $1,972 million).

The Group has facilities to issue up to $1,750 million of letters of credit, of which $1,186 million was in issue as at 31 December (2022: $966 million), mainly in respect of future abandonment liabilities.

A further $34 million of arrangement fees and related costs were capitalised during the year following amendments to the RBL facility which became effective from November 2023.

During the year $48 million (2022: $55 million) of arrangement fees and related costs have been amortised and are included within financing costs.

At 31 December 2023, $68 million of arrangement fees and related costs remain capitalised (2022: $82 million), of which $21 million is due to be amortised within the next 12 months (2022: $20 million). $61 million of these arrangement fees relate to the RBL facility, $19 million of which have been reclassified within current assets, and $42 million, which are due to be amortised beyond the next 12 months, have been reclassified to non-current assets (note 15).

21. Borrowings and facilities continued

Bond interest of $6 million (2022: $6 million comprising both bond and RBL interest) had accrued by the balance sheet date and has been classified within accruals.

Since 2019, the Group has been operating within an exploration finance facility (EFF), of NOK 1 billion, in relation to part-financing the exploration activities of Harbour Energy Norge AS. This facility was repaid in full in February 2023.

Other loans represent a commercial financing arrangement with Baker Hughes (formerly BHGE), that covered a three-year work programme for drilling, completion and subsea tie-in of development wells on Harbour's operated assets. The loan will be repaid based on production performance, subject to a cap.

The table below details the change in the carrying amount of the Group's borrowings arising from financing cash flows.

	$ million
Total borrowings as at 1 January 2022	2,886
Repayment of RBL	(1,663)
Repayment of financing arrangement	(15)
Repayment of EFF loan	(38)
Proceeds from EFF loan	11
Currency translation adjustment on EFF loan	(7)
Financing arrangement interest payable	9
Amortisation of arrangement fees and related costs	55
Total borrowings as at 31 December 2022	1,238
Proceeds from drawdown of borrowing facilities	660
Repayment of RBL	(1,435)
Repayment of financing arrangement	(21)
Repayment of EFF loan	(11)
Arrangement fees and related costs on RBL capitalised	(34)
Financing arrangement interest payable	3
Amortisation of arrangement fees and related costs	48
Reclassification of RBL arrangement fees and related costs to current and non-current assets	61
Total borrowings as at 31 December 2023	**509**

22. Other financial assets and liabilities

The Group held the following financial instruments at fair value at 31 December 2023. The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy, except for the royalty valuation, which includes estimates based on unobservable inputs and is level 3 in the IFRS 13 hierarchy.

	31 December 2023		31 December 2022	
	Assets $ million	Liabilities $ million	Assets $ million	Liabilities $ million
Current				
Measured at fair value through profit and loss				
Foreign exchange derivatives	**6**	**–**	6	–
Interest rate derivatives	**–**	**–**	24	–
Fair value of embedded derivative within gas contract	**10**	**–**	–	(57)
	16	**–**	30	(57)
Measured at fair value through other comprehensive income				
Commodity derivatives	**154**	**(197)**	51	(2,114)
Total current	**170**	**(197)**	81	(2,171)
Non-current				
Measured at fair value through profit and loss				
Interest rate derivatives	**–**	**–**	18	–
	–	**–**	18	–
Measured at fair value through other comprehensive income				
Commodity derivatives	**112**	**(87)**	85	(1,279)
Total non-current	**112**	**(87)**	103	(1,279)
Total current and non-current	**282**	**(284)**	184	(3,450)

Fair value measurements

All financial instruments that are initially recognised and subsequently remeasured at fair value have been classified in accordance with the hierarchy described in IFRS 13 'Fair Value Measurement'. The hierarchy groups fair value measurements into the following levels based on the degree to which the fair value is observable.

- **Level 1:** fair value measurements are derived from unadjusted quoted prices for identical assets or liabilities
- **Level 2:** fair value measurements include inputs, other than quoted prices included within level 1, which are observable directly or indirectly
- **Level 3:** fair value measurements are derived from valuation techniques that include significant inputs not based on observable data

	Financial assets		Financial liabilities	
As at 31 December 2023	Level 2 $ million	Level 3 $ million	Level 2 $ million	Level 3 $ million
Fair value of embedded derivative within gas contract	**10**	**–**	**–**	**–**
Commodity derivatives	**266**	**–**	**(284)**	**–**
Foreign exchange derivatives	**6**	**–**	**–**	**–**
Total fair value	**282**	**–**	**(284)**	**–**

	Financial assets		Financial liabilities	
As at 31 December 2022	Level 2 $ million	Level 3 $ million	Level 2 $ million	Level 3 $ million
Fair value of embedded derivative within gas contract	–	–	(57)	–
Commodity derivatives	136	–	(3,393)	–
Foreign exchange derivatives	6	–	–	–
Interest rate derivatives	42	–	–	–
Total fair value	184	–	(3,450)	–

There were no transfers between fair value levels in 2022 or 2023.

22. Other financial assets and liabilities continued

Fair value movements recognised in the income statement on financial instruments are shown below.

Finance income	2023 $ million	2022 $ million
Change in fair value of embedded derivative within gas contract	68	–
Foreign exchange derivatives	–	7
Interest rate derivatives	(43)	31
	25	38

Finance expenses	2023 $ million	2022 $ million
Change in fair value of embedded derivative within gas contract	–	(48)
	–	(48)

Fair values of other financial instruments

The following financial instruments are measured at amortised cost and are considered to have fair values different to their book values.

	2023 $ million		2022 $ million	
	Book value	Fair value	Book value	Fair value
Bond	(493)	(487)	(491)	(446)

The fair value of the bond is within level 2 of the fair value hierarchy and has been estimated by discounting future cash flows by the relevant market yield curve at the balance sheet date. The fair values of other financial instruments not measured at fair value including cash and short-term deposits, trade receivables, trade payables and floating rate borrowings equate approximately to their carrying amounts.

Cash flow hedge accounting

The Group uses a combination of fixed price physical sales contracts and cash-settled fixed price commodity swaps and options to manage the price risk associated with its underlying oil and gas revenues. As at 31 December 2023, all of the Group's cash-settled fixed price commodity swap derivatives have been designated as cash flow hedges of highly probable forecast sales of oil and gas.

The following table indicates the volumes, average hedged price and timings associated with the Group's financial commodity derivatives. Volumes hedged through fixed price contracts with customers for physical delivery are excluded.

Position as at 31 December 2023	2024	2025	2026
Oil volume hedged (thousand bbls)	7,320	4,380	–
Weighted average hedged price ($/bbl)	84.37	77.35	–
Gas volume hedged (million therms)	759	428	90
Weighted average hedged price (p/therm)	67.19	89.68	99.28

As at 31 December 2023, the fair value of net financial commodity derivatives designated as cash flow hedges, all executed under ISDA agreements with no margining requirements, was a net payable of $66 million (2022: $3,516 million) and net unrealised pre-tax losses of $16 million (2022: $3,185 million) were deferred in other comprehensive income in respect of the effective portion of the hedge relationships.

Amounts deferred in other comprehensive income will be released to the income statement as the underlying hedged transactions occur. As at 31 December 2023, net deferred pre-tax losses of $51 million (2022: $2,368 million) are expected to be released to the income statement within one year.

Interest Rate Benchmark Reform (IBOR)

During the year, the Group transitioned to alternative benchmark rates to cater for the discontinuation of IBOR rates. Our bond is at a fixed interest rate of 5.5 per cent whilst the RBL (undrawn at 31 December 2023) transitioned from US LIBOR to SOFR (Secured Overnight Financing Rate).

23. Financial risk factors and risk management

The Group's principal financial assets and liabilities comprise trade and other receivables, cash and short-term deposits accounts, trade payables, interest bearing loans and derivative financial instruments. The main purpose of these financial instruments is to manage short-term cash flow, price exposures and raise finance for the Group's expenditure programme. Further information on the Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of capital management policies in the Strategic report (see page 62).

Risk exposures and responses

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are market risks comprising commodity price risk, interest rate risk and foreign currency risk, liquidity risk, and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised in this note.

The Group's management oversees the management of financial risks. The Group's senior management ensures that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments mainly affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2023 and 31 December 2022.

The sensitivity analyses have been prepared on the basis that the number of financial instruments are all constant. The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the composition of the Group's financial instruments at the balance sheet date and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant profit before tax item and/or equity is the effect of the assumed changes in respective market risks for the full year based on the financial assets and financial liabilities held at the balance sheet date
- The sensitivities indicate the effect of a reasonable increase in each market variable. Unless otherwise stated, the effect of a corresponding decrease in these variables is considered approximately equal and opposite
- Fair value changes from derivative instruments designated as cash flow hedges are considered fully effective and recorded in shareholders' equity, net of tax
- Fair value changes from derivatives and other financial instruments not designated as cash flow hedges are presented as a sensitivity to profit before tax only and not included in shareholders' equity

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas products. On a rolling basis, the Group's policy is to hedge the commodity price exposure associated with 40 to 70 per cent of the next 12 months' production (year 1), between 30 and 60 per cent of 'year 2' production, from 'year 3' up to 50 per cent of production and from 'year 4' up to 40 per cent of production. The Group manages these risks through the use of fixed price contracts with customers for physical delivery and derivative financial instruments including fixed price swaps and options.

23. Financial risk factors and risk management continued

Commodity price sensitivity

The following table summarises the impact on the Group's pre-tax profit and equity from a reasonably foreseeable movement in commodity prices on the fair value of commodity based derivative instruments held by the Group at the balance sheet date.

As at 31 December 2023	Market movement	Effect on profit before tax $ million	Effect on equity $ million
Brent oil price	$10 /bbl increase	–	(28)
Brent oil price	$10 /bbl decrease	–	28
NBP gas price	£0.1 /therm increase	–	(28)
NBP gas price	£0.1 /therm decrease	–	28

As at 31 December 2022	Market movement	Effect on profit before tax $ million	Effect on equity $ million
Brent oil price	$10 /bbl increase	–	(49)
Brent oil price	$10 /bbl decrease	–	49
NBP gas price	£0.1 /therm increase	–	(49)
NBP gas price	£0.1 /therm decrease	–	49

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligation with floating interest rates.

Fixed rate borrowings at 31 December 2023 comprise a bond which incurs interest at 5.5 per cent per annum. Following the settlement of the RBL and exploration financing balances during the year, the Group has no floating rate borrowings at 31 December 2023. As at 31 December 2022, floating rate borrowings comprised loans under the RBL facility which incurred interest fixed either one month, three months or six months in advance at USD LIBOR plus a margin of 3.21 per cent. Floating rate financial assets comprise cash and cash equivalents which earn interest at the relevant market rate. Prior to settlement of the RBL, the Group monitored its exposure to fluctuations in interest rates and uses interest rate derivatives to manage the fixed and floating composition of its borrowings.

The interest rate financial instruments in place at the balance sheet date are shown below:

	Derivative	Currency	Period of hedge	Terms
31 December 2023	**Interest rate swaps**	**$nil million**	**N/A**	**N/A**
31 December 2022	Interest rate swaps	$545 million	Jun 20 – Jun 25	Average 0.55%

The interest rate and currency profile of the Group's interest-bearing financial assets and liabilities are shown below:

As at 31 December 2023	**Cash at bank $ million**	**Fixed rate borrowings $ million**	**Floating rate borrowings $ million**	**Total $ million**
US dollar	**238**	**(493)**	**–**	**(255)**
Pound sterling	**28**	**–**	**–**	**28**
Norwegian krone	**13**	**–**	**–**	**13**
Other	**1**	**–**	**–**	**1**
	280	**(493)**	**–**	**(213)**

As at 31 December 2022	Cash at bank $ million	Fixed rate borrowings $ million	Floating rate borrowings $ million	Total $ million
US dollar	481	(491)	(702)	(712)
Pound sterling	8	–	–	8
Norwegian krone	6	–	(11)	(5)
Other	5	–	–	5
	500	(491)	(713)	(704)

Interest rate sensitivity

The following table demonstrates the indicative pre-tax effect on profit and equity of applying a reasonably foreseeable increase in interest rates to the Group's financial assets and liabilities at the balance sheet date.

	Market movement	Effect on profit before tax $ million	Effect on equity $ million
31 December 2023			
US dollar interest rates	**+100 basis points**	**2**	**–**
31 December 2022			
US dollar interest rates	+100 basis points	8	–

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk primarily arising from exchange rate movements in US dollar against pound sterling. To mitigate exposure to movements in exchange rates, wherever possible financial assets and liabilities are held in currencies that match the functional currency of the relevant entity. The Group has subsidiaries with functional currencies of pound sterling, US dollar, Norwegian krone, Mexican pesos and Brazilian reals. Exposures can also arise from sales or purchases denominated in currencies other than the functional currency of the relevant entity; such exposures are monitored and hedged with agreement from the Board.

The Group enters into forward contracts as a means of hedging its exposure to foreign exchange rate risks. As at 31 December 2023, the Group had £212 million hedged at a forward rate of between $1.2182 and $1.2742:£1 for the period January 2024 to October 2024.

As at 31 December 2022, the Group had £42 million hedged at forward rates of between $1.18331 and $1.24045:£1 for the period to January 2023, and $100 million hedged at forward rates of between $1.17543 and $1.18131:£1 for the period to January 2023.

23. Financial risk factors and risk management continued

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably foreseeable change in US dollars against pound sterling with all other variables held constant, of the Group's profit before tax (due to foreign exchange translation of monetary assets and liabilities). The impact of translating the net assets of foreign operations into US dollars is excluded from the sensitivity analysis.

	Market movement	Effect on profit before tax $ million	Effect on equity $ million
31 December 2023			
US dollar/pound sterling	**10% strengthening**	**78**	**–**
US dollar/pound sterling	**10% weakening**	**(78)**	**–**
31 December 2022			
US dollar/pound sterling	10% strengthening	291	–
US dollar/pound sterling	10% weakening	(291)	–

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity and financial position. In addition, receivables balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and derivative financial instruments.

The Group has two ratings from two credit rating agencies: S&P Global at BB and Fitch at BB.

The Group only sells hydrocarbons to recognised and creditworthy parties, typically the trading arm of large, international oil and gas companies. An indication of the concentration of credit risk on trade receivables is shown in note 4, whereby the revenue from one customer exceeds 88 per cent (2022: 84 per cent) of the Group's consolidated revenue.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are internationally recognised banking institutions and are considered to represent minimal credit risk.

There are no significant concentrations of credit risk within the Group unless otherwise disclosed, and credit losses are expected to be near to zero. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors the amount of borrowings maturing within any specific period and expects to meet its financing commitments from the operating cash flows of the business and existing committed lines of credit.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at 31 December 2023	Within 1 year $ million	1 to 2 years $ million	2 to 5 years $ million	Over 5 years $ million	Total $ million
Non-derivative financial liabilities					
Bond	**28**	**28**	**528**	**–**	**584**
Other loans	**16**	**–**	**–**	**–**	**16**
Trade and other payables	**825**	**13**	**–**	**–**	**838**
Lease obligations	**250**	**186**	**340**	**121**	**897**
Total non-derivative financial liabilities	**1,119**	**227**	**868**	**121**	**2,335**
Derivative financial liabilities					
Net-settled commodity derivatives	**197**	**87**	**–**	**–**	**284**
	1,316	**314**	**868**	**121**	**2,619**

As at 31 December 2022	Within 1 year $ million	1 to 2 years $ million	2 to 5 years $ million	Over 5 years $ million	Total $ million
Non-derivative financial liabilities					
Reserve based lending facility	61	61	881	–	1,003
Bond	28	27	555	–	610
Exploration finance facility	11	–	–	–	11
Other loans	11	9	18	–	38
Trade and other payables	1,318	19	–	–	1,337
Lease obligations	208	180	386	61	835
Total non-derivative financial liabilities	1,637	296	1,840	61	3,834
Derivative financial liabilities					
Net-settled commodity derivatives	2,308	930	155	–	3,393
	3,945	1,226	1,995	61	7,227

The maturity profiles in the above tables reflect only one side of the Group's liquidity position and will be recorded in the income statement against future production and revenue which are not recognised on the balance sheet as assets. Interest bearing loans and borrowings and trade payables mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant and equipment and working capital such as inventories. These assets are considered part of the Group's overall liquidity risk.

24. Share capital

Issued and fully paid	Number 2023	$ million 2023	Number 2022	$ million 2022
Ordinary shares of 0.002p each	**770,370,830**	**0**	847,168,796	0
Ordinary non-voting deferred shares of 12.4999p each	**925,532,809**	**171**	925,532,809	171
		171		171

The rights and restrictions attached to the ordinary shares are as follows:

- **Dividend rights:** the rights of the holders of ordinary shares shall rank pari passu in all respects with each other in relation to dividends
- **Winding up or reduction of capital:** on a return of capital on a winding up or otherwise (other than on conversion, redemption or purchase of shares) the rights of the holders of ordinary shares to participate in the distribution of the assets of the company available for distribution shall rank pari passu in all respects with each other
- **Voting rights:** the holders of ordinary shares shall be entitled to receive notice of, attend, vote and speak at any General Meeting of the company

The rights and restrictions attached to the non-voting deferred shares are as follows:

- They will have no voting or dividend rights and, on a return of capital or on a winding up of the company, will have the right to receive the amount paid up thereon only after holders of all ordinary shares have received, in aggregate, any amounts paid up on each ordinary share plus £10 million on each ordinary share. The non-voting deferred shares will not give the holder the right to receive notice of, nor attend, speak or vote at, any General Meeting of the company

Issue of ordinary shares

During the year, the company issued 5,092 ordinary shares at a nominal value of 0.002 pence per share in relation to the exercise of SAYE awards.

Purchase and cancellation of own shares

During 2023, the company repurchased 76,803,058 ordinary shares for a total consideration, including transaction costs, of $249 million, as part of the share purchase programmes announced on 3 November 2022 and 9 March 2023, which concluded on 28 September 2023. All shares purchased were cancelled. As at 31 December 2023, the buyback programme had been completed.

Capital reduction

The capital reduction, comprising the share premium and the merger reserve, was approved by shareholders at the General Meeting held on 11 May 2022. In connection with the capitalisation of the merger reserve, the resolutions authorising the Directors to allot new B ordinary shares and subsequently cancel them was also passed at the General Meeting. B ordinary shares totalling $4,806 million were issued on 25 July 2022.

On 3 August 2022, Harbour announced that the capital reduction had become effective following the confirmation by the Court of Session, Edinburgh on 2 August 2022 and the registration of the Court order with the Registrar of Companies in Scotland on 3 August 2022. The share premium account ($1,505 million) and the shares arising on the capitalisation of the merger reserve ($4,806 million) were cancelled.

The capital reduction created additional distributable reserves to the value of $6,311 million.

Own shares	2023 $ million
At 1 January 2023	**21**
Purchase of ESOP Trust shares	**16**
Release of shares	**(13)**
	24

The own shares represent the net cost of shares in Harbour Energy plc purchased in the market or issued by the company into the Harbour Energy plc employee benefit (ESOP) trust. This ESOP Trust holds shares to satisfy awards under the Group's share incentive plans. At 31 December 2023, the number of ordinary shares of 0.002 pence each held by the trust was 6,079,705 (2022: 4,487,267).

25. Share-based payments

The company currently operates a Long Term Incentive Plan (LTIP) for certain employees and a Share Incentive Plan (SIP), a Save As You Earn (SAYE) scheme for UK-based employees, and an Expatriate SIP for expatriate employees only.

For the year ended 31 December 2023, the total cost recognised by the company for share-based payment transactions was $46 million (2022: $36 million). A credit of $46 million (2022: $36 million) has been recorded in retained earnings for all equity-settled payments of the company.

Like other elements of remuneration, this charge is processed through the time-writing system which allocates cost, based on time spent by individuals, to various entities within the Group. Part of this cost is therefore recharged to the relevant subsidiary undertakings, part is capitalised as directly attributable to capital projects and part is charged to the income statement as operating costs, pre-licence exploration costs or general and administration costs.

Details of the various share incentive plans currently in operation are set out below.

2017 Long Term Incentive Plan (2017 LTIP)

Discretionary share awards are granted to employees under the company's Long Term Incentive Plan (LTIP).

The following types of award have been granted under the 2017 LTIP:

- **Performance share awards (PSAs):** vesting is subject to a Performance Target, normally measured over a three-year period from 1 January based on total shareholder return (TSR) relative to (i) the FTSE 100 index, and (ii) a bespoke peer group of oil and gas companies, and aligns to longer-term strategic objectives
- **Conditional share awards (CSAs):** vesting is only subject to continued employment
- **Deferred bonus share (DBS) awards:** certain employees are required to defer a portion of their annual bonus into shares which vest over a three-year period subject to continued employment

All LTIP awards are granted in the form of nil-cost options or conditional share awards and therefore there is no exercise price payable on the exercise of these awards.

For further details of the LTIP awards, including the performance conditions of the PSAs granted in 2023, please refer to the Directors' remuneration report (page 97).

The following table shows the movement in the number of LTIP awards:

	2023 million shares	2022 million shares
Outstanding at 1 January	**27.8**	20.5
Granted	**15.1**	10.3
Vested	**(8.7)**	(1.6)
Forfeited	**(0.5)**	(1.4)
Outstanding at 31 December[1]	**33.7**	27.8

1 This includes 0.6 million cash settled awards at 31 December 2023 (2022: 1.6 million), which are revalued using the year-end share price.

LTIP awards totalling 8.7 million shares were vested during the period. The weighted average remaining contractual life of the LTIP awards at 31 December 2023 was 2.2 years (2022: 1.5 years).

25. Share-based payments continued

Key assumptions used to calculate the fair value of awards

The fair value of PSAs which are subject to TSR conditions is determined using a Monte Carlo simulation. The fair value of all other awards is calculated using the share price at the date of grant, adjusted for dividends not received during the vesting period.

The following table lists the inputs to the model used in respect of the PSAs granted during the financial year:

	2023	2022
Share price at date of grant	**£2.44 – £2.90**	£5.00 – £5.19
Dividend yield	**0%**	0%
Expected term	**2.9 – 3.0 years**	3.0 years
Risk free rate	**3.3% – 4.2%**	1.4% – 1.6%
Share price volatility of the company	**49.2% – 50.2%**	50.5% – 51.3%

The weighted average fair value of the PSAs granted in 2023 was $2.86 (2022: $4.02).

Expected volatility was determined by reference to both the historical volatility of the company and the historical volatility of a group of comparable quoted companies over a period in line with the expected term assumption.

Share Incentive Plan (SIP)

Under the SIP, employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one basis. In 2023, 0.3 million matching shares were awarded to employees (2022: 0.4 million). The SIP matching shares are valued based on the quoted share price on the grant date.

Save As You Earn (SAYE) scheme

Under the SAYE scheme, UK qualifying employees with one month or more continuous service can join the scheme. Under the SAYE scheme, employees can save up to a maximum of £500 per month through payroll deductions for a period of three years, after which time they can acquire shares at the option price, which is set at a discount of up to 20 per cent to the prevailing market price at the grant date, determined in accordance with SAYE scheme rules. In 2023, 3.1 million SAYE options were granted (2022: 1.6 million).

The SAYE options outstanding at 31 December 2023 had exercise prices ranging from £2.21 to £4.12 (2022: £4.12 to £5.53) and a weighted average remaining contractual life of 2.8 years (2022: 2.8 years).

26. Group pension schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make specified contributions. Payments to the defined contribution schemes are charged as an expense as they fall due. The total cost charged to income of $29 million (2022: $30 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

27. Notes to the statement of cash flows

Net cash flows from operating activities consist of:

	2023 $ million	2022 $ million
Profit before taxation	**597**	2,462
Adjustments to reconcile profit before tax to net cash flows		
Finance cost, excluding foreign exchange	**363**	358
Finance income, excluding foreign exchange	**(104)**	(77)
Depreciation, depletion and amortisation	**1,430**	1,546
Fair value movement in unrealised carbon swaps	**–**	2
Net impairment of property, plant and equipment	**214**	(170)
Impairment of goodwill	**25**	–
Share-based payments	**20**	17
Decommissioning payments	**(268)**	(217)
Exploration costs written-off	**57**	64
Onerous contract payments	**–**	(2)
Gain on disposal	**–**	(12)
Movement in realised cash flow hedges not yet settled	**(207)**	(104)
Unrealised foreign exchange loss/(gain)	**49**	(238)
Working capital adjustments		
(Increase)/decrease in inventories	**(52)**	65
Decrease/(increase) in trade and other receivables	**519**	(75)
(Decrease)/increase in trade and other payables	**(61)**	63
Net tax payments	**(438)**	(552)
Net cash inflow from operating activities	**2,144**	**3,130**

Reconciliation of net cash flow to movement in net borrowings

	2023 $ million	2022 $ million
Proceeds from drawdown of borrowing facilities	**(660)**	–
Proceeds from EFF loan	**–**	(11)
Repayment of RBL facility	**1,435**	1,663
Repayment of EFF loan	**11**	38
Repayment of financing arrangement	**21**	15
Financing arrangement interest payable	**(3)**	(9)
Arrangement fees and related costs on RBL capitalised	**34**	–
Amortisation of arrangement fees and related costs capitalised	**(48)**	(55)
Currency translation adjustment on EFF loan	**–**	7
Movement in total borrowings	**790**	1,648
Movement in cash and cash equivalents	**(220)**	(199)
Decrease in net borrowings in the year	**570**	1,449
Opening net borrowings	**(738)**	(2,187)
Closing net borrowings	**(168)**	(738)

27. Notes to the statement of cash flows continued

Analysis of net borrowings

	2023 $ million	2022 $ million
Cash and cash equivalents	**280**	500
RBL facility	**–**	(702)
Bond	**(493)**	(491)
EFF loan	**–**	(11)
Net debt	**(213)**	(704)
Financing arrangement	**(16)**	(34)
Closing net borrowings	**(229)**	(738)
Non-current assets	**42**	–
Current assets	**19**	–
Closing net borrowings after total unamortised fees[1]	**(168)**	(738)

1 $61 million of fees associated with the RBL are recognised in debtors.

The carrying values on the balance sheet are stated net of the unamortised portion of issue costs and bank fees of $68 million of which $61 million relates to the RBL and is recognised in assets (note 15) and $7 million is netted against the bond (2022: $82 million of which $73 million related to the RBL and $9 million related to the bond both of which were netted off against the borrowings).

28. Related party disclosures

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Harbour Energy's Viking CCS entered into an arrangement with West Burton Energy, the independent power generation company based in Nottinghamshire which is a subsidiary of EIG, Harbour's largest shareholder. The intention is to capture, transport and permanently store CO_2 emissions from the West Burton B power station. Harbour Energy and West Burton Energy have begun the necessary engineering design to connect West Burton B to the high-capacity Viking CCS storage sites located beneath the Southern North Sea.

There have not been any financial transactions with West Burton Energy in 2023.

Compensation of key management personnel of the Group

Remuneration of key management personnel, including directors of the Group, is shown below:

	2023 $ million	2022 $ million
Salaries and short-term employee benefits	**13**	15
Payments made in lieu of pension contributions	**1**	1
	14	16

29. Distributions made and proposed

A final dividend of 12 cents per ordinary share in relation to the year ended 31 December 2022 was paid on 24 May 2023 pursuant to shareholder approval received on 10 May 2023.

An interim dividend of 12 cents per ordinary share in relation to the half year ended 30 June 2023 was paid on 18 October 2023.

	2023 $ million	2022 $ million
Cash dividends on ordinary shares declared and paid		
Final dividend for 2022: 12 cents per share (2021: 11 cents per share)	**99**	98
Interim dividend for 2023: 12 cents per share (2022: 11 cents per share)	**91**	93
	190	191
Proposed dividends on ordinary shares		
Final dividend for 2023: 13 cents per share (2022: 12 cents per share)	**100**	100

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December.

30. Post balance sheet events

On 5 March 2024 Harbour signed a new $3.0 billion fully unsecured revolving credit facility (RCF) and $1.5 billion bridge facility which will be available at completion to fund the acquisition of the Wintershall Dea asset portfolio. The RCF has a $1.75 billion letter of credit sub-limit, a five-year term from signing and will replace the existing RBL facility.

On 6 March 2024, the UK Government announced that the Energy Profits Levy (EPL) would be extended for a further 12 months to 31 March 2029 from the former end date of 31 March 2028. Harbour is currently assessing the potential impact of this announcement.

31. Investments and amounts due from subsidiary undertakings

At 31 December 2023, the subsidiary undertakings of the company which were all wholly owned were:

Name of company	Area of operation	Country of incorporation	Main activity
Chrysaor (U.K.) Alpha Limited	UK	UK[2]	Exploration, production, and development
Chrysaor (U.K.) Beta Limited	UK	UK[2]	Decommissioning activities
Chrysaor (U.K.) Sigma Limited	UK	UK[2]	Exploration, production, and development
Chrysaor (U.K.) Theta Limited	UK	UK[2]	Exploration, production, and development
Chrysaor CNS Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Developments Limited	UK	UK[2]	Decommissioning activities
Chrysaor E&P Finance Limited	UK	UK[2]	Financing company
Chrysaor E&P Limited	UK	UK[2]	Intermediate holding company
Chrysaor Holdings Limited[1]	UK	Cayman Islands[13]	Intermediate holding company
Chrysaor Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Marketing Limited	UK	UK[2]	Gas trading
Chrysaor North Sea Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Petroleum Company U.K. Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Petroleum Limited	UK	UK[2]	Decommissioning activities
Chrysaor Production (U.K.) Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Production Holdings Limited	UK	UK[2]	Intermediate holding company
Chrysaor Resources (Irish Sea) Limited	UK	UK[2]	Exploration, production, and development
Ebury Gate Limited	Guernsey	Guernsey[11]	Risk mitigation services
EnCore (NNS) Limited	UK	UK[2]	Intermediate holding company
EnCore Oil Limited	UK	UK[2]	Intermediate holding company
FP Mauritania A BV	Mauritania	Netherlands[7]	Decommissioning activities
FP Mauritania B BV	Mauritania	Netherlands[7]	Decommissioning activities
Harbour Energy Services Limited (formerly Chrysaor E&P Services Limited)	UK	UK[2]	Service company
Harbour Energy Norge AS	Norway	Norway[3]	Exploration, production, and development
Premier Oil (EnCore Petroleum) Limited	UK	UK[2]	Intermediate holding company
Premier Oil (Vietnam) Limited	Vietnam	British Virgin Islands[8]	Exploration, production, and development
Premier Oil Aberdeen Services Limited	UK	UK[2]	Service company
Premier Oil and Gas Services Limited	UK	UK[2]	Service company
Premier Oil Andaman I Limited	Indonesia	UK[2]	Exploration, production, and development
Premier Oil Andaman Limited	Indonesia	UK[2]	Exploration, production, and development
Premier Oil Barakuda Limited	Indonesia	UK[2]	Exploration, production and development
Premier Oil do Brasil Petroleo e Gas Ltda	Brazil	Brazil[9]	Exploration, production, and development
Premier Oil E&P Holdings Limited	UK	UK[2]	Intermediate holding company
Premier Oil E&P UK EU Limited	UK	UK[2]	Exploration, production, and development
Premier Oil E&P UK Limited	UK	UK[2]	Exploration, production, and development
Premier Oil Exploration (Mauritania) Limited	Mauritania	Jersey[6]	Decommissioning activities
Premier Oil Exploration and Production Mexico S.A.de C.V.	Mexico	Mexico[10]	Exploration, production, and development
Premier Oil Far East Limited	Singapore	UK[2]	Service company
Premier Oil Group Holdings Limited[1]	UK	UK[2]	Intermediate holding company
Premier Oil Group Limited	UK	UK[5]	Intermediate holding company
Premier Oil Holdings Limited	UK	UK[2]	Intermediate holding company
Premier Oil Mauritania B Limited	Mauritania	Jersey[6]	Decommissioning activities
Premier Oil Mexico Holdings Limited	UK	UK[2]	Intermediate holding company
Premier Oil Mexico Investments Limited	UK	UK[2]	Intermediate holding company
Premier Oil Mexico Recursos S.A. de C.V.	Mexico	Mexico[10]	Exploration, production, and development
Premier Oil Natuna Sea BV	Indonesia	Netherlands[7]	Exploration, production, and development
Premier Oil Overseas BV	Netherlands	Netherlands[7]	Intermediate holding company
Premier Oil South Andaman Limited	Indonesia	UK[2]	Exploration, production, and development
Premier Oil Tuna BV	Indonesia	Netherlands[7]	Exploration, production, and development

Name of company	Area of operation	Country of incorporation	Main activity
Premier Oil UK Limited	UK	UK[5]	Exploration, production, and development
Premier Oil Vietnam Offshore BV	Vietnam	Netherlands[7]	Exploration, production, and development
Chrysaor (U.K.) Britannia Limited	–	UK[2]	Dormant company
Chrysaor (U.K.) Delta Limited	–	UK[2]	Non-trading
Chrysaor (U.K.) Eta Limited	–	UK[2]	Non-trading
Chrysaor (U.K.) Lambda Limited	–	ROI[4]	Dormant company
Chrysaor Production Limited	–	UK[2]	Non-trading
Chrysaor Resources (UK) Holdings Limited	–	UK[2]	Non-trading
Chrysaor (U.K.) Zeta Limited	–	UK[2]	Non-trading
Harbour Energy Argentina Limited	–	UK[2]	Dormant company
Harbour Energy Developments Limited	–	UK[2]	Dormant company
Harbour Energy Secretaries Limited	–	UK[2]	Dormant company
Harbour Energy Production Limited	–	UK[2]	Dormant company
Premier Oil ANS Holdings Limited	–	UK[2]	Non-trading
Premier Oil ANS Limited	–	UK[2]	Non-trading
Premier Oil B Limited	–	UK[2]	Dormant company
Premier Oil Congo (Marine IX) Limited	–	Jersey[6]	Dormant company
Premier Oil Exploration Limited	–	UK[5]	Non-trading
Premier Oil Exploration ONS Limited	–	UK[2]	Dormant company
Premier Oil Finance (Jersey) Limited[1]	–	Jersey[6]	Non-trading
Premier Oil ONS Limited	–	UK[2]	Dormant company
Premier Oil Pakistan Offshore BV	–	Netherlands[7]	Dormant company
Premier Oil Vietnam 121 Limited	–	UK[2]	Non-trading
Viking CCS Limited (formerly Chrysaor Energy Limited)	–	UK[2]	Dormant company
Chrysaor Investments Limited	–	UK[2]	Liquidation
Chrysaor Petroleum Chemicals U.K. Limited (formerly Harbour Energy Services Limited)	–	UK[2]	Liquidation
Chrysaor Production Oil (GB) Limited (formerly Harbour Energy Production Limited)	–	UK[2]	Liquidation
Chrysaor Supply & Trading Limited	–	UK[2]	Liquidation
EnCore (VOG) Limited	–	UK[2]	Liquidation
EnCore CCS Limited	–	UK[2]	Liquidation
EnCore Natural Resources Limited	–	UK[2]	Liquidation
EnCore Oil and Gas Limited	–	UK[2]	Liquidation
Premier Oil Belgravia Holdings Limited	–	UK[2]	Liquidation
Premier Oil Belgravia Limited	–	UK[2]	Liquidation
Premier Oil Bukit Barat Limited	–	UK[2]	Liquidation
Premier Oil CCS Limited	–	UK[2]	Liquidation
Premier Oil E&P UK Energy Trading Limited	–	UK[2]	Liquidation
Premier Oil Exploration and Production (Iraq) Limited	–	UK[2]	Liquidation
Premier Oil Investments Limited	–	UK[2]	Liquidation
Premier Oil Pacific Limited	–	Hong Kong[12]	Liquidation
Premier Overseas Holdings Limited	–	UK[2]	Liquidation
XEO Exploration Limited (formerly XEO Exploration plc)	–	UK[2]	Liquidation

Note:
1 Held directly by the company. All other companies are held through a subsidiary undertaking.
2 Registered office – 23 Lower Belgrave Street, London, United Kingdom, SW1W ONR.
3 Registered office – Haakon VII's gate 1, 4th Floor, 0161 Oslo, Norway.
4 Registered office – Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.
5 Registered office – 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN.
6 Registered office – 46/50 Kensington Place, 1st Floor, Kensington Chambers, St. Helier, JE4 0ZE, Jersey.
7 Registered office – Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands.
8 Registered office – Commerce House, Wickhams Cay 1, Road Town, Tortola, VG1110.
9 Registered office – Rua Lauro Müller, 116 – Sala 2006, Torre Rio Sul, Shopping, 20º andar, Botafogo, Rio de Janeiro – RJ – CEP: 22.290-906, Brazil.
10 Registered office – Presidente Masaryk 111, Piso 1, Polanco V Seccion, Mexico City, CP 11560, Mexico.
11 Registered office – Level 5, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ.
12 Registered office – 31/F, Tower Two, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong.
13 Registered office – Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111.

Company balance sheet
As at 31 December 2023

	Note	2023 $ million	2022 $ million
Assets			
Non-current assets			
Investments in subsidiaries	3	**2,238**	2,302
Long-term receivables	4	**1,924**	2,209
Total non-current assets		**4,162**	4,511
Current assets			
Trade and other receivables	4	**22**	4
Total current assets		**22**	4
Current liabilities			
Trade and other payables	5	**(54)**	(15)
Net current liabilities		**(32)**	(11)
Non-current liabilities			
Borrowings	6	**(493)**	(491)
Long-term employee benefit plan deficit	7	**(1)**	(1)
Net assets		**3,636**	4,008
Equity and reserves			
Share capital	9	**171**	171
Retained earnings		**3,457**	3,829
Other reserves		**8**	8
Total equity and reserves		**3,636**	4,008

Profit for the year ending 31 December 2023 was $36 million (2022: $2,704 million loss).

The notes on pages 174 to 176 form part of these financial statements.

The financial statements of Harbour Energy plc (registered number SC234781) on pages 172 and 173 were approved by the board of directors and authorised for issue on 6 March 2024 and signed on its behalf by:

Alexander Krane
Chief Financial Officer

Company statement of changes in equity
For the year ended 31 December 2023

	Share capital $ million	Share premium $ million	Merger reserve $ million	Capital redemption reserve $ million	Retained earnings $ million	Total equity $ million
At 1 January 2022	171	1,505	4,806	8	762	7,252
Purchase and cancellation of own shares[1]	–	–	–	–	(361)	(361)
Loss for the financial year	–	–	–	–	(2,704)	(2,704)
Capital restructuring[2]	–	(1,505)	(4,806)	–	6,311	–
Share-based payments	–	–	–	–	34	34
Purchase of ESOP Trust shares	–	–	–	–	(22)	(22)
Dividend paid	–	–	–	–	(191)	(191)
At 31 December 2022	171	–	–	8	3,829	4,008
Purchase and cancellation of own shares[1]	–	–	–	–	(249)	(249)
Profit for the financial year	–	–	–	–	36	36
Share-based payments	–	–	–	–	46	46
Purchase of ESOP Trust shares	–	–	–	–	(15)	(15)
Dividend paid	–	–	–	–	(190)	(190)
At 31 December 2023	**171**	**–**	**–**	**8**	**3,457**	**3,636**

1 Includes $1 million costs in relation to fees and stamp duty (2022: $2 million).
2 Share premium and merger reserve balances recategorised to retained earnings following capital reduction effective 3 August 2022. Of the reserves capitalised $1.65 billion is non-distributable until 31 March 2028.

Notes to the company financial statements

1. Material accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). These financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to accounting standards issued but not yet effective or implemented, share-based payment information, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

The financial statements have been prepared on a going concern basis. Further information relating to the going concern assumption is provided in the Financial review on page 31.

Where required, the equivalent disclosures are given in the consolidated financial statements. Key sources of estimation uncertainty disclosure are provided in the accounting policies and in relevant notes to the consolidated financial statements as applicable. Details of the company's share-based payment schemes are provided in note 25 of the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The material accounting policies adopted are the same as those set out on pages 123 to 137 to the consolidated financial statements except that investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2. Profit/loss for the year

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year. The company reported a profit for the financial year ended 31 December 2023 of $36 million (2022: $2,704 million loss). Other comprehensive expense for the year was $nil (2022: $nil).

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

3. Fixed asset investments

Net book value	2023 $ million	2022 $ million
At 1 January	**2,302**	4,966
Impairment	**(64)**	(2,664)
At 31 December	**2,238**	2,302

The impairment of $64 million reflects the investment in a subsidiary that is planned to enter liquidation during 2024.

Further, an additional impairment review was undertaken with reference to the company's market capitalisation at the year-end date (level 1 under IFRS 13 fair value hierarchy), adjusted to reflect a control premium and cost of disposal in order to determine the recoverable amount of the investments on a fair value less cost to sell basis. This was also tested against internal corporate valuations modelled using asset portfolio and corporate data (level 3 under IFRS 13 fair value hierarchy). This resulted in a surplus of recoverable amount over the cost of investment. Given the impairment recognised in 2022, this surplus was further assessed for reversal, however was not found to be robust when evaluated with reference to reasonable downside sensitivities. As part of this assessment, it was noted that a 10 per cent decrease in the share price would result in a $156 million increase in the impairment provision.

A list of all investments in subsidiaries held at 31 December 2023, including the name and type of business, the country of operation and the country of incorporation or registration, is given in note 31 to the consolidated financial statements.

4. Receivables

	2023 $ million	2022 $ million
Current		
Amounts owed by subsidiary undertakings[1]	–	1
Trade debtors	1	–
Prepayments	21	3
	22	4
Non-current		
Amounts owed by subsidiary undertakings[2]	1,924	2,209

1 Amounts owed by subsidiary undertakings include non-interest bearing loans that are repayable on demand, although the company has confirmed that it has no current intention to call on the loans until at least 12 months from the date of the approval of these financial statements.
2 The above carrying value reflects an impairment provision required under IFRS 9, which was calculated using the Group's 12-month probability of default. The closing balance at year end was $1,924 million, being the carrying value of $1,933 million reduced during the year by a charge of $9 million.

The carrying values of the company's receivables approximate their fair value.

5. Trade and other payables

	2023 $ million	2022 $ million
Amounts owed to subsidiary undertakings	–	2
Amounts owed to subsidiary undertakings in respect of taxation	8	5
Other creditors	–	1
Accruals	46	7
	54	15

The carrying values of the company's payables approximate their fair value.

6. Borrowings

	2023		2022	
	Book value $ million	Fair value $ million	Book value $ million	Fair value $ million
Bond	(493)	(487)	(491)	(446)

In October 2021, the company issued a $500 million bond under Rule 144A which has a tenor of five years to maturity. The coupon was set at 5.50 per cent and interest is payable semi-annually. Further details can be found in note 21 of the Group accounts.

7. Long-term employee benefit plans

Defined benefit schemes

The company operates a final salary defined benefit pension plan in the UK. The Plan is an HMRC registered pension plan and is subject to standard UK pension and tax laws. Details on the benefits provided by the Plan are set out in the Trust Deed and Rules dated 16 October 2008 (as amended).

The Plan's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to beneficiaries. The Trustee of the Plan is required to act in the best interest of the beneficiaries. The appointment of trustee directors is determined by the trust documentation.

The Trustee of the Plan invests assets in line with the Statement of Investment Principles. The Statement of Investment Principles has been established taking into consideration the liabilities of the Plan and the investment risk the Trustee is willing to accept.

Under the Scheme Funding regime introduced by the Pensions Act 2004, the Trustee is required to carry out regular actuarial valuations of the Plan, establish a schedule of contributions and, when there is a shortfall, a recovery plan. Scheme funding valuations are carried out at least every three years. Approximate funding updates are produced annually in years where a full scheme funding valuation is not completed.

The defined benefit pension plan exposes the company to actuarial risk, such as longevity risk, interest rate risk, salary risk, investment market risk and currency risk.

Further details of this Plan have not been provided as the Plan is not material to the financial position or results of the company.

Defined contribution schemes

The company operates a defined contribution retirement benefit scheme. Further details of this scheme are provided in note 26 of the consolidated financial statements.

8. Commitments and guarantees

At the year-end date, the company (together with certain subsidiary undertakings) guaranteed the Group's principal borrowing facilities, which comprise:

- $2.75 billion reserve based lending facility, of which $1.75 billion is available for drawing letters of credit;
- $500 million unsecured bond; and
- $400 million of surety bond capacity for the purposes of posting decommissioning security, which is effective from 1 January 2024.

9. Share capital and share premium

Further details of these items are disclosed in note 24 of the consolidated financial statements.

10. Dividends

Further details of these items are disclosed in note 29 of the consolidated financial statements.

TCFD index

Recommendation	Recommended disclosure	Disclosure level	Reference
1. Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Full	**Strategic report** • ESG review: page 32 **Governance** • Chair's introduction to governance: page 68 • Audit and Risk Committee report: page 76 • HSES Committee report: page 80
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Full	
2. Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Full	**Strategic report** • ESG review: page 32 • Risk management: page 56 • Viability statement: page 59 • Note 2 to the financial statements: page 123
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Full	
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Full	
3. Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Full	**Strategic report** • ESG review: page 32 • Risk management: page 56 • Principal risks: page 60
	b) Describe the organisation's processes for managing climate-related risks	Full	
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Full	
4. Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Full	**Strategic report** • ESG review: page 32
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Full	
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Full	

Independent assurance statement

Scope

We have been engaged by Harbour Energy plc (Harbour) to perform a 'limited assurance engagement', as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on selected data indicated with a '^' (the Subject Matter) within the ESG review section of the Annual Report & Accounts for the year ended 31 December 2023. The selected data is on the following pages:

- Safety metrics: page 35
- GHG and energy metrics: page 47
- Effluent spills and waste metrics: page 47
- Social metrics: page 49

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Harbour Energy plc

In preparing the Subject Matter, Harbour applied The Global Reporting Initiative Standard, GRI 11: Oil and Gas Sector 2021 (including associated GRI Topic Standard Disclosures) (the Criteria).

Harbour's responsibilities

Harbour's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

Our engagement was conducted in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)), and the terms of reference for this engagement as agreed with Harbour Energy plc on 10 November 2023. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance review.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other relevant procedures.

Our procedures included:

1. Conducted interviews with relevant staff in order to understand the data reporting processes, the key sources of information and the boundaries used for reporting. We did this to obtain an understanding of the internal control environment for the data, performance of KPIs in the period and reporting processes both at a group and site level
2. Reviewed a selection of management documentation and reporting tools, including guidance documents, to understand internal controls, reporting processes and policies to further inform our assurance approach and procedures
3. Identified those data points (and associated data processes and systems), that are most material, in order to inform and target our testing procedures
4. Confirmed our understanding of the key risks to data integrity and the controls associated with the collection and collation of the data
5. Reperformed calculations to check the accuracy of the data collation and KPIs reported
6. Tested underlying documentation for a sample, based on professional judgement, of site-level data points to determine the accuracy and completeness of data points within the data sets
7. Challenged the accuracy of data aggregation for reporting purposes – including the use of any specific tools, systems or estimation methods
8. Assessed the Report for the appropriate presentation of the Subject Matter, including the limitations and assumptions

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the year ended 31 December 2023, in order for it to be in accordance with the Criteria.

Use of our assurance statement

We disclaim any assumption of responsibility for any reliance on this assurance report or its conclusions to any other persons, or for any purpose other than that for which it was prepared. Accordingly, we accept no liability whatsoever, whether in contract, tort or otherwise, to any third party for any consequences of the use or misuse of this assurance report or its conclusions.

Ernst & Young LLP
6 March 2024
London

UK Government payment reporting

For the year ended 31 December 2023

Basis of preparation

The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The aim of the regulations is to enhance the transparency of the payments made by companies in the extractive sector to host governments in the form of taxes, bonuses, royalties, fees and support for infrastructure improvements.

This consolidated report provides information in accordance with DTR 4.3A in respect of payments made by the company and its subsidiaries to governments for the year ended 31 December 2023 and in compliance with the Reports on Payments to Governments Regulations 2014 (SI 2014/3209), as amended by the Reports on Payments to Governments (Amendment) Regulations 2015 (SI 2015/1928).

The payments disclosed are based on where the obligation for the payment arose: payments levied at a project level have been disclosed at a project level and payments levied at a corporate level have been disclosed on that basis.

The payments disclosed are for the 12-month period ending 31 December 2023.

Within the UK Regulations, a project is defined as being the operational activities which are governed by a single contract, licence, lease, concession or a similar legal agreement. The company undertakes extractive activities in different types of fiscal petroleum regimes and therefore the types of payments disclosed vary from country to country. For the purposes of our reporting, for the UK, individual licences have been grouped into geographical hubs and are classified as projects; for Norway we have classified each individual licence as a project; whereas for Indonesia, Vietnam and Mexico each PSC arrangement has been classified as a project.

All of the payments disclosed have been made to national governments, either directly or through a Ministry or Department, or to a national oil company, who have a working interest in a particular licence. For projects where we are the operator we have disclosed the full payment made on behalf of the project; where we have a non-operated interest we have not disclosed payments made on our behalf by another party.

In line with the UK Regulations, where a payment or a series of related payments do not exceed $106,976 (£86,000), they have not been disclosed. Where the aggregate payments made in the period for a project or country are less than $106,976 we have not disclosed the payments made for this project or country.

Our total economic value generated and distributed to all stakeholders can be found in the ESG review on page 49.

Reporting currency: Payments disclosed in this report have been disclosed in US dollars, consistent with the rest of the 2023 Annual Report. Where actual payments have been made in a currency other than US dollars, they have been translated using the prevailing exchange rate when the payment was made.

Production entitlements in barrels: Includes non-cash royalties and state non-participating interest paid in barrels of oil or gas out of the Group's working interest share of production in a licence. The figures disclosed are on a cash paid liftings basis.

Income taxes: This represents cash tax calculated on the basis of profits including income or capital gains and taxes on production. Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebate received from the government or revenue authority during the year. Income taxes do not include fines and penalties. In accordance with the UK Regulations, payments made in relation to sales, employee, environmental or withholding taxes have not been disclosed.

Dividends: This includes dividends that are paid in lieu of a production entitlement or royalty. It does not include any dividends paid to a government as an ordinary shareholder.

Royalties: This represents cash royalties paid to governments during the year for the extraction of oil or gas. The terms of the royalties are described within our PSCs and can vary from project to project within one country. Export duties paid in kind have been recognised within the royalties category. The cash payment of royalties occurs in the year in which the tax has arisen.

Bonus payments: This represents any bonus paid to governments during the year, usually as a result of achieving certain milestones, such as a signature, discovery or production bonuses.

Licence fees: This represents licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

Infrastructure improvement payments: This represents payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a PSC or a discretionary payment for building/improving local infrastructure such as roads, bridges and ports.

UK Government payment reporting continued
For the year ended 31 December 2023

Country	Licence and hub/ company level	Production entitlements bbls '000s	Production entitlements $ '000s	Income taxes $ '000s	Royalties: cash only $ '000s	Dividends $ '000s	Bonus payments $ '000s	Licence fees $ '000s	Infrastructure improvement payments $ '000s	Total $ '000s
Indonesia	Natuna Sea Block A	1,163	77,473	25,255	–	–	–	–	–	102,728
	Total Indonesia	1,163	77,473	25,255	–	–	–	–	–	102,728
Mexico	Block 11	–	–	–	–	–	–	–	–	–
	Block 13	–	–	–	–	–	–	–	–	–
	Total Mexico	–	–	–	–	–	–	–	–	–
Norway	Corporate	–	–	(19,293)	–	–	–	–	–	(19,293)
	Total Norway	–	–	(19,293)	–	–	–	–	–	(19,293)
United Kingdom	Central North Sea	–	–	(559)	–	–	–	7,502	–	6,943
	Southern North Sea	–	–	(7,301)	–	–	–	2,886	–	(4,415)
	East Irish Sea	–	–	–	–	–	–	802	–	802
	West of Shetland	–	–	–	–	–	–	334	–	334
	Corporate	–	–	423,387	–	–	–	–	–	423,387
	Total United Kingdom	–	–	415,527	–	–	–	11,524	–	427,051
Vietnam	Chim Sáo	152	11,973	–	–	–	–	–	–	11,973
	Corporate	–	–	22,119	7,453	–	–	–	–	29,572
	Total Vietnam	152	11,973	22,119	7,453	–	–	–	–	41,545
Total Group		**1,315**	**89,446**	**443,608**	**7,453**	**–**	**–**	**11,524**	**–**	**552,031**

Country	Government	Production entitlements bbls '000s	Production entitlements $ '000s	Income taxes $ '000s	Royalties: cash only $ '000s	Dividends $ '000s	Bonus payments $ '000s	Licence fees $ '000s	Infrastructure improvement payments $ '000s	Total $ '000s
Indonesia	SKK Migas	1,163	77,473	–	–	–	–	–	–	77,473
	Directorate General of Taxes	–	–	25,255	–	–	–	–	–	25,255
	Total Indonesia	1,163	77,473	25,255	–	–	–	–	–	102,728
Mexico	Fondo Mexicano del Petróleo para la Estabilización y el Desarrollo (FMP)	–	–	–	–	–	–	–	–	–
	Servicio de Administración Tributaria (SAT)	–	–	–	–	–	–	–	–	–
	Total Mexico	–	–	–	–	–	–	–	–	–
Norway	Tax authorities (Skatteetaten)	–	–	(19,293)	–	–	–	–	–	(19,293)
	Total Norway	–	–	(19,293)	–	–	–	–	–	(19,293)
United Kingdom	HM Revenue & Customs	–	–	415,527	–	–	–	–	–	415,527
	Oil & Gas Authority	–	–	–	–	–	–	10,696	–	10,696
	The Crown Estate	–	–	–	–	–	–	639	–	639
	Crown Estate Scotland	–	–	–	–	–	–	189	–	189
	Total United Kingdom	–	–	415,527	–	–	–	11,524	–	427,051
Vietnam	Petro Vietnam	152	11,973	–	–	–	–	–	–	11,973
	HCM Tax Department	–	–	22,119	3,938	–	–	–	–	26,057
	Vung Tau Customs office	–	–	–	3,515	–	–	–	–	3,515
	Total Vietnam	152	11,973	22,119	7,453	–	–	–	–	41,545
Total Group		**1,315**	**89,446**	**443,608**	**7,453**	**–**	**–**	**11,524**	**–**	**552,031**

Group reserves and resources

For the year ended 31 December 2023

Oil and gas 2P reserves and 2C resources[1]

	UK			International[2]			Total		
	Oil, NGLs mmbbls	Gas bcf	Total mmboe	Oil, NGLs mmbbls	Gas bcf	Total mmboe	Oil, NGLs mmbbls	Gas bcf	Total mmboe
2P reserves (working interest)									
1 January 2023	213	936	390	9	57	19	221	993	410
Revisions and additions[3]	1	87	17	–	11	2	2	98	19
Production	(31)	(173)	(64)	(1)	(14)	(4)	(33)	(186)	(68)
31 December 2023	**183**	**851**	**343**	**7**	**54**	**18**	**190**	**905**	**361**
2P reserves (entitlement)[4]									
31 December 2023	**183**	**851**	**343**	**6**	**43**	**14**	**189**	**893**	**357**
2C resources (working interest)									
1 January 2023	142	361	204	137	657	250	279	1,019	455
Revisions, additions, relinquishments[5]	3	(27)	(2)	25	238	66	28	210	64
31 December 2023	**145**	**334**	**202**	**162**	**895**	**316**	**307**	**1,229**	**519**

1 Volumes reflect internal estimates. ERCE as a competent independent person has audited the Group's 2P net entitlement and working interest reserves as at 31 December 2023 and ERCE considers these to be fair and reasonable as per the SPE Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information. ERCE has also audited c.80 per cent of the Group's 2C contingent resources as at 31 December 2023 and is of the opinion that Harbour's estimates are fair and reasonable. Further, ERCE believes that if its audit had included all of Harbour's 2C resources then it would have been able to express the same opinion. Conversion of gas volumes from bcf to boe is determined using an energy conversion of 5.8 mmbtu per boe. Fuel gas is not included in these estimates.
2 International consists of Indonesia, Vietnam and Mexico.
3 UK 2P reserves additions includes over 20 mmboe of additions across Harbour's UK operated J-Area, AELE and GBA hubs, following the approval of several new wells.
4 Harbour's net entitlement 2P reserves are lower than its working interest 2P reserves for its international assets, reflecting the terms of the Production Sharing Contracts (PSC).
5 Increase in 2C resource largely reflects the addition of the Layaran gas discovery in Indonesia and the Kan oil discovery in Mexico.

The Group provides for amortisation of costs relating to evaluated properties based on direct interests on an entitlement basis, which incorporates the terms of the PSCs in Indonesia and Vietnam. On an entitlement basis, reserves were 357 mmboe as at 31 December 2023.

Because of rounding, some totals may not agree exactly with the sum of their component parts.

CO_2 storage capacity

2C resources (working interest)[1]	UK million tonnes
1 January 2023	300
Additions and disposals[2]	(78)
31 December 2023	**222**

1 Reflects Harbour's internal estimates which have been externally audited by ERCE, a competent independent person. ERCE considers Harbour's internal estimates to be fair and reasonable.
2 Reflects the addition of storage resource associated with Harbour's 30 per cent working interest in the Acorn project offset by the impact of bp joining the Viking project with a 40 per cent interest during 2023. Excludes any potential storage capacity associated with the two Viking licences which were awarded during 2023 and are in the process of being appraised and volumes associated with several further development options available to Acorn.

Worldwide licence interests

As at 31 December 2023

United Kingdom

Operated producing assets

Location	Asset(s)	Operator	Harbour equity	Associated fields	Associated discoveries
Armada Area (AELE)	Armada, Everest and Lomond	Harbour	100.0%	Drake, Fleming, Hawkins, Maria and Seymour	–
Catcher Area	Catcher	Harbour	50.0%	Burgman and Varadero	–
Greater Britannia Area	Britannia	Harbour	58.7%	–	–
	Brodgar	Harbour	93.8%	–	–
	Callanish	Harbour	83.5%	–	–
	Enochdhu	Harbour	50.0%	–	–
J-Area	J-Block	Harbour	67.0%	Jasmine, Joanne, Judy	–
	Talbot	Harbour	67.0%	–	Dunnottar
	Jade	Harbour	67.5%	–	–
West of Shetland	Solan	Harbour	100.0%	–	–
Southern North Sea	Johnston[1]	Harbour	28.8%	–	–
	Tolmount	Harbour	50.0%	Tolmount East	Earn[2]
East Irish Sea[3]	Calder	Harbour	100.0%	–	–

1 Operated on our behalf by Perenco.
2 Operated by Dana Petroleum, to be tied back to Tolmount operated by Harbour.
3 Operated on our behalf by Spirit Energy.

Non-operated producing assets

Location	Asset(s)	Operator	Harbour equity	Associated fields	Associated discoveries
West of Shetland	Clair	bp	7.5%	–	–
	Schiehallion	bp	10.0%	–	–
Central North Sea	Alder	Ithaca	26.3%	–	–
	Buzzard	CNOOC	21.7%	–	–
	Elgin/Franklin	Total	19.3%	–	–
	Erskine	Ithaca	32.0%	–	–
	Glenelg	Total	33.3%	–	–
	Leverett	NEO Energy	44.0%	–	–
	Nelson	Shell	1.7%	–	–
Northern North Sea	Beryl	Apache	39.4%	–	–
	Buckland	Apache	37.5%	–	–
	Callater	Apache	45.0%	–	–
	Ness/Nevis Central	Apache	39.4%	–	–
	Nevis South	Apache	42.8%	–	–
	Nevis West	Apache	49.1%	–	–
	Skene	Apache	34.0%	–	–
	Storr	Apache	39.5%	–	–
Southern North Sea	Galleon	Shell	8.4%	–	–
	Ravenspurn North	Perenco	28.8%	–	–

Note:
These lists are not exhaustive. Harbour also holds a number of operated and non-operated interests in fields on the UK continental shelf that have ceased production and are in or are entering decommissioning, as well as operated and non-operated exploration and pre-development interests.

Infrastructure

Asset	Operator	Harbour equity
Beryl Pipeline	Ancala Midstream	39.4%
Brent Pipeline System	TAQA	1.6%
Central Area Transmission System (CATS) pipeline	Kellas Midstream	0.7%
Esmond Transportation System (ETS) pipeline	Kellas Midstream	10.0%
Glen Lyon FPSO	bp	8.2%
Graben Area Export Line (GAEL) Northern Spurline	INEOS	4.0%
Graben Area Export Line (GAEL) Southern Spurline	INEOS	13.2%
Northern Leg Gas Pipeline	EnQuest	1.3%
Rivers Terminal	Harbour Energy[1]	100.0%
Scottish Area Gas Evacuation (SAGE) pipeline	Ancala Midstream	19.7%
SEAL Interconnector Link (SILK) pipeline	TotalEnergies	20.98%
Shearwater and Elgin Area Line (SEAL) pipeline	TotalEnergies	19.3%
Sullom Voe Terminal (SVT)	EnQuest	0.99%
West of Shetland Pipeline System (WoSPS)	bp	2.7%

1 Operated on our behalf by Spirit Energy.

Worldwide licence interests continued
As at 31 December 2023

Norway

Location	Asset(s)	Operator	Harbour equity	Associated fields	Associated discoveries
PL 956	Block 25/8	Vår Energi	15.0%	–	–
PL 1032	Blocks 2/7 and 2/10	Aker BP	40.0%	–	–
PL 1058	Blocks 6307/1 and 6407/10	Equinor	40.0%	–	–
PL1 066 & PL 1066B	Blocks 6507/3 and 6507/3m	Aker BP	50.0%	–	–
PL 1087	Blocks 2/2 and 2/5	Harbour	50.0%	–	–
PL 1089	Blocks 1/5 and 1/6	Aker BP	50.0%	–	–
PL 1092	Blocks 15/6 and 9	Aker BP	50.0%	–	–
PL 1093	Blocks 16/4, 5, 6, 8 and 9	Harbour	50.0%	–	–
PL 1113	Blocks 6407/8, 9 and 11	Neptune	40.0%	–	–
PL 1114	Blocks 640/7/7. 8, 10 and 11	Harbour	40.0%	–	–
PL 1138	Blocks 15/9, 16/4, 16/7	Harbour	40.0%	–	–
PL 1155 & PL 1155B	Blocks 6407/10, 6407/10b and 6407/11	Equinor	20.0%	–	–
PL 1162	Block 6407/2	Aker BP	30.0%	–	–
PL 1164	Block 6507/11	Aker BP	30.0%	–	–
PL 1190	Blocks 6507/10 and 6507/11	Harbour	50.0%	–	–

Other worldwide licences

Licence	Asset(s)	Operator	Harbour equity	Associated fields	Associated discoveries
Indonesia					
South Andaman	South Andaman	Mubadala Petroleum	20.0%	–	Lavaran
Andaman I	Andaman I	Mubadala Petroleum	20.0%	–	–
Andaman II	Andaman II	Harbour	40.0%	–	Timpan
Natuna Sea	Block A	Harbour	28.7%	Anoa, Gajah Baru, Naga, Pelikan, Bison, Iguana and Gajah Puteri	–
Tuna Block	Tuna Block	Harbour	50.0%	–	Kuda Laut and Singa Laut
Mexico					
Mexico Block 7	7	Talos	25.0%	–	Zama[1]
Mexico Block 11	11	Harbour	100.0%	–	–
Mexico Block 13	13	Harbour	100.0%	–	–
Mexico Block 30	30	WDEA	30.0%	–	Kan
Vietnam					
Block 12W	12W	Harbour	53.1%	Chim Sáo, Chim Sáo North and Dua	–

1 Harbour has a 12.4 per cent non-operated interest in the Zama unit.

Note:
These lists are not exhaustive. Harbour also holds a number of non-operated interests in fields in Mauritania that are currently being decommissioned.

Glossary

2C	Best estimate of contingent resources
2P	Proven and probable reserves
ABP	Associated British Ports
ADR	American depositary receipt
AFE	Authorisation for expenditure
AGM	Annual General Meeting
APS	Announced Pledges Scenario
bbl	Barrel
bcf	Billion cubic feet
BMS	Business management system
boe	Barrel(s) of oil equivalent
CCGT	Combined cycle gas turbine
CCS	Carbon capture and storage
CGUs	Cash-generating units
Chrysaor	Chrysaor Holdings Limited and subsidiaries
CMAPP	Corporate major accident prevention policy
CO_2e	Carbon dioxide equivalent
COP	Cessation of production
CRR	Corporate reporting review
CRROs	Climate-related risks and opportunities
CSA	Conditional share awards
DD&A	Depreciation, depletion and amortisation
DE&I	Diversity, equity and inclusion
DRIP	Dividend reinvestment plan
DTA	Deferred tax asset
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration
ECL	Expected credit losses
E&E	Exploration and evaluation
EFF	Exploration financing facility
EIR	Effective interest rate
EMS	Enterprise management system
EPL	Energy Profits Levy
EPS	Earnings per share
ERAPs	Emissions reduction action plans
ESG	Environmental, social and governance
ESOP	Employee stock ownership plan
EVP	Executive Vice President
EY	Ernst & Young LLP
FCA	Financial Conduct Authority
FEED	Front-end engineering and design
FPSO	Floating production, storage and offtake vessel
FRC	Financial Reporting Council
FVLCD	Fair value less cost of disposal
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
FY	Full year
GHG	Greenhouse gas emissions
GJ	Gigajoule
GRI	Global reporting initiative
HiPo	High potential incident (Any incident or near miss that could, in other circumstances, have realistically resulted in one or more fatalities)
HiPoR	High potential incident rate (The frequency of HiPos per million worked hours)
HMRC	HM Revenue & Customs
HSES	Health, safety, environment and security
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IEA	International Energy Agency
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IOGP	International Association of Oil and Gas Producers
IPIECA	International Petroleum Industry Environmental Conservation Association
ISAs (UK)	International Standards on Auditing (UK)
ISDA	International Swaps and Derivatives Association
JV	Joint venture
kboepd	Thousand barrels of oil equivalent per day
$kgCO_2e$	Kilograms of carbon dioxide equivalent
km	Kilometre
KPI	Key performance indicator
kt	Thousand tonnes
LIBOR	London Inter-Bank Offered Rate
LNG	Liquefied natural gas

LTIP	Long Term Incentive Plan
LWDC	Lost work day cases
M&A	Mergers and acquisitions
MAH	Major accident hazards
mmboe	Million barrels of oil equivalent
mscf	Thousand standard cubic feet
mt	Million tonnes
MTC	Medical treatment cases
mtpa	Million tonnes per annum
MW	Megawatt
NBP	National Balancing Point (UK natural gas prices)
NGL	Natural gas liquids
NGO	Non-government organisation
NOK	Norwegian krone
NSTA	North Sea Transition Authority
NTS	National Transmission System
NZE	Net zero emissions
OCM	Operating Committee Meetings
OECD	Organisation for Economic Co-operation and Development
OEUK	Offshore Energies UK
OPEC	The Organisation of the Petroleum Exporting Countries
PP&E	Property, plant and equipment
Premier	Premier Oil plc and subsidiaries
PSA	Performance share awards
PSC	Production sharing contract
PSE	Process safety events
RBL	Reserve based lending
RWDC	Restricted work day cases
SAYE	Save As You Earn
Scope 1	Direct emissions from owned or operated sources
Scope 2	Indirect emissions from the generation of purchased energy
Scope 3	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions
SIP	Share Incentive Plan
SOFR	Secured Overnight Financing Rate
SPE	Society of Petroleum Engineers
SSP	Shared Socioeconomic Pathways
Tcf	Trillion cubic feet
TCFD	Task Force on Climate-related Financial Disclosures
Therm	A unit for quantity of heat that equals 100,000 British thermal units. One therm is equal to approximately 100 cubic feet of natural gas
TRIR	Total Recordable Injury Rate (The number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked)
TSR	Total shareholder return
USD	US dollar
VP	Vice President
WACC	Weighted average cost of capital

Non-IFRS measures

Harbour uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles (GAAP). These non-IFRS measures, which are presented within the Financial review, are defined below:

- **Capital investment:** Depicts how much the Group has spent on purchasing fixed assets in order to further its business goals and objectives. It is a useful indicator of the Group's organic expenditure on oil and gas assets, and exploration and appraisal assets, incurred during a period.
- **DD&A per barrel:** Depreciation and amortisation of oil and gas properties for the period divided by working interest production. This is a useful indicator of ongoing rates of depreciation and amortisation of the Group's producing assets.
- **EBITDAX:** Earnings before tax, interest, depreciation and amortisation, impairments, remeasurements, onerous contracts and exploration expenditure. This is a useful indicator of underlying business performance.
- **Free cash flow:** Operating cash flow less cash flow from investing activities less interest and lease payments.
- **Leverage ratio:** Net debt divided by the last 12 months EBITDAX.
- **Liquidity:** The sum of cash and cash equivalents on the balance sheet and the undrawn amounts available to the Group on our principal facilities. This is a key measure of the Group's financial flexibility and ability to fund day-to-day operations.
- **Net debt:** Total reserve based lending facility and bond (net of the carrying value of unamortised fees) less cash and cash equivalents recognised on the consolidated balance sheet. This is an indicator of the Group's indebtedness and contribution to capital structure.
- **Operating cost per barrel:** Direct operating costs (excluding over/underlift) for the period, including tariff expense, insurance costs and mark to market movements on emissions hedges, less tariff income, divided by working interest production. This is a useful indicator of ongoing operating costs from the Group's producing assets.
- **Shareholder returns paid:** Dividends plus share buybacks completed in the period are included in this metric which shows the overall value returned to stakeholders in the period.
- **Total capital expenditure:** Capital investment 'additions' per notes 11 and 12 plus decommissioning expenditure 'amounts used' per note 20.

Shareholder information

Registrar

All enquiries concerning your shareholding should be directed to Equiniti:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
United Kingdom

Website: shareview.co.uk

Share portal

As a shareholder you have direct access to an online share portal operated by Equiniti at shareview.co.uk. You can access the share portal with your Shareholder Reference Number (SRN) which can be found on your share certificate. The portal provides a range of services, free of charge, to help you to administer your shareholding quickly and efficiently by allowing you to:

- change your address details;
- choose to receive electronic shareholder communications;
- set up or amend a dividend mandate so dividends can be paid directly to your bank account; and
- buy and sell Harbour Energy plc shares using the dealing service operated by Equiniti.

E-communications

Shareholders have the option to receive communications including annual reports and notices of meetings electronically. This is a faster, more environmentally friendly and, for Harbour Energy plc, a more cost-effective way for shareholders to receive annual reports and other statutory communications as soon as they are available. To register for this service, please visit the share portal: shareview.co.uk. You will need your 11 digit Shareholder Reference Number which can be found on documents that you have been sent by Equiniti. Once registered, Harbour Energy plc will communicate with you via email rather than post.

Dividends

Details of dividend payments made are included within the shareholder information section of the investors area of the company website: harbourenergy.com.

The company operates a Dividend Reinvestment Plan (DRIP) which enables shareholders to buy the company's shares on the London stock market with their cash dividend. Further information about the DRIP is available from Equiniti.

Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice, including offers to buy Harbour Energy plc shares at inflated prices, or offers of free reports about Harbour. More information can be found at fca.org.uk/consumers/scams and in the shareholder information section of the investors area of the company website: harbourenergy.com.

American Depositary Receipt programme

Harbour Energy plc has a sponsored Level 1 American Depositary Receipt (ADR) programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one ordinary share of the company. The ADRs trade on the US over-the-counter market under the symbol HBRIY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders.

Registered Depositary Receipt holders can trade, access account balances and transaction history, find answers to frequently asked questions and download commonly needed forms online at adrbnymellon.com. To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the United States, please call 001-201-680-6825.

You may also send an email inquiry to shrrelations@cpushareownerservices.com or visit the website: computershare-na.com/bnym_adr.

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