Annual Report 2021

Unlocking insights from Geo-data, for a safe and liveable world

FUGRO

Through integrated acquisition and analysis of Geo-data and related advice, we unlock insights to help our clients design, build and operate their assets in a safe, sustainable and efficient manner.

Population growth and urbanisation combined with the need for decarbonisation are driving increased spending on renewable energy, electricity networks and infrastructure in general. In addition, even with a successful transition to green energy, climate change is expected to lead to sea level rise and extreme weather, necessitating attention for coastal zone management and flood protection.

As a result, our purpose to create a safe and liveable world is becoming ever more relevant: Geo-data is essential for the safe and sustainable development and operation of our client's assets. With our leading market positions, global footprint, versatile asset base, specialist workforce, innovative digital solutions and resilient operating model, we are well positioned to benefit from these opportunities, and thus further diversify across multiple markets.

Site investigation services for offshore wind developments

Creating Digital Twins' of clients' assets

Solutions for flood protection

You can find relevant examples of Fugro's solutions in the areas of energy transition, climate change adaptation and sustainable infrastructure throughout this report.

Contents

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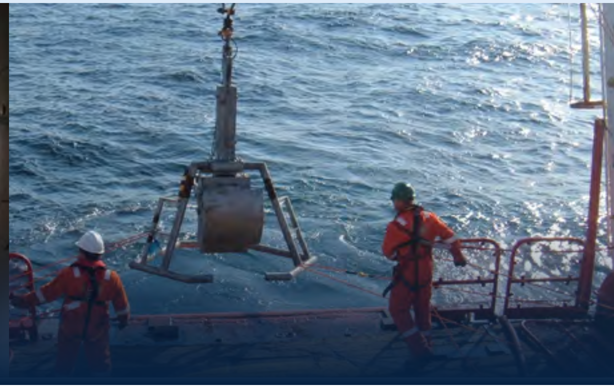
The ESEF single reporting package is available on https://www.fugro.com/investors/results-and-publications/annual-reports



At a glance

Fugro is the world's leading Geo-data specialist

Through integrated acquisition, analysis and advice, we unlock insights from Geo-data to help our clients design, build and operate their assets in a safe, sustainable and efficient manner

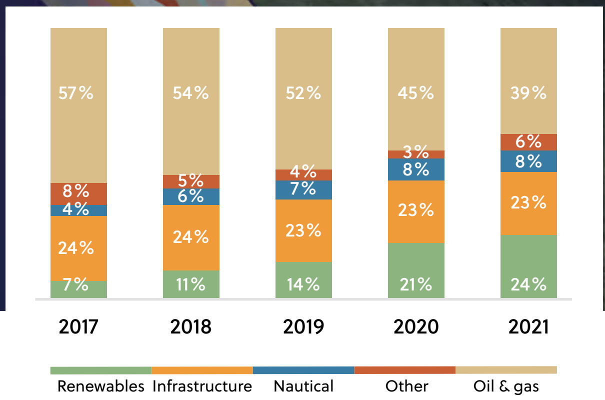
We deliver solutions in support of the energy transition, climate change adaptation and sustainable infrastructure developments

>350
Research and development engineers

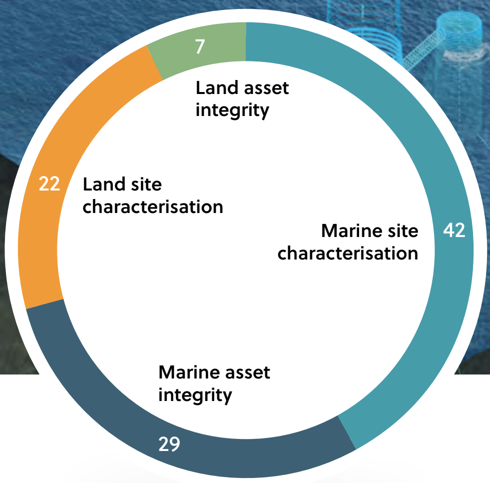
59
countries

9000
employees worldwide

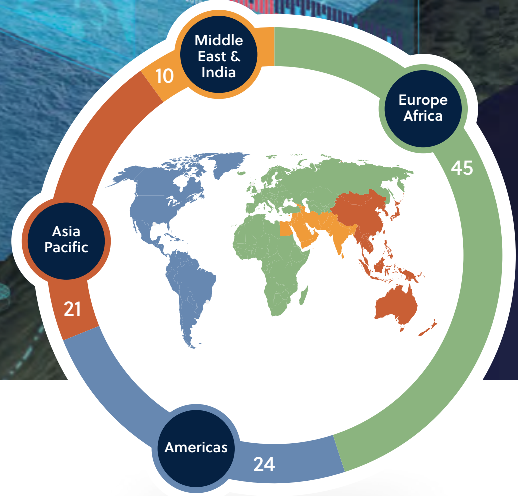
59
years exploring the Earth



2021 Revenue by market segment



Revenue by business line (in %)



Revenue by region (in %)

Performance highlights

Deliver innovative, digital & sustainable solutions

Renewables, infrastructure and water as % of revenue

61%

2020: 55%

Net promotor score

55

2020: NA

Minimise environmental footprint

vessels (tonnes per operational day)

14.9

2020: 15.8

CDP rating

B-

2020: C

Maintain the highest health & safety standards

Lost time injury frequency (per million hours)

0.70

2020: 0.67

Create a diverse and inclusive organisation

Women in senior management

20%

2020: 20%

Ensure healthy financial performance

EBIT margin

4.3%

2020: 3.5%

Free cash flow after lease payments as **% of revenue**

0.9%

2020: 4.2%

Return on capital employed

8.8%

2020: 4.2%

Results from continuing operations. Refer to glossary for definitions of financial terms and to reconciliation of non-IFRS performance measures in the additional information section.

CEO Message

In a rapidly changing world with an increasing need for insightful Geo-data, our services are more relevant than ever. We support the energy transition with our market leading, innovative services for the development of offshore wind resources. Our flexibility to shift assets to strategic growth markets, digital solutions and strong reputation also enable us to contribute to climate change adaptation and sustainable infrastructure developments. With our increasingly balanced market exposure and resilient operating model, we are well positioned to deliver on our Path to Profitable Growth strategy.

In 2021, the Covid-19 pandemic has proven to be more persistent than anticipated by all. Our business continued to be impacted, in particular through operational complexities of cross border projects. Since the outbreak in 2020, Fugro's project teams have been pro-active, flexible and resourceful in meeting the quickly changing and locally varying circumstances, focusing on business continuity while maintaining health and safety as a key priority. All in all, we delivered a clear improvement in our results: the EBIT margin increased to 4.3%, and we generated a free cash flow of EUR 39.5 million and a positive net result. The resilient performance was a combination of strict cost management, operational delivery, and early signs of improved pricing, particularly driven by a tightening supply market and new digital Geo-data solutions.

GEO-DATA MORE RELEVANT THAN EVER

The pandemic has accelerated the attention for other disruptive global challenges, most notably climate change. Huge investments are needed to rewire and replace the Earth's energy systems. Population growth and urbanisation combined with the need for decarbonisation are driving increased spending on renewable energy, electricity networks and infrastructure in general. In addition, even with a successful transition to green energy, climate change is expected to lead to sea level rise, changing weather patterns and extreme weather conditions. This results in an increasing need for coastal zone management and flood protection measures.

As a result, our purpose to create a safe and liveable world is becoming ever more relevant: Geo-data is essential for the safe and sustainable development and operation of our client's assets. We are uniquely positioned to assist our clients with solutions in support of the energy transition, sustainable infrastructure and climate change adaptation. With our leading market positions, global footprint, versatile asset base, specialist workforce and innovative digital solutions we are further diversifying towards structural growth areas. In 2021, we already generated 61% of our revenue in wind, infra and water, and we target a further growth to at least 65%.

COMPLEX ENERGY TRANSITION

A transition towards low carbon energy generation is vital for the future of our planet. This year, our renewables revenue grew by 21% to 24% of group total. Initially a mostly European market, offshore wind parks are now being developed all over the world. In 2021, this was demonstrated by numerous projects, such as multiple site characterisations in the US, Vietnam, South Korea and Japan. We are also involved in the world's first artificial energy island, for Energinet in the North Sea, which will act as a hub connecting hundreds of surrounding wind turbines. We expect the strong growth in this market to continue. At the same time, transmission and distribution networks are increasingly overburdened due to ongoing electrification. Fugro's Roames digital asset management solutions drive future proof grids by supporting modernisation and resilience. In 2021, we successfully completed projects for power utilities in the US, UK, Europe, New Zealand and Australia.

Collection and interpretation of Geo-data is fundamental to designing, building and operating any structure on this planet

In the lead-up to COP26 in Glasgow in November 2021, many studies were published showing that world is not yet on track to meet the ambitions of the 2015 Paris agreement. Although new commitments were made and the transition is gathering pace, it is important to acknowledge that this is a very complex process that will take time. At this moment, only around 15% of the worldwide primary energy use is generated from renewable sources. There is a large discrepancy between governments' carbon reduction ambitions and current reality: fossil fuels, in particular natural gas, will remain an important part of the energy mix for years to come. The world's energy system is complex and requires long term planning and huge investments for example in hydrogen technologies. An uncoordinated transition will cause imbalance in availability and accessibility of energy. In 2021, the world was already confronted with unprecedented gas prices, due to strong demand coupled with delivery issues and very low investment levels, and an increasing usage of coal.

Therefore, while our Geo-data plays a key role in this transition, we also contribute to responsible operations in the traditional energy markets. The existing maritime infrastructure is ageing and needs to be well maintained to ensure that no harm is caused to the environment. It is the world's obligation to assure that our oceans are kept clean and coastlines free from exposure to pollution from any man-made structure or system. Regular and continuous inspection of infrastructure at sea is therefore essential. A large part of Fugro's revenue in the traditional energy markets is related to keeping these assets safe and sound, and we are radically changing the way inspections at sea are done. New Geo-data acquisition platforms, remotely operated and complemented by underwater robots that require significantly less supervision and maintenance, allow us to drive CO_2 emissions of inspections down by over 90%.

CLIMATE CHANGE ADAPTATION AND SUSTAINABLE INFRASTRUCTURE

There also is a growing need to future proof existing infrastructure on land and in nearshore environments. Governments' programmes support a positive market outlook, with growing repair and maintenance and refurbishment budgets, because a significant part of existing infrastructure is ageing. In addition to massive investments in electricity networks in light of the energy transition, there is an increasing need for more sophisticated cabled network infrastructure to support connectivity. During this year, we completed for example route surveys for Alcatel's new fibre-optic cable system connecting North America to Asia, and site investigations for the installation of undersea power cables between the Italian peninsula and Sicily and Sardinia.

Governments around the world are investing in coastal zone management and flood protection. Fugro provides coastline mapping and related data-interpretation and advice. In 2021, we provided nautical and coastline mapping solutions for the Cayman Islands, Alaska and Ireland's southern and western coastline. In addition, we were involved in dike reinforcement projects in the Netherlands and we completed an earthquake hazard and vulnerability assessment for the Port of San Francisco waterfront resilience programme.

The world's oceans cover 70% of the Earth's surface and support nearly every aspect of our lives. Fugro is leading the industry in support of several initiatives that aim to fill the sizeable data gaps that currently exist in our ocean knowledge. Fugro is committed to help build a digital ecosystem, encompassing all sources and types of ocean science data. In 2021, we signed a strategic partnership with the Intergovernmental Oceanographic Commission of the UNESCO. Having been involved in UN's Ocean Decade planning since 2019, we were invited to join the Ocean Decade Alliance. These initiatives, focused on reversing the cycle of decline in ocean health, fit perfectly with our purpose.

DIGITALISATION AND TRANSFORMATION

We are committed to remain the most innovative Geo-data company across our markets. Our digitalisation and innovation agenda is aimed at integrated Geo-data solutions to increase project efficiency and reduced CO_2 footprints. It revolves around four themes: robotics, remote, analytics and insights.

Through our remote operations centres and deployment of lightly crewed or uncrewed vessels, we are improving the safety and efficiency of our operations and significantly reducing our CO_2 footprint. In 2021, we executed projects in Europe and Asia Pacific with our next generation uncrewed surface vessels, from which we can deploy remotely operated vehicles for asset inspections. We operate a global network of remote operations centres. By now, we have recorded over 350,000 remote project hours, putting us clearly ahead of competition. The pandemic has only heightened the relevance of these solutions.

In our land business, clients are exposed to increasing volumes of data on which they base complex decisions. Fugro is providing clients with 'digital twins' of their assets: a digital, four-dimensional model combining all Geo-data acquired throughout the lifetime of the asset, artificial intelligence-driven analytics and related decision making. Fugro is connecting the commonly used surface based digital twins to sub-surface Geo-data models, resulting in unique insights in long-term planning and asset maintenance, with the ultimate goal of reducing overall costs of development and long-term operation of their assets.

ENGAGED EMPLOYEES

Ultimately it is not our technology or equipment that determines our long-term success, it is our people. Sixty years of valuable experience and expertise comes together in Fugro's workforce and forms the collective know-how of the company. Fugro people are passionate and feel strongly connected to our purpose of creating a safe and liveable world, together. Fugro is a company with a strong identity and culture. We live by our company values: we build trust, we do what is right, we are determined to deliver and we prepare for tomorrow.

Fugro aspires to be an inclusive company where people can be their best self, are allowed to speak-up, have impact and develop themselves professionally and personally. People from over 100 nationalities work together seamlessly, creating a truly international working environment. We foster such a strongly diverse working environment with a particular strong focus on increasing gender diversity throughout the whole organisation. Like for most companies, the pandemic has led to higher attrition. It is however great to see that we continue to attract talented people who want to contribute to our transformation agenda.

> We deliver solutions in support of the energy transition, climate change adaptation and sustainable infrastructure

We recently launched our new '3S Together' safety programme, focused on underpinning our safety culture. The challenging environment of some of our operations puts health and safety at the heart of everything we do, and continues to be a key area of attention. In the year under review, three colleagues sadly lost their lives during two separate extreme weather incidents, while supporting client operations on third party vessels. One incident occurred in April in the USA Gulf of Mexico and the second in May offshore West-India. Our thoughts and support continue to be with family, friends and colleagues that have been affected by these tragic events.

OUTLOOK AND MANAGEMENT PRIORITIES

Even though there clearly still is a gap between current performance and these mid-term targets, I am confident that we are on track to reach our mid-term targets of an EBIT margin of 8-12% and free cash flow of 4-7% of revenue by 2023-2024. This is underpinned by the following drivers: volume growth, in particular in renewables, infrastructure and water; value-based pricing; disciplined cost management; operational excellence and digital transformation to increase efficiency.

On the trajectory towards our mid-term targets, our 2022 management agenda is focused on the following topics: further implementation of our digital transformation, innovation and sustainability agenda, excellence in commercial and operational delivery and another step-change in safety and employee engagement. To reach our net zero carbon emission target by 2035, we have a roadmap in place, centred around decarbonisation of vessels and other equipment through uncrewed, modular and remote solutions, electrification and use of emission free fuels, and the procurement of green energy.

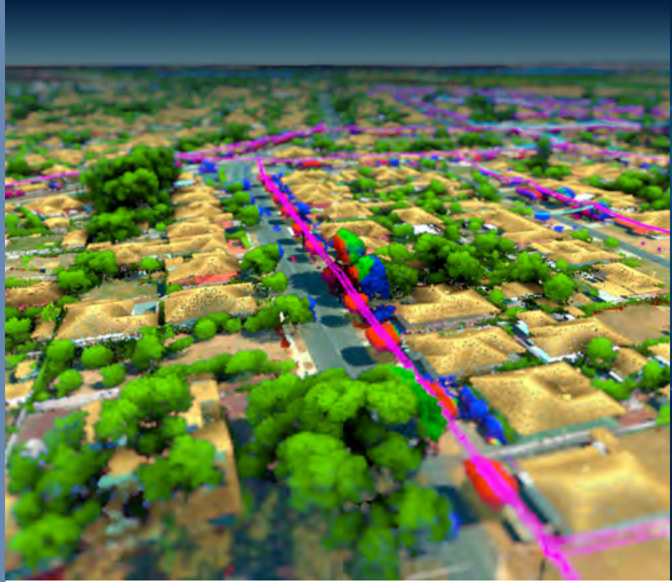
Clearly 2021 has been another challenging year in which we have asked the utmost from everyone in Fugro. Considering the impact of the pandemic throughout the year, I am particularly thankful for the unwavering commitment and flexibility of Fugro's employees to delivering high quality services to our clients. I want to thank all my colleagues for a job well done.

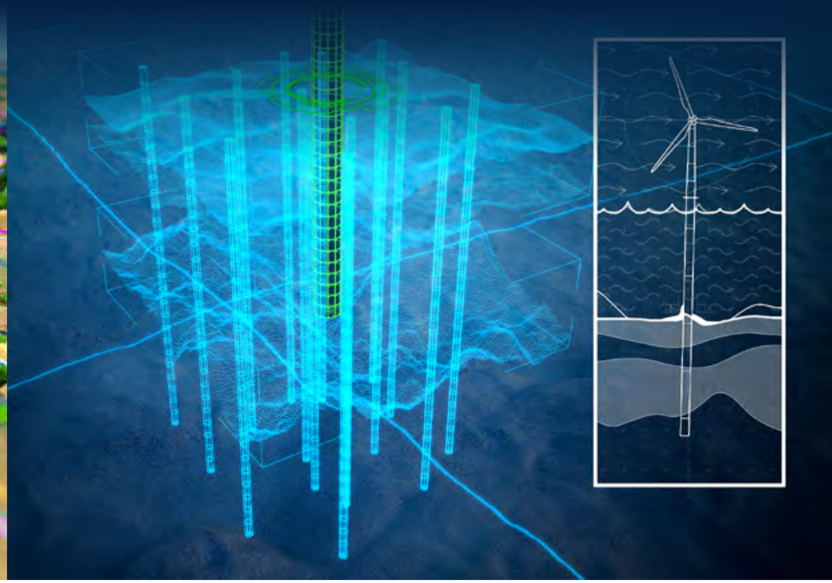
Mark Heine
Chief Executive Officer

Profile

Fugro is the world's leading Geo-data specialist. We unlock insights from Geo-data. Through integrated data acquisition, analysis and advice, Fugro supports clients in mitigating risks during design, construction and operation of their assets, both on land and at sea.

We contribute to a safe and liveable world by delivering solutions in support of the energy transition, sustainable infrastructure and climate change adaptation.





Unlocking insights from Geo-data: the key to designing, building and operating any structure

Our planet is a complex and dynamic system which is continuously moving and evolving. Understanding this complexity is essential for designing, building and maintaining assets in a responsible manner. It requires a comprehensive understanding of Geo-data: information related to the Earth's surface, subsurface and the built environment. Civil engineers recognise that much of the risk associated with major infrastructure projects actually lies below ground. Therefore, accurate collection and interpretation of Geo-data is fundamental to designing, building and operating any structure on this planet.

Fugro is the world's leading Geo-data specialist. Fugro, an abbreviation of the Dutch words for *foundation* and *ground mechanics*, was founded in 1962. Over the past sixty years, we have developed a deep understanding of Geo-data. With our 'triple A' approach, we add value throughout the complete asset life cycle by reducing uncertainty and client exposure to subsurface risk. We provide site characterisation solutions to facilitate the safe, sustainable and cost-effective design and construction of buildings, industrial facilities and infrastructure. In addition, to optimise reliability, utilisation and longevity, we provide asset integrity solutions during the construction and operational phases of the asset life cycle.

Employing approximately 9000 talented people in 59 countries, Fugro works both on land and in marine environments. With our team of dedicated experts, specialised assets and cutting-edge digital technologies, we offer our services to a broad spectrum of clients, predominantly in energy, infrastructure and water markets. In 2021, 61% of our revenue was generated in wind, infra and water.

OUR PURPOSE

The world is changing faster than ever before. Over the coming decades, population growth and urbanisation will lead to an increasing demand for energy, water, food, minerals, metals, buildings, industrial facilities and infrastructure. In particular, the potentially devastating impacts of climate change, such as rising sea-level, severe weather conditions and drought, have become increasingly pressing topics, underlining the necessity of a transition towards low carbon energy generation.

The energy mix, infrastructure and built environments have to evolve if tomorrow's problems are to be tackled successfully. As Fugro, we have an important role to play by supporting clients to realise and operate their construction projects and infrastructure in a safe, sustainable and efficient manner. We sometimes play a small role in a client's project, but it is always essential in making our planet a better place.

Our purpose is to create a safe and liveable world together. It is our ambition to support our clients to achieve net zero carbon emissions, enable the development of sustainable infrastructure and strengthen climate resilience. This ambition is demonstrated by for example our site characterisation work for wind parks at sea, installation of permanent monitoring systems on vital infrastructure such as bridges and rail tracks, and our coastline mapping for flood defense programmes. For our own operations, we target carbon neutrality by 2035, amongst others by investing in decarbonisation of our vessels and equipment.

Together we create **a safe** and **liveable** world

Our values guide us in fulfilling our purpose. Whilst each value has a distinct role to play, they are linked and equally important. Together we own our values, their sum is our collective strength as a company.

We are determined to deliver

We work together to understand what's needed and deliver results. We have high expectations and set goals which enable us to reliably meet those high expectations. We're proud of our track record and use communication and teamwork to consistently deliver the quality that defines our reputation. We're united in our global drive to succeed, we take ownership and, above all, we celebrate achievements when the job is done.

We prepare for tomorrow

Our changing world is an opportunity for a better world. We're doing our best work today while investing in tomorrow through our passion for learning and constant curiosity. With our eyes on the future, we welcome change as a catalyst for innovation and for finding new and more sustainable solutions and ways of working. More than ever, on our shared planet, preparing for tomorrow means taking the lead, improving every day, anticipating changes and proactively evolving now.

We do what's right

Doing what's right isn't always easy, but it's the Fugro way. We create a safe and respectful environment where everyone feels able to speak up, be heard and make Fugro a safe place to work. We respect and value differences and listen to alternative viewpoints, and we encourage a cross section of perspectives by taking active measures to realise a diverse, equal and inclusive workforce. Essential for growth and development, doing what's right allows everyone the integrity and authenticity to be their best self and to go home safely at the end of every working day.

We build trust

Trust begins with open communication: we are trusted because we do what we say. We deliver on our promises and build relationships through honesty, transparency and respect. Trust is key to our success and gives us the confidence to work together to solve challenges with integrity and ingenuity. We follow up our words with actions that demonstrate our dependability and reliability; in this way, we can count on our colleagues and are trusted partners to whom clients keep coming back to achieve our mutual goal of a safe and liveable world.

We are determined to deliver

We prepare for tomorrow

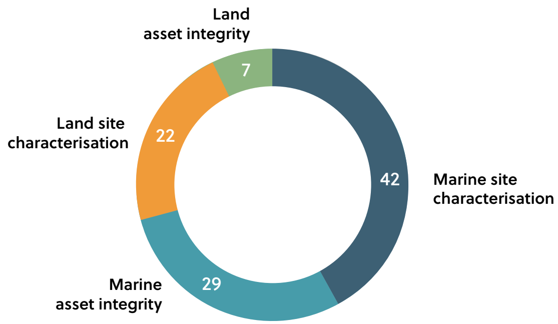
We do what's right

We build trust

BUSINESS LINES

Fugro is unique in its capabilities to provide clients with both site characterisation and asset integrity solutions in marine and land environments. Even though the land and marine environments are very different with regards to projects and clients, we fundamentally offer the same services, using the same expertise, technology, laboratory facilities and support organisation.

Revenue 2021 by business line (in %)



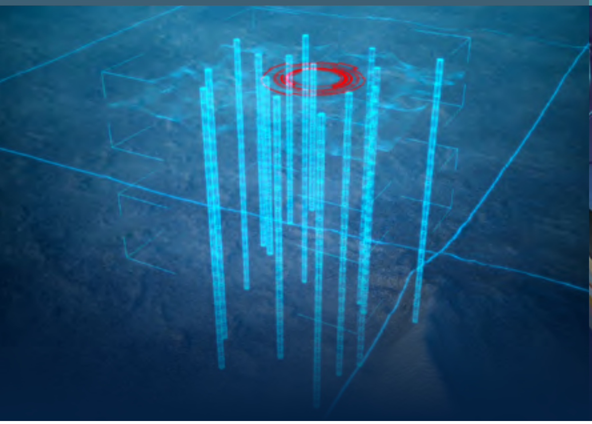
Site characterisation

We carry out technical studies, surveys and investigations to establish the characteristics of sites and routes to be developed. With geophysical surveys we map the Earth's surface and subsurface, and through geotechnical investigations we determine the composition, characteristics and properties of the soil. Using our expertise, technology, equipment and world-class laboratory facilities, we transform the acquired data into valuable information and related advice on the best way (eg, location, foundation advice) to use a site for safe, sustainable and efficient design and construction of the asset. This enables the client to make informed decisions, reducing construction costs and installation and operational risks on technically demanding projects.

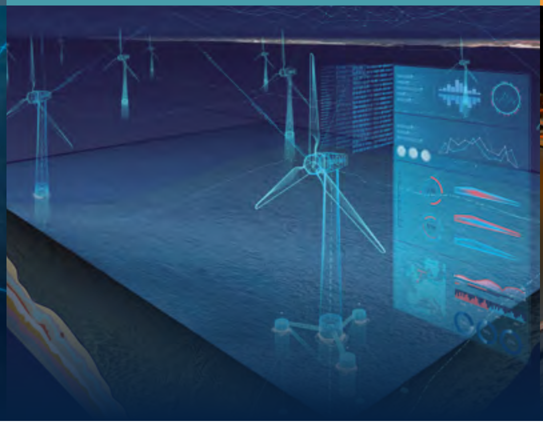
Asset integrity

As assets are being built, we support construction projects with precise positioning, monitoring and visualisation services. Once the asset becomes operational, we support our clients' asset management programmes in order to optimise reliability, utilisation and longevity. We use innovative and increasingly remote and (near) real-time scanning, monitoring, analytics and data management techniques to assess and report on structural behaviour and integrity and regulatory compliance, and to identify vulnerabilities before they pose a risk.

MARINE SITE CHARACTERISATION



MARINE ASSET INTEGRITY



LAND SITE CHARACTERISATION

LAND ASSET INTEGRITY

We provide client solutions throughout the full lifecycle of offshore wind farms, platforms, high-rise buildings, industrial facilities, airports, roads, bridges, tunnels, power line grids, railways tracks or pipelines.
We add value by reducing uncertainty and client exposure to subsurface risk.

Fugro's four business lines address the full life cycle of clients' assets

"How do the ground conditions vary and what are the key risks?"

"How will the ground and the asset respond to loads?"

"How well is the asset being built?"

"How well is the asset performing?"

Site appraisal | Design & contracting | Construction | Operation & maintenance | Decommissioning

FUGRO'S MARINE SITE CHARACTERISATION SERVICES

Geophysical survey mapping of seabed's (sub)surface

Geotechnical investigation determining soil composition via extraction of samples and laboratory/in-situ testing

Hydrography sea-bottom mapping/charting

Geoconsulting including ground modelling and geohazard risk assessment

FUGRO'S MARINE ASSET INTEGRITY SERVICES

Real-time **monitoring & forecasting** of weather, currents and environmental conditions impacting the structural health of assets

Positioning providing subscription-based signals as well as positioning services

Construction support providing survey systems and related expertise

Construction support during decommissioning

Assessing the condition of marine assets by acquiring and analysing inspection data, and executing light **repair** or **maintenance** tasks

FUGRO'S LAND SITE CHARACTERISATION SERVICES

Geotechnical investigation determining soil composition via extraction of samples or cone penetration testing

Geophysical surveys mapping of subterranean soil characteristics

Monitoring of (sub)surface, new and existing assets during the construction phase and operational phase

Testing of rock and soil samples, foundation and construction materials testing

Geoconsulting including geohazard risk assessments, foundation advice, water resource management and flood control

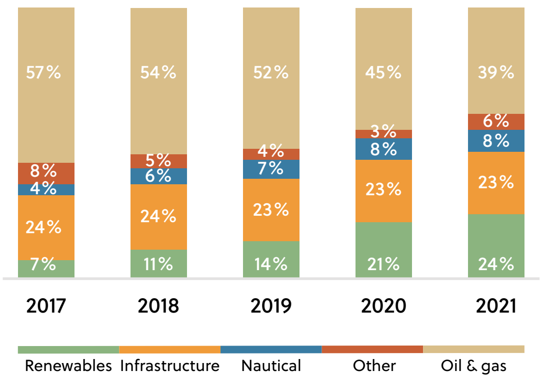
FUGRO'S LAND ASSET INTEGRITY SERVICES

Acquisition of geospatial data to map, inspect, and advice on the integrity of
- Rail infrastructure
- Road infrastructure
- Power transmission and distribution
- Pipelines and industrial facilities

KEY MARKETS

With our market agnostic asset base, expertise and client solutions we are able to serve clients across different end markets and geographies, offering the most up-to-date innovations and experience to our clients. It allows us to optimise utilisation, pricing and costs across multiple projects and further diversify towards structural growth markets.

Revenue development by market segment (in %)



As of 2018: Figures from continuing operations (excl. Seabed)

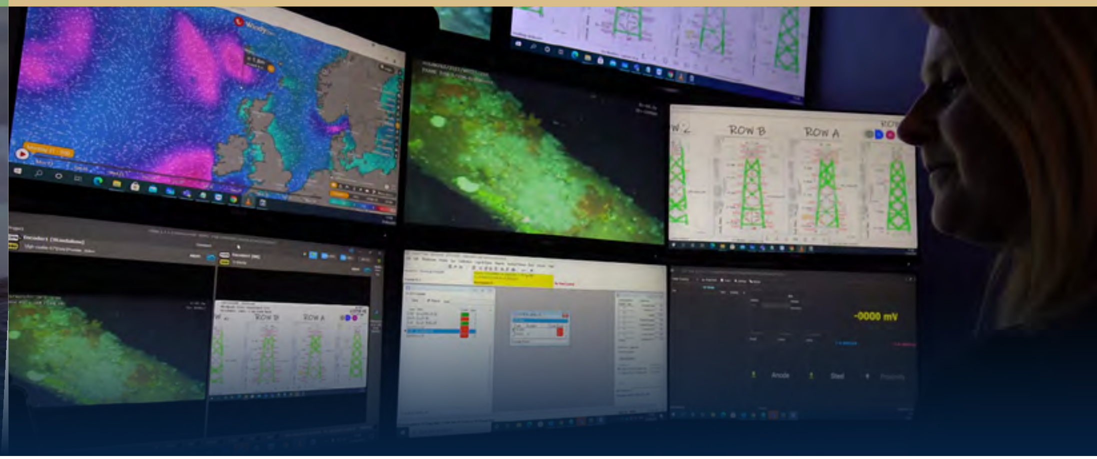
Energy - renewables

The market for renewable energy sources consists of wind, solar, hydrogen and geothermal. While at the moment only around 15% of global primary energy use is generated from renewable sources, by 2050, the share of renewables is expected to nearly double with the demand growth in global energy expected to be fully absorbed by various renewable sources (EIA 2021 World Energy Outlook).

A major growth market is wind at sea, where we support both 'pure play' renewable energy and traditional energy companies. We offer a wide range of site characterisation and asset integrity services such as metocean surveys, soil investigations for wind turbine foundations, cable routing and various accurate positioning services. This market, in which Fugro has a prominent position, has become increasingly global. We are redirecting our market agnostic assets, expertise, products and solutions towards this structural growth market, leveraging our long-standing relationships with traditional energy clients as they grow their renewables business.

ENERGY - RENEWABLES

ENERGY - OIL AND GAS



Energy - oil and gas

The transition to sustainable energy is vital for the future of our planet. At the same time, this process will take time. While the world shifts to more renewable energy, natural gas is expected to gain importance in the medium term as a vital resource during this process. Our asset integrity solutions enable clients to keep their existing infrastructure at sea safe and reliable by inspection and corrosion detection work, to protect our oceans and keep coastlines free from exposure to pollution.

Infrastructure

Infrastructure is the backbone of our society, and there is a growing need to future proof existing infrastructure, compounded by the necessity to massively invest in electricity networks to support the energy transition. Sustainability in infrastructure is about life-time extensions, repair and replacement of ageing assets. We support our clients with investigations of construction sites to facilitate the safe, cost effective and sustainable design and construction of buildings, industrial facilities and infrastructure such as bridges, airports, roads, rail, and electricity networks. We also provide condition monitoring during the lifetime of the asset to optimise maintenance, reliability, utilisation and longevity. Climate impact and ageing assets compound the challenges owners of these critical assets and networks face.

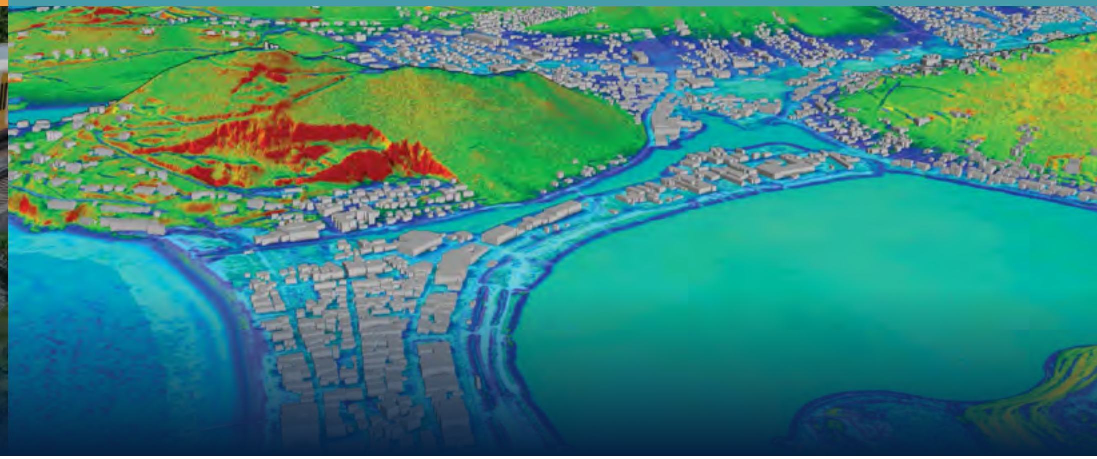
Nautical

This market relates to all maritime activities for national and local governments, port and harbour facilities, research, travel and shipping agencies. They use our integrated data collection, analysis, monitoring and consultancy services to enhance the safety and efficiency of maritime activities globally. We perform site investigations through airborne mapping, hydrographic, metocean and environmental surveys; weather forecasting, mapping the oceans for scientific purposes and positioning services for these companies.

In 2022, the ‘nautical’ market will change to ‘water’ market. This will also encompass water infrastructure and water resource management services, which are currently included in the infrastructure market segment. Climate change adaptation and global water security necessitate significant investments in water infrastructure and water resource management. Fugro assists local and intergovernmental organisations in mitigating the risks of climate change through for example site investigation of coastal areas.

INFRASTRUCTURE

NAUTICAL



KEY STRENGTHS

World's leading Geo-data specialist

We are the world's leading Geo-data specialist with the widest breadth of client solutions amongst companies offering Geo-data services. In the key services that we offer, we are often the number 1 or 2 player, both in the marine and the land environment. The breadth of our services provides a key competitive advantage as we are able to provide our customers with integrated solutions.

The marine market is a global market with large, internationally active clients. We are leading in site characterisation services that provide the Geo-data insights that are required for anything to be built at sea, which is increasingly related to renewable energy, natural gas and nearshore developments. In asset integrity, we are a worldwide top 3 player in all of our services.

In the fragmented onshore landscape, we are one of only a few companies to offer integrated Geo-data services globally. In markets with mostly local competition, our site characterisation services achieve solid market share on complex, high-profile projects such as high-rise buildings, airports, tunnels, bridges and pipeline routes. In asset integrity, we have leadership positions in specific market segments in selected countries.

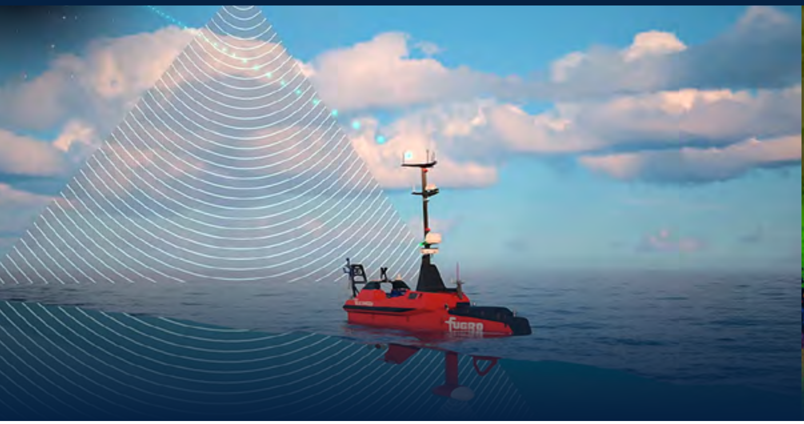
Fugro's competitive position[1]

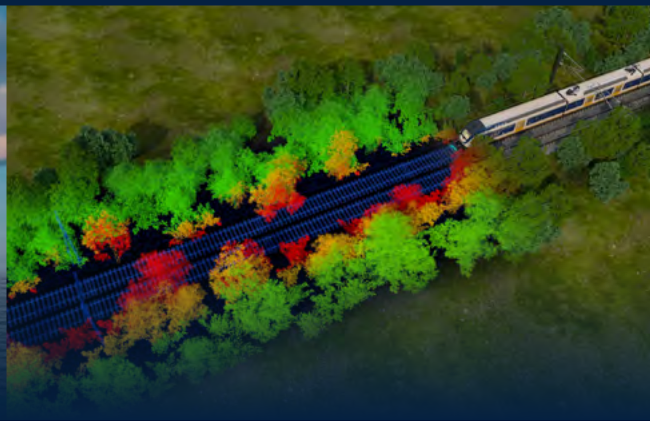
MARINE			LAND		
Hydrography	1	Global	Geotechnical investigation	2	Global
Geophysical survey	1	Global			
Geotechnical investigation	1	Global	Rail inspection and advice	2	Europe
Metocean	1	Global			
Satellite positioning	1	Global	Road inspection and advice	1	USA
Inspection services	2	Global			
Positioning and construction support	2	Global	Power line inspection and advice	2	Australia

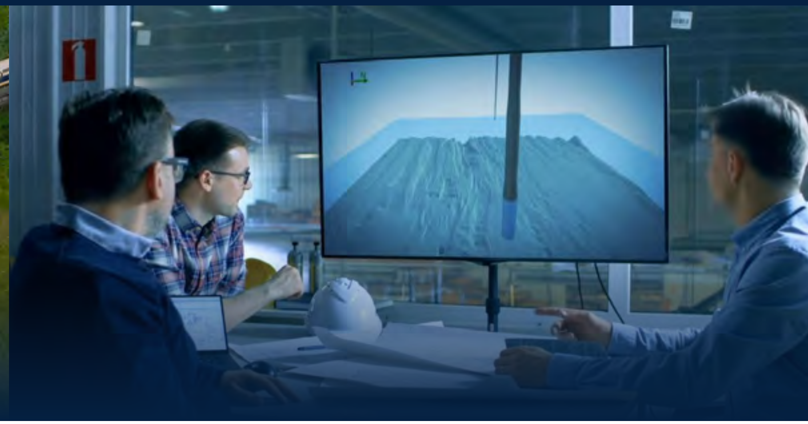
[1] Company estimates.

Fugro provides Geo-data solutions through the integration of data acquisition, analysis and advice

ACQUISITION	ANALYTICS	ADVICE







The combination of acquisition, analytics and advisory services is reflected in our integrated "triple-A" approach and, together with our presence in both site characterisation and asset integrity, it differentiates us from the competition of global and local participants who are fragmented both across services and geographically.

Highly skilled and engaged workforce

People are at the heart of our business and they are the foundation of Fugro, while we remain committed to being the best Geo-data company to work for.
Our success depends entirely on the strength of our people and our ability to identify, develop and retain key talent. Fugro's set of company values is the foundation of our culture, guiding everyone to think and act with these values in mind.

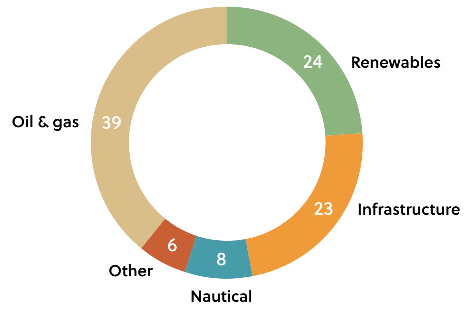
Through integrated acquisition, analysis and advice we unlock key insights from Geo-data, helping our clients develop and manage their assets safely, sustainably and efficiently

We have over 9000 employees from over 100 nationalities. Fugro is the largest employer of Geo-specialists in the world, employing the best and the brightest in several specific expert disciplines including 350 research and development engineers. Their skills, experience and specialist knowledge are key for our ability to offer the best quality of work and service delivery to clients today, while developing the best solutions for tomorrow.

In order to engage our employees, it is key to support their professional and personal development. Fugro's leadership teams and the human resources department(s) spend time and energy on an ongoing basis to develop talent management processes and practises. We are dedicated to further advance our people through our technical, project management, commercial excellence, health and safety and leadership training curriculum, amongst others via Fugro Academy. This is particularly important as Fugro aims to recruit the majority of its managers internally.

Much of our operations take place in challenging environments, hence safety is a key priority. Over the last decade, we have further developed and improved our equipment, systems and procedures and made significant improvements to our safety culture and performance. Fugro continuously puts safety first by understanding the risks associated with the work and taking a proactive approach embedding appropriate standards and practices in its operations and workforce behaviour. We continuously review potential areas for improvement and ensure, by thoroughly evaluating and learning from every incident and promoting visible leadership, a sense of responsibility throughout the organisation.

Revenue by market segment (2021, in %)



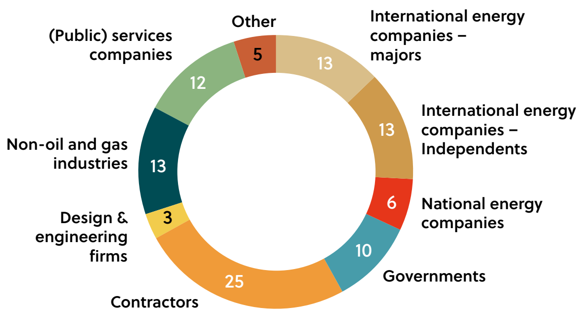
Diversified and committed client base

We have a wide and diversified client base. In the energy markets, we provide our services to both energy companies and services providers, such as construction and installation contractors and design and engineering companies. For wind developments at sea, we support both 'pure play' renewable energy players and traditional energy companies that are helping to shape the energy transition. In the infrastructure market our main client groups are government agencies, construction project developers, railroad operators, design and engineering contractors, construction and installation contractors and industrial companies. In the water market, Fugro's key clients are government agencies, port and harbour facilities, research institutes, technology and internet companies and shipping agencies.

This wide and diversified client base results in the absence of significant client concentration, with only around 15 clients representing 1% or more of total revenues each and typically no client representing more than 5% of total revenues in a single year. Our top clients vary from year-to-year, but typically include blue chip companies, such as Alcatel-Lucent, ENI, Equinor, Government of Hong Kong, Ørsted, Petrobras, Shell, TechnipFMC, TotalEnergies and Woodside.

Fugro has long-standing relationships with many of its clients, some relationships going back decades. Our clients especially appreciate our know-how, experience, technology, quality of services, integrated service delivery ("triple-A" approach) around the globe and strong safety performance. Early engagement with clients enables us to better understand their needs, resulting in an alignment between those needs and the services Fugro provides.

Revenue by client type (2021, in %)



Innovation led by digitalisation

One of our key differentiating strengths is that we combine innovations in technology into integrated digital solutions for our clients. We are fully leveraging technology developments in the field of robotics, remote operations and analytics & cloud automation in order to offer safer, faster, more efficient and higher quality services; all in a more sustainable way.
The combination of robotics and remote technology drives the evolution towards an agile and more sustainable operating model, supported by modular, lightly crewed and uncrewed vessels. As a result, we are supporting our customers on their own digitalisation evolution; a strategic priority for most of our clients.

Fugro is at the forefront of the industry and a first mover in the field of uncrewed operations. This plays an important role in the future of the maritime sector by offering clients a low-carbon, safe and more efficient solution. Uncrewed operations remove personnel from a high-risk environment to an onshore remote operations centre and reduce carbon footprint by over 90% compared to traditional survey methods. The safe, onshore environment, stimulated by flexible shifts, results in improved work-life balance, better career opportunities and increased diversity. Cloud-based data processing allows near real-time data delivery, leading to faster and more informed decision making. By now, Fugro has a global network of remote operations centres to deliver fast, safe and sustainable inspection, survey and positioning services.

To give our clients faster insights we leverage advanced analytics, deep learning algorithms and artificial intelligence that will be embedded in all operating routines. To support the growth of our business beyond traditional data acquisition we focus on structural monitoring of our client's assets during the operation phase, where we use analytics and cloud automation services for fast and reliable data delivery. We provide real-time insights via modular client portals and digital twins of assets, subsurface and environment, ensuring cost effective and safe operation of these assets.

We are leveraging technology developments in the field of robotics, remote operations and analytics & cloud automation in order to offer safer, more efficient and higher quality services; all in a more sustainable way

We are investing in innovations that have a proven potential for increased efficiency and adapting our business to provide higher margins, for example, by combining data acquired in site characterisation projects with data from asset integrity projects.
Such innovations can often be deployed across multiple end markets. Finally, novel applications of core technical competencies may result in offering our existing services to potentially large new markets (for example, visual monitoring of bridges to assess the safety of the structure).

We have developed a customised go-to-market process focused on value-based contracts realising the full value of innovation and bringing to market innovations within two to three years. We are also safeguarding the products of our innovation with patents and trade secret protection, wherever possible.

Market agnostic assets

Fugro is the only company with purpose-built geophysical and geotechnical vessels, and our fleet is amongst the youngest in the industry. With our market agnostic asset base, expertise and client solutions we are able to serve clients across different end markets and geographies, providing flexibility to optimise utilisation, pricing and costs across multiple projects. In particular, it allows us to diversify towards structural growth markets, such as wind parks at sea. The same applies for our land-based assets.

We have further improved the flexibility of our fleet by focusing on a more balanced mix of paid working days between fully owned plus long-term charters on the one hand and short-term charters on the other hand, enabling us to meet demand variations and quickly relocate assets to meet opportunities as required. In order to reduce carbon emissions and increase safety of our operations, we are increasingly deploying lightly, sometimes uncrewed, vessels and smaller, more modular and mobile solutions.

Operational assets

(per year-end 2021)

25 vessels (plus 5 long-term charters)
6 uncrewed surface vessels (USVs)
7 autonomous underwater vehicles (AUVs)
67 remotely operated vehicles (ROVs)
113 cone penetration testing systems (CPTs)
211 onshore and 12 offshore geotechnical drilling rigs
32 jack-up platforms
36 laboratories
global network of remote operations centres

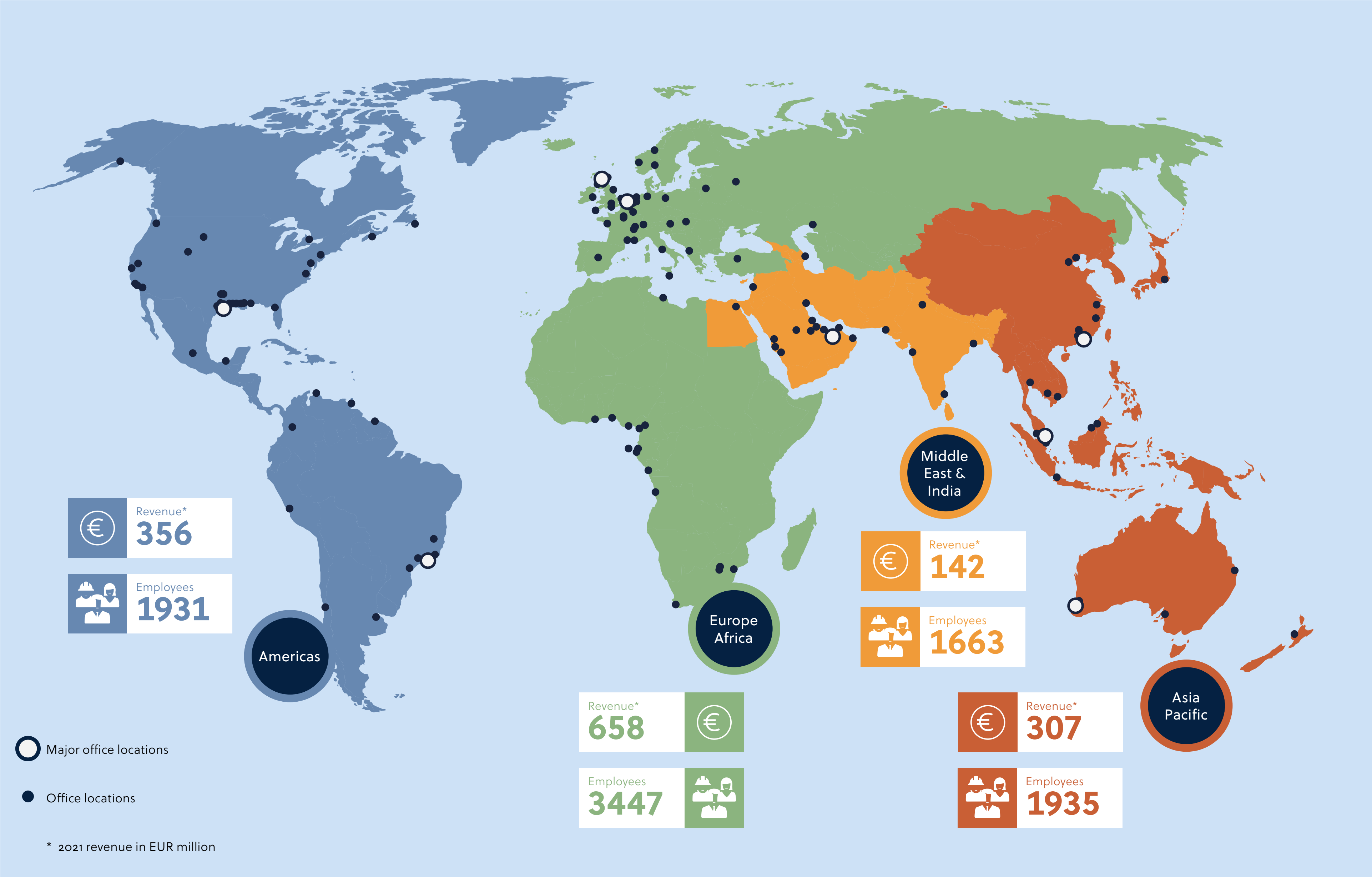
With our market agnostic asset base, expertise and client solutions are able to serve clients across different end markets and geographies

Global player with local presence

We have a global reach, with major hubs in each key region (Europe and Africa: Leidschendam, the Netherlands and Aberdeen and Wallingford, the United Kingdom; Americas: Houston, US and Macaé, Brazil; Asia Pacific: Hong Kong, Singapore and Perth, Australia; Middle East and India: Dubai and Abu Dhabi, UAE and a local presence in 59 countries in total. Although Europe still makes up a substantial part of our total revenue, we have a well-balanced presence in each of our four regions. Moreover, as an organisation benefitting from a global reach, we are able to offer client solutions throughout the year across geographies and seasons, reducing earnings volatility due to our presence in diversified regional markets and economies, with standardisation of our solutions enabling us to deliver the same quality of integrated solutions to clients all over the world.

Fugro combines its global reach with a local presence, with local offices being predominantly staffed and managed by local employees. Often, large integrated projects can be fully resourced within the relevant regions. This ensures that we understand local business procedures, culture and traditions and allows us to compete against local participants, while, at the same time, drawing on our global reach, resources and expertise and the strength of company-wide cooperation.

Global player with local presence



ORGANISATION

Fugro N.V. is a public limited liability company managed by a Board of Management under supervision of an independent Supervisory Board; a so-called two-tier board system. The company is organised in four regions, which all operate the same four business lines: marine site characterisation, marine asset integrity, land site characterisation and land asset integrity.

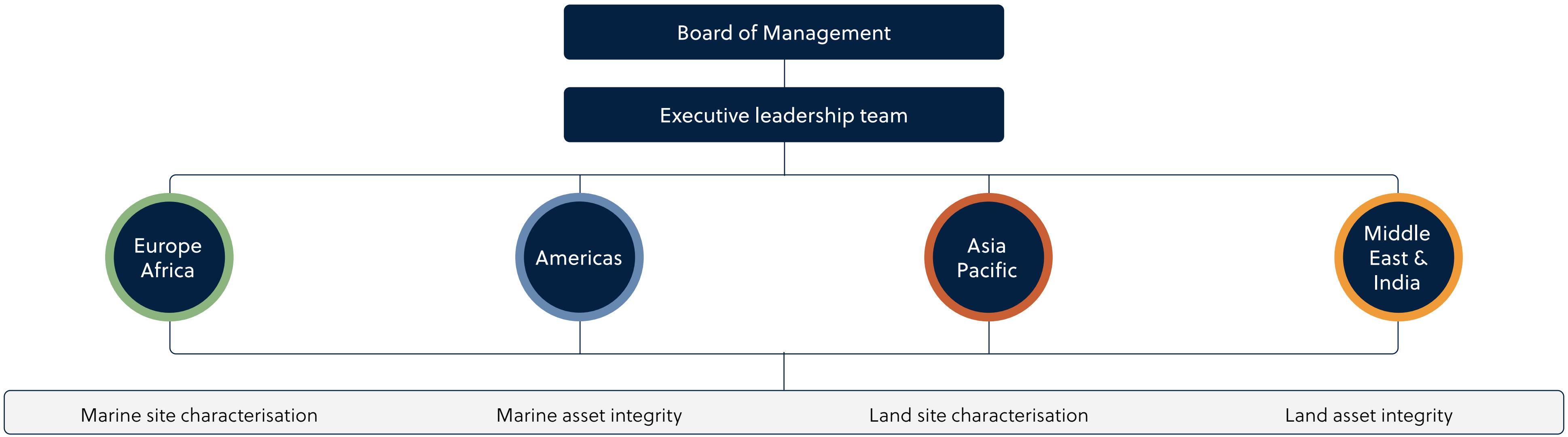
The Executive Leadership Team (ELT) assists the Board of Management in managing the company, and is collectively responsible for the performance of the company and its business, the implementation of the strategy and group wide policies, systems and processes. Apart from the members of the Board of Management, this team consists of the four Regional Group Directors, a Group Director Development & Digital Transformation, the Group Director Human Resources and the General Counsel/Chief Compliance Officer. CEO Mark Heine is chairman of both the Board of Management and the ELT.

We have an effective organisation in place, supporting the implementation of groupwide agendas in key areas such as key account management and value based pricing, integrated digital solutions, disciplined cost management, operational excellence, human resources, IT and digital transformation.

At group level, the company has corporate departments in place for quality, safety and sustainability; accounting and control; treasury; tax; insurance; procurement; internal audit; legal; human resources; IT and strategy and communication. Within the regions, support functions for human resources; finance; quality, safety and sustainability; strategic sales & marketing; operational excellence; communication and IT are increasingly organised as shared services.

At Board of Management level, sustainability is part of the portfolio of the CEO. The Global Director Safety & Sustainability, who directly reports to the CEO, coordinates the groupwide development and implementation of the sustainability agenda.
The relevant topics are managed and monitored by the appropriate corporate directors; primarily Global Director Human Resources, Global Director Safety & Sustainability, General Counsel/Chief Compliance Officer, and Global Procurement Director. Fugro's business entities are responsible for local implementation of relevant practices within the policy framework set by the Executive Leadership Team.

Organisational structure



7 AFFORDABLE AND CLEAN ENERGY

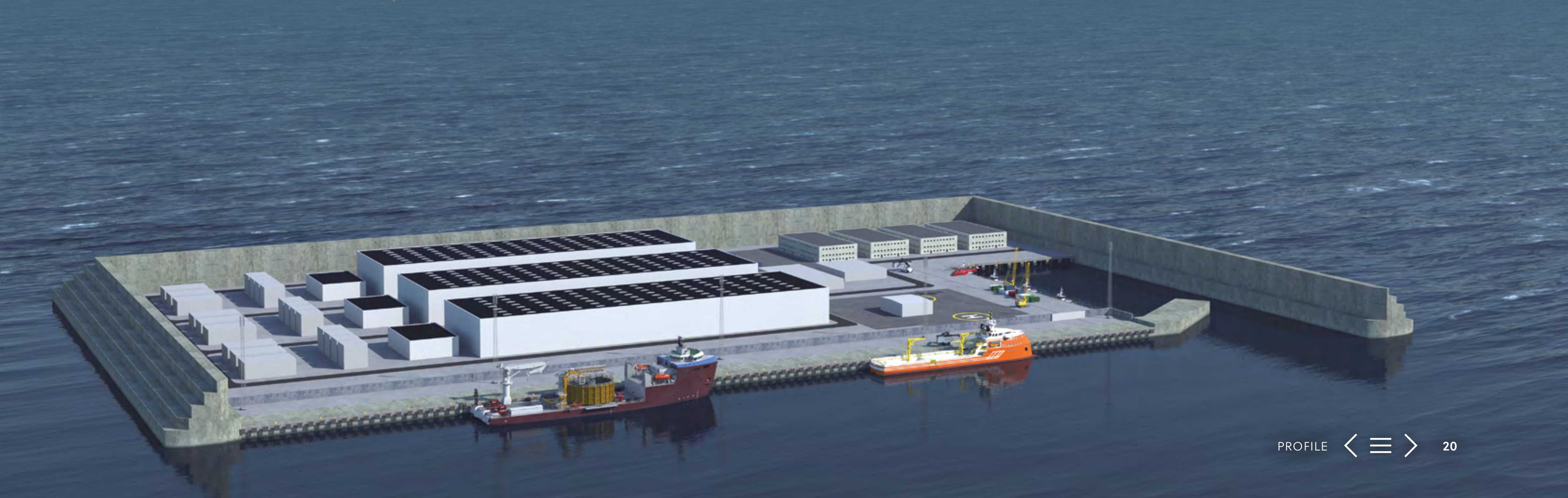
ENERGY TRANSITION

Fugro's involvement in construction of the world's first energy island

Energinet has awarded Fugro various contracts for the Danish Energy Island project in the North Sea. The purpose-built artificial island will be situated 80 km offshore in the North Sea and will act as a hub connecting hundreds of surrounding wind turbines.

Fugro has been contracted to perform geophysical, geotechnical, unexploded ordnance and cable route surveys, which will be used to prepare an integrated soil model on which wind farm developers will base future tenders for this megaproject. In addition, Fugro will provide floating wind lidar measurements.

These projects underline Fugro's commitment to supporting the renewable offshore wind industry in the global energy transition and shows that quality and technical innovation wins contracts. Our innovative ultra high resolution sub-soil Geo-data solutions will help future wind farm owners de-risk the development and deliver cost-effective renewable energy to up to 10 million European households.



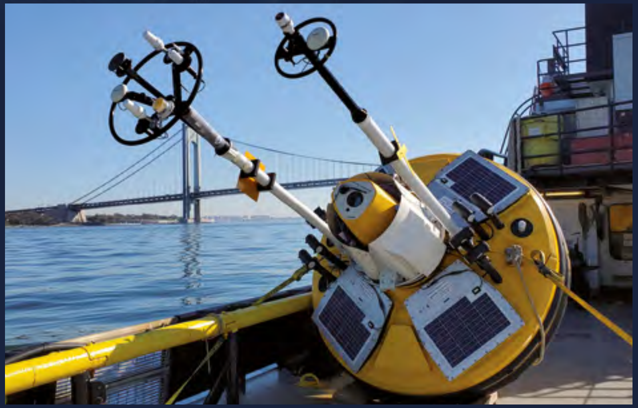
7 AFFORDABLE AND CLEAN ENERGY

ENERGY TRANSITION

High performance site investigation services for offshore wind parks

Fugro fulfils an important role in the ongoing energy transition, mostly through its wide range of site characterisation services from multiple vessels for the safe, efficient and sustainable development of offshore wind parks. Fugro's Geo-data enhance the client's understanding of the ground risks associated with the project, optimising and de-risking the decision-making and design process.

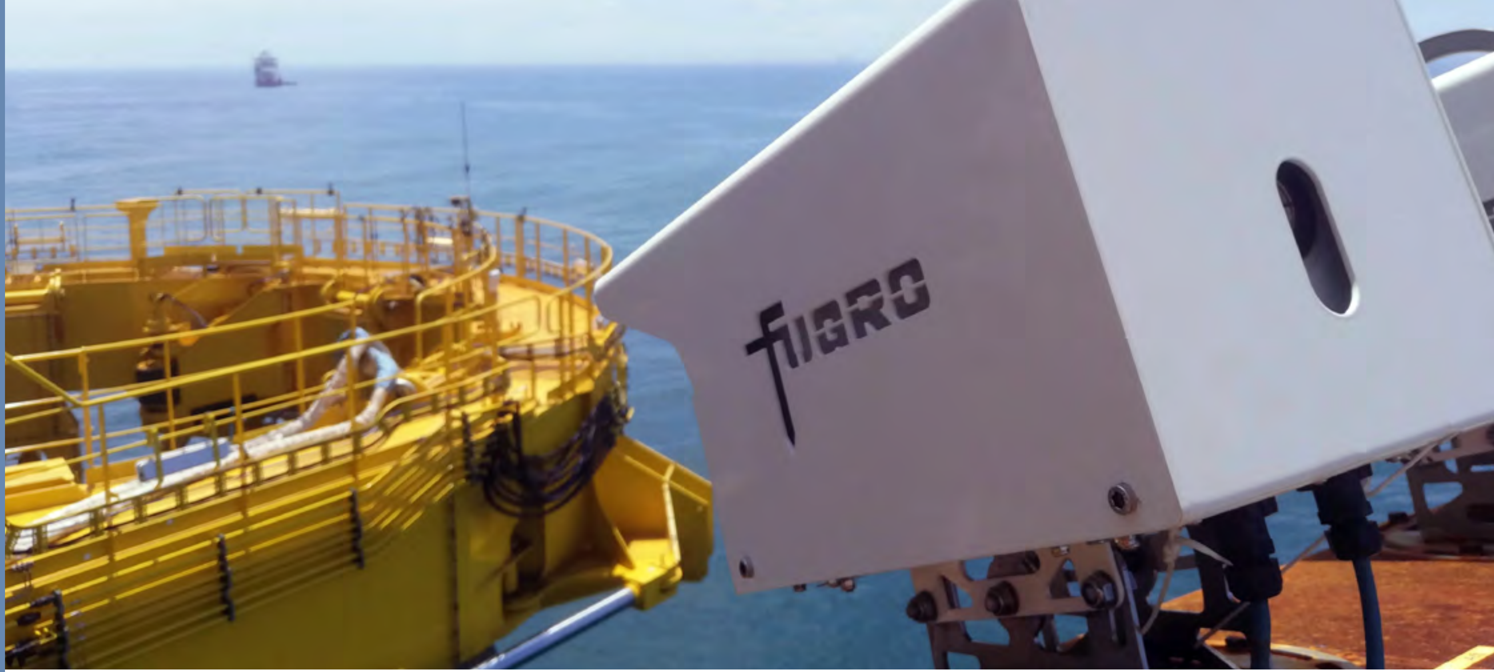
Over the last couple of years, Fugro has been awarded numerous work scopes for the Atlantic Shores development off the coast of New Jersey in the US, a joint venture between Shell New Energies US and EDF Renewables North America. To achieve streamlined decision making and an accelerated project schedule, Fugro is building and managing a centralised, cloud hosted data repository to provide the client and other stakeholders with a single source of updated Geo-data and documentation. In addition, during the coming years Fugro will also provide real-time wind and metocean measurements to optimise wind turbine design, installation, operations and maintenance. ■



Strategy

We have become a more diversified and resilient company, with increasing exposure to growth markets such as renewables, infrastructure and water. Our position as the leading Geo-data specialist offers great opportunities in a rapidly changing world.

The positive market outlook reinforces our Path to Profitable Growth strategy, supported by our increasingly balanced market exposure, less capital-intensive asset base and resilient operating model.



With our key strengths, we are well positioned to support our clients with the energy transition, development of sustainable infrastructure and climate change adaptation. Our Path to Profitable Growth strategy is based on three strategic objectives: capture the growth in energy and infrastructure, leverage core expertise in new growth markets and differentiate by integrated digital solutions.

We believe in sustainable development as a driver to create a safe and liveable world together. This requires balancing the short- and long-term interests of our stakeholders and integrating social and environmental factors into our decision making to ensure our long-term success.

GLOBAL DEVELOPMENTS

The world is in a period of intense and accelerating transformation, including population growth, urbanisation and climate change. By 2050, the population will have grown by approximately 2.0 billion, or 25%, in comparison with today, while around 2.5 billion people will have moved to urban areas. This will lead to further increasing demands for energy, fresh water, food, minerals, metals, buildings, industrial plants and infrastructure, leading to massive and potentially disruptive challenges for the world. The impact of climate change is becoming increasingly visible by the day, with rising sea levels putting coastal systems and low-lying areas at risk, increasing pressure on ecosystems and biodiversity and decreasing diversity in marine ecosystems. Over the coming decades these key global developments are expected to drive an increase in demand for energy, water, food, roads, rail, buildings, airports and flood protection. The energy mix, infrastructure and built environments have to evolve if tomorrow's problems are to be solved in a sustainable manner, rendering Fugro's services more critical than ever.

Moreover, technology is changing faster than ever before, impacting most industries including Fugro's end-markets, opening up opportunities for different and more effective ways of working. Rapidly developing technologies with connected devices and robotics enable more remote solutions, which can deliver sustainable operations. In addition, active engagement by diverse stakeholder groups with an organisation's environmental, social and governance performance, is clearly on the rise. As a result, companies are expected to demonstrate accountability and thus transparency over sustainability matters.

Covid-19 pandemic

In 2021, the pandemic continued to have a far-reaching impact on almost all aspects of our lives. Fugro's business operations were hampered by travel restrictions, quarantine requirements and lockdown measures, leading to operational complexities for cross border projects and staffing, and project delays. In addition, subdued travel and economic activity levels resulted in low oil and gas activity levels.

Throughout the year we continuously reviewed, updated and where needed strengthened our Covid-19 management protocols, aimed at business continuity while maintaining the health, safety and wellbeing of employees, with a specific focus on staff on remote projects and vessels. Our increased remote operations capabilities facilitated continued operations for our clients.

> The world we live in is changing faster than ever before, driven by population growth, urbanisation, climate change, accelerating technological developments and an increasingly engaged society

The pandemic has had a tremendous effect on the energy markets. After low global economic activity, and consequently lower energy demand in 2020, the year under review saw a recovery in demand of around 4% (BP Statistical Review). The world has been adapting to living with the virus. While the pandemic clearly is yet not over, with recent surges in infections due to the omicron variant, economic agencies expect the global economy to continue to rebound despite multiple challenges, such as higher than expected inflation rate. According to the IMF, the global economy is expected to grow by 5.9% and 4.9% in 2021 and 2022 respectively.

While the impact of the pandemic is significant on the dynamics in the oil and gas markets, it has been limited on the renewables, infrastructure and water markets, due to the continued growth in wind developments at sea and aggressive governmental incentive programmes.

KEY TRENDS IN OUR MARKETS

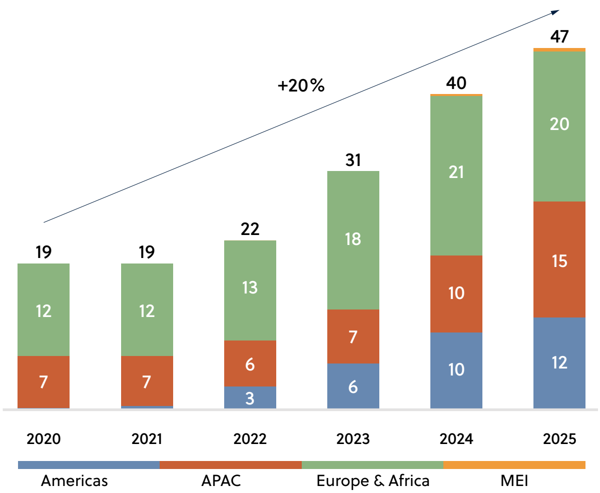
The pandemic has laid bare fundamental deficiencies in our global system, accelerating the attention for other disruptive global challenges. The global developments of population growth, urbanisation, and climate change are resulting in three key trends in our markets: the energy transition, sustainable infrastructure and climate change adaptation.

Energy transition

Despite an expected increase in the total global energy demand during the coming years, businesses are adapting to a transformation of the global energy sector from fossil-based systems to renewable energy sources. The switch from sources like coal oil and natural gas to renewable energy is enabled by technological advancements and a societal push toward sustainability, driven by the urgent need to limit the impact of climate change.

This requires a fundamental shift in the global energy system. The demand growth in global energy in the upcoming decades is envisioned to be fully absorbed by a variety of renewable sources, such as wind, solar, hydrogen and geothermal. To date, Fugro in particular offers solutions for wind developments at sea, while hydrogen and carbon capture storage are rapidly developing markets that will offer commercial opportunities in the future. At the same time, the energy transition is a very complex process that will take time. Currently, only around 15% of the worldwide primary energy use is generated from renewable sources. Therefore, there is a large discrepancy between governments' carbon reduction ambitions and current reality. In 2021, the world was already confronted with unprecedented gas prices, due to strong demand coupled with delivery issues and very low investment

Offshore wind capex, USD billion



Source: 4C Offshore December 2021. (Note: data exclude China)

levels. The transition will require a balanced approach, where fossil fuels will remain an important part of the energy mix for years to come, with oil and coal being consistently phased out and natural gas serving as a transition fuel.

Renewables

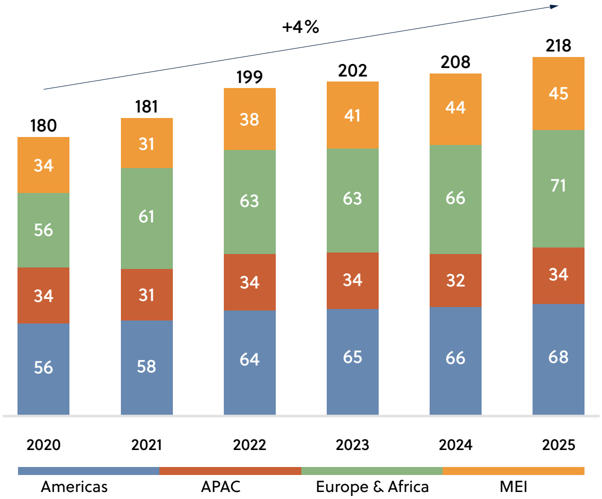
The transition to low carbon energy resources will result in a fundamental shift in the global energy system. The demand growth in global energy in the upcoming decades is envisioned to be fully absorbed by a variety of renewable sources. Wind developments at sea play a role of increasing important role in this market.

According to the IEA 2021 World Energy Outlook, renewable energy, led by wind and solar power, will be the fastest growing source of energy over the next 30 years. The majority of the turbines has been so far installed in north-west Europe, but this market is becoming increasingly global.

4C Offshore reports that over the next five years many new wind projects are scheduled to be completed around the world; installed capacity is expected to grow from 27 GW to 192 GW between 2021 and 2030 (excluding China). In line with global wind power capacity increases, offshore wind capital expenditure is projected to increase at a compounded annual growth rate of approximately 20% over the next five years, with the majority of the investments in Europe, followed by Asia Pacific and Americas.

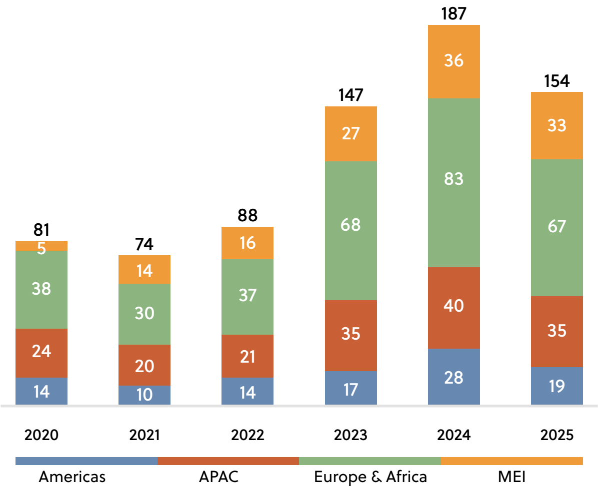
As the global offshore wind market grows, countries will increase their reliance on power generated from this source to meet demand. Activities such as inspections of cables and foundation, as well as monitoring of offshore wind farms once fully operational will become increasingly important to prevent any issues that might cause an interruption in power supply.

Offshore oil & gas market spend, USD billion



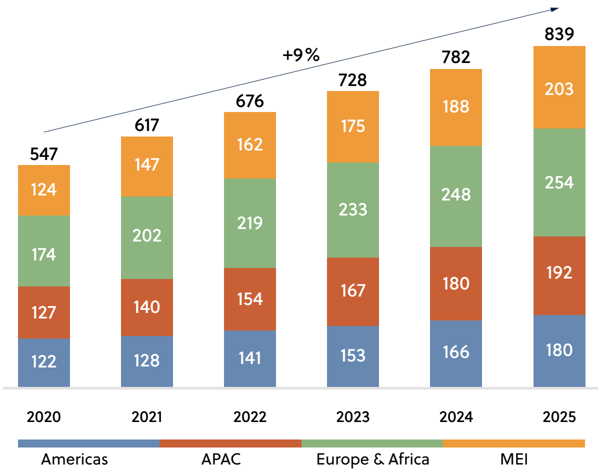
Source: Rystad Energy (January 2022)

Number of offshore project final investment decisions



Source: Rystad Energy (January 2022)

Infrastructure spend, USD billion



Source: Global Data Construction Intelligence Centre (January 2022); Global infrastructure construction services spending estimates, excl. China

Oil and gas

Oil and natural gas are expected to be a key source of energy in the medium to long term. Gas investments are expected to continue to grow driven by increasing energy demand and switching from higher carbon emission sources (coal in particular) to gas.

Natural gas has attracted a lot of attention both as a transition fuel to the greener future energy mix and due to the recent unrest on the energy spot markets, which set an all-time high gas prices in Europe and Asia. Current forecasts show a steady growth of demand and prices for natural gas, which may also shift the investment focus of the offshore E&P industry towards natural gas field development. In 2021 there was a strong imbalance in gas supply and demand which caused gas prices to increase strongly partly caused by geopolitical tensions and constraining supply by Russia. It is expected that gas will gain further interest in the near future as a transitional fuel.

According to Rystad Energy, the deviation from the long-term due to the pandemic has resulted in a short-term decline in investments and budgets cuts for the industry, but investments are expected to return to growth from 2022 onwards. Looking ahead, mainly natural gas investments are expected to gradually increase across the full life cycle of oil and gas projects, albeit to lower levels compared to 2012-2014.

Sustainable infrastructure

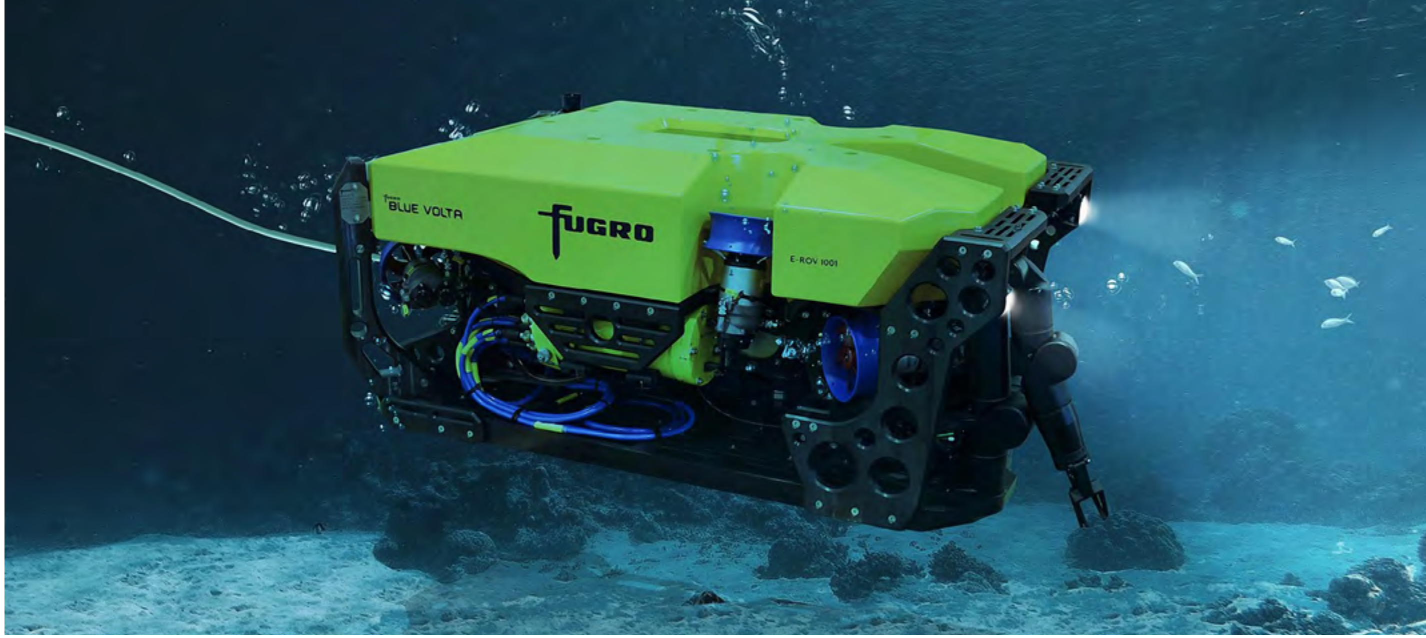
Utility and transportation infrastructure is the backbone of any economy. However, most infrastructure was built decades ago and has gone past its original lifespan, safety and design criteria. Climate impact and deferred maintenance compound the challenges owners of these critical assets and networks face. Sustainability in infrastructure is about life-time extension, repair and replacement of existing aging infrastructure, and building smarter, cleaner and safer new infrastructure. Data-driven decision making, on the basis of high-tech sensors, with risk based expert inspections and assessment will support better prioritisation of spending due to the onset of predictive asset management. A good understanding of the current status of infrastructure assets and the interaction with its surroundings and subsurface environment, is essential to increase safety and reduce operating risk and total cost of ownership.

The level of investments in infrastructure is directly correlated to economic growth. Although in 2020 global GDP growth was negative due to the pandemic, according to the IMF, GDP increased by 5.9% in 2021. IMF anticipates a 4.4% growth in 2022. This will lead to additional investments in development and maintenance of infrastructure. According to the Global Data Construction Intelligence Centre, global infrastructure spend is expected to increase by approximately 9% over the next five years.

As investments in roads and electricity networks are expected to continue growing, there is an increasing need for competent site investigation, quality data collection and accurate interpretation and advice to assist construction management companies through condition monitoring and evaluation, contributing to the feasibility, design, engineering, construction, maintenance and decommissioning stages of buildings, highways, railways, bridges, tunnels, ports and airports.

Climate change adaptation

In the lead-up to COP26 in Glasgow in November 2021, many studies were published showing that world is not yet on track to meet the ambitions of the Paris agreement. Climate change will lead to more challenges in the future, even if global efforts and renewed ambitions to reduce emissions prove to be effective. Extreme weather and other climate change-related events, resulting in coastal and inland floods as well as droughts, will become more frequent and intense. This leads to adverse impacts on ecosystems, economic sectors, infrastructure and human health and well-being, especially as around 80% of the world's population lives within 100 kilometres of the coast. A strong growth is expected in investments in climate change adaptation and related infrastructure.

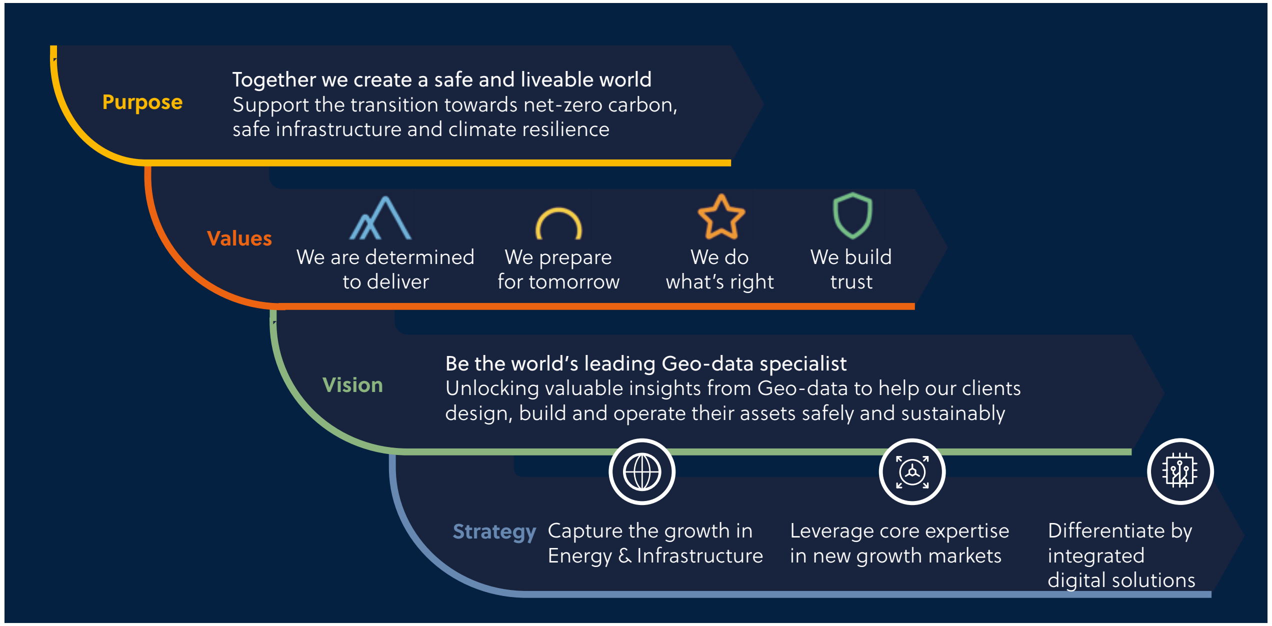


Coastal protection and land reclamation activities contribute to the sustainable growth of the water management sector. National governments and international organisations are taking measures to counter and mitigate risks related to the sea-level rise by adequate coastal defence infrastructure and systems, levee reinforcements and acquiring detailed knowledge of the oceans to prevent flooding. Harsh weather patterns and natural disasters are increasingly impacting high density population areas in river deltas and low-lying areas At the same time, increasing cases of drought result in low ground water levels, subsidence risks and foundation issues. This leads to an increasing need for innovative water sourcing and water management solutions. Moreover, the protection of ocean's health is an increasingly important topic, as the world's oceans cover 70% of the Earth's surface and support nearly every aspect of our lives.

PATH TO PROFITABLE GROWTH STRATEGY

With our key strengths, we are uniquely positioned to support our clients with the energy transition, sustainable infrastructure and climate change adaptation. While contributing to the UN Sustainable Development Goals, it is Fugro's ambition to deliver solutions supporting our clients to overcome their challenges in achieving net-zero carbon emissions, to enable the development of safe infrastructure and to strengthen climate resilience. Our strategy is based on three objectives: capture the growth in energy and infrastructure, leverage our core expertise in new growth markets and differentiate by integrated digital solutions.

Strategy framework



Capture the growth in energy and infrastructure

The anticipated growth of the energy and infrastructure markets is leading to increased spending on renewable power and electricity networks, railways, roads, bridges, tunnels, buildings and industrial facilities. Fugro will increase its integrated offering of data acquisition, analysis and advice, and further strengthen its key account management and value-based bidding. We will continue to improve asset utilisation and operational excellence in order to drive client satisfaction and cost efficiencies.

The ongoing transformation of the global energy sector from fossil-based systems to renewable energy sources offers a lot of opportunities for Fugro. To date, Fugro in particular offers solutions for wind developments at sea, while hydrogen and carbon capture storage are rapidly developing markets that will offer commercial opportunities in the future. Initially a mostly European market, offshore wind parks are now being developed all over the world. We offer a wide range of site characterisation and asset integrity services. We are redirecting our market agnostic assets, expertise, products and solutions towards this structural growth market, leveraging our long-standing relationships with traditional energy clients as they grow their renewables business.

At the same time, we are well equipped to continue to offer our site characterisation solutions to traditional energy clients. In addition, our asset integrity solutions enable clients to keep their existing infrastructure at sea safe and reliable by inspection and corrosion detection work, to protect our oceans and keep coastlines free from exposure to pollution.

In the Land business lines, we will further grow our share of large complex infrastructure projects as Fugro is one of the few companies that can offer integrated Geo-data acquisition, analysis and advice. By strengthening our relationship with key clients in the engineering, procurement and construction segment, Fugro ensures that it is engaged from the very start of their projects. To further leverage our consultancy mindset, we have captured this approach in our Geo-risk management framework concept.
This framework describes the subsurface risk environment that we share with our clients and is based upon Fugro's ability to add value by reducing uncertainty at all stages of the asset lifecycle to avoid or solve engineering challenges and to help our clients manage their ground-related risk exposure and better meet their ultimate business objectives.

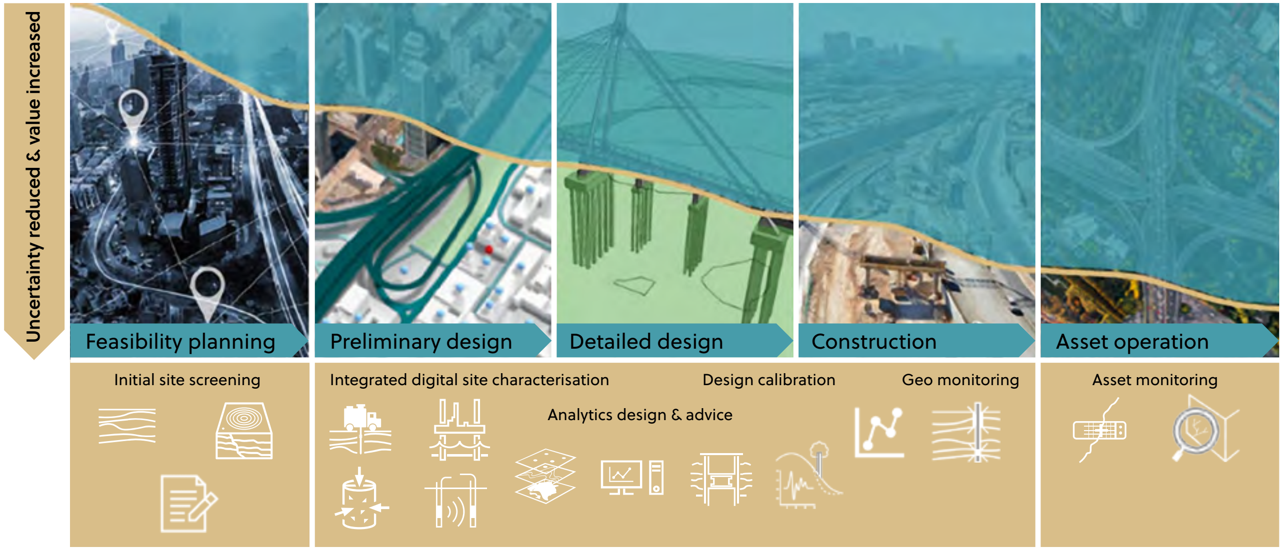
Leverage core expertise in new growth markets

While already strongly positioned in supporting clients in the energy and infrastructure markets, Fugro is leveraging its existing expertise to develop new activities in adjacent and new markets.

In particular, we are expanding into the water market, to capitalise on the global need to increase climate resilience and global water security, and the resulting significant investments in flood protection, coastal defence and water management. We are offering integrated coastal resilience solutions for coastline mapping, dike monitoring and design, freshwater sourcing and transport, and ocean science. This helps communities and asset owners to better analyse their climate related risks and design solutions.

In addition, Fugro is committed to support the growing market of route surveys for fibre optic cables, and further diversify its offering of positioning services, for example for space assets.

Geo-risk management framework



Differentiate by integrated digital solutions

We are committed to maintain our differentiated position as the most innovative Geo-data company across the markets in which we operate. Supported by strong client involvement, our research and development efforts are focused on less capital-intensive solutions, such as the shift towards more lightly and uncrewed vessels, that aim to reduce the overall cost of development and operation of our clients' assets. This provides us with a competitive advantage, compounded by the need to work remotely as a result of the pandemic. We will accelerate the implementation of robotics and analytics across all service lines.

Our integrated solutions are built on four pillars: mobile autonomous robots and sensors, remote operation and support services, analytics and cloud automation and insights delivery through the Digital Foundation.

Our clients are exposed to large volumes of data on which they base complex decisions. Fugro is increasingly providing its clients with the Fugro's Digital Foundation: a digital, four-dimensional model combining all Geo-data acquired throughout the lifetime of the asset, artificial intelligence-driven analytics and related decision making. The resulting comprehensive web-based interface provides clients with (near) real-time insight into location and design optimisation, change detection and simulation. We aim for or our digital twins and (subscription based) portals to become the backbone of Geo-data based decisions throughout the life cycle of the asset.

Our strategy capitalises on the market trends of energy transition, sustainable infrastructure and climate change adoptation

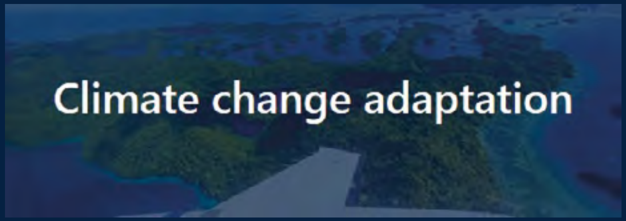
Energy

Support net carbon emissions

Infrastructure

Enable safe infrastructure

Water



Strengthen climate resilience

Strategy

- Capture the growth in Energy & Infrastructure
- Leverage core expertise in new growth markets
- Differentiate by integrated digital solutions

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY

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STAKEHOLDER ENGAGEMENT

Fugro values engagement with its stakeholders, supports them with relevant information on performance and progress, and actively seeks their opinions and ideas through regular discussions and consultation. A good understanding of their legitimate interests and expectations helps us to better manage the opportunities that could impact our ability to create value in the long term. Stakeholders considered to be most relevant to our success are customers, employees, suppliers, investors, and society at large.

Stakeholder engagement

	How we engaged in 2021	Exemplary topics discussed	Impact on Fugro's strategy and policies
Customers	Client facing personnel engages with clients at all levels: key account management with direct senior leadership involvement, business development, technical advice, proposal reviews, project management and contract negotiations. Over 3,550 meetings were logged during 2021. We also engage via client surveys.	Future client strategies, project performance and client satisfaction, energy transition and other supply chain challenges, innovation, understanding and advising on work scopes, Covid-19 impacts, HSE, Fugro's ESG rating and ESG performance.	Client project feedback is continuously addressed to improve our policies and client relationships. Client strategies and innovation direction is highly valued in developing commercialisation strategies, as well as strategies with regard to emission reduction affecting clients' scope 3 profile.
Employees	We conduct regular engagement surveys. Local management organises town hall meetings to share information and invite employees to ask questions and share their thoughts. Daily news items, regular CEO and other senior management videos on the corporate intranet.	Our work environment, strategy and culture, the activation of company values, Covid-19 management and the impact of the pandemic on people's work environment and wellbeing, with a particular focus on staff working on remote locations.	Employee engagement enables management to prioritise the topics that impact employees' well-being and professional development. We prioritise our actions based on issues that are most relevant to Fugro's business and performance.
Suppliers	In addition to Fugro's global procurement team which has regular meetings with global suppliers, local procurement teams maintain regular contact with other suppliers.	Covid-19 impacts, innovation, sustainability, CO_2 footprint, potential supply chain risks, cost optimisation opportunities, terms and conditions, Fugro's Code of Conduct, GDPR, legal compliance and compliance with Fugro's procedures.	To stimulate a responsible supply chain, we are in discussion with suppliers about adherence to Fugro's Code of Conduct, Fugro's supplier and partner code of business principles, and impact on our scope 3 emissions. Joint development of innovative solutions or assets.

Stakeholder engagement

	How we engaged in 2021	Exemplary topics discussed	Impact on Fugro's strategy and policies
Equity and debt investors	CEO, CFO, Director Investor Relations and Director Safety & Sustainability regularly engage with investors and other financial market participants, via results meetings, webcasts and calls.	Operational performance, Covid-19 impacts, balance sheet, mid-term targets, Fugro's increasing diversification towards renewables and climate adaptation growth areas, ESG ratings and performance.	Investor feedback is regularly discussed with the Executive Leadership Team and Supervisory Board. It is taken on board in the development of our strategy and policies.
Society (eg, international organisations, governments and intergovernmental organisations, universities)	Fugro undertakes joint research & development activities with universities and institutes, sponsors scholarships, supports ocean science initiatives such as UN Ocean Decade and Seabed 2030, engages with various industry organisations, NGOs, cities and municipalities.	Ocean science and conservation, climate change mitigation and adaptation challenges and solutions, mobilisation of the private sector for societal challenges.	Development of sustainability targets and inclusion of SDG related objectives in local planning and policies, further contribution to various ocean science initiatives. Partnerships to set and roll out industry standards. Sponsoring of local community events.

Materiality assessment

In 2021, Fugro decided to update its 2019 materiality assessment. The aim of this assessment was to identify those topics that best align with Fugro's strategy and the latest sustainability developments in a rapidly changing world.

After identifying and updating the relevant topics considering Fugro's strategy, international reporting standards such as SASB and GRI, a peer review, sector specific studies and media analysis, a short list of topics was established. Using an anonymised online survey tool, an internal and external consultation was organised to determine the priorities in this shortlist.

For the internal survey Fugro's top management was invited to participate, for the external survey almost 200 people were selected amongst Fugro's key stakeholders: clients, suppliers, investors, NGOs and 120 randomly selected employees. The results of these surveys were validated in sessions with a sounding board, the Executive Leadership Team and the Supervisory Board.

While no drastic changes resulted from this assessment compared to the previous exercise in 2019, the outcome reflects the increased global attention for key topics such as climate change mitigation and adaptation, business resilience and biodiversity. The outcome of the assessment informs Fugro's (sustainability) strategy and communication efforts.

The table below shows the link between our material topics, key objectives, 2021 performance, and mid-term ambitions for our most important performance indicators. To achieve our ambitious objectives, we have to manage the relevant key risks. For more information on our risk management approach, refer to the Risk management chapter. For more information about 2021 performance, policies, and ambitions regarding the material topics, refer to the Group performance chapter.

Connectivity table

	Material topic	Fugro's objective	Performance indicator	Ambition / Target	Performance 2021	Performance 2020	Related risks	Page
PEOPLE	**Health, safety, security and wellbeing**	Maintain the highest health & safety standards	Lost time injury frequency	<0.5/million staff hours in 2023-2024	0.70	0.67	Health, safety & security	44
			Total recordable case frequency	-	1.71	1.62		44
			Total lost work days	-	419	444		44
	Talent attraction, learning & development	Attract and retain talented employees	Voluntary employee turnover rate		14%	8%	Employees & capacity	46
		Invest in Fugro's highly skilled and engaged workforce	Number of completed courses at Fugro Academy	-	80,873	101,193		46-47
	Diversity & inclusion	Provide equal opportunity & reward to all staff, regardless of gender, age, background, sexual orientation, religion or disability	% female employees	-	22%	21%	Employees & capacity	47-48
			% women in senior management	> 25% in 2025	20%	20%		47-48
PLANET	**Climate change mitigation & adaptation solutions**	Deliver solutions to support the energy transition, sustainable infrastructure, and climate adaptation	Renewables, infra and water as % of total revenue	>65% in 2023-2024	61%	55%	Market exposure Innovative capability	50
	GHG emissions	Minimise environmental footprint of Fugro's operations	Absolute CO_2 emissions vessels (kilotonnes)	Net zero by 2035 (scope 1 and scope 2)	184	180	Climate change Project execution Innovative capability	51-52
			CO_2 emission intensity vessels (tonnes CO_2 / operational day)	20% reduction by 2025 (baseline: 2020)	14.9	15.8		51-52
			Share of energy consumption in Fugro offices from renewable sources	80% by 2025	43%	31%		51-52
			CDP rating	B rating in 2023 (reporting year 2022)	B–	C		86
	Biodiversity	Minimise impact of Fugro's operations on biodiversity and actively contribute to protection of marine biodiversity	Contribution to UN Decade of Ocean Science for Sustainable Development (2021-2030)	Activate partnership agreement with IOC-UNESCO			Climate change	53
PROFIT	**Business resilience**	Ensure healthy financial performance, resilience and relevance of Fugro's business model	EBIT margin	8-12% in 2023-2024	4.3%	3.5%	Market exposure Innovative capability Project execution Health, safety & security Company financing	37
			Free cash flow	4-7% of revenue in 2023-2024	0.9%	4.2%		37
			ROCE	10-15% in 2023-2024	8.8%	4.6%		40
	High quality solutions	Deliver innovative, digital and sustainable solutions to clients	Net promotor score	>40 (based on 1,200+ responses)	55	NA	Innovative capability	42
			R&D spend as % of revenue	_	2.5%	2.6%		42
		Protection of intellectual property	Number of patents granted	_	29	35		43
	Business ethics & compliance	Conduct business in an ethical way and in compliance with global and local regulations	Number of alleged violations of Code of Conduct	_	9	34	Legal & regulatory compliance risk	54
	Data privacy & security	Ensure the privacy and security of our employees', contractors', and clients' data						55

LONG-TERM VALUE CREATION

Fugro's value creation model, based on the 'six capitals' model of the International Integrated Reporting Council, shows how we use the resources, capabilities and expertise at our disposal to create value for our stakeholders. It also includes the United Nations Sustainable Development Goals (SDGs) on which we have an impact. The impact is related both to the services we provide ('what we do'), and to being a good employer and a responsible company managing our impact on the society and world in which we operate ('how we do it').

Input

FINANCIAL
- Funding from shareholders, banks and bondholders

HUMAN
- Talented and diverse employees
- Fugro Academy, training spend

KNOWLEDGE
- Advanced methods and technologies
- R&D (spend and employees)
- Knowledge partnerships

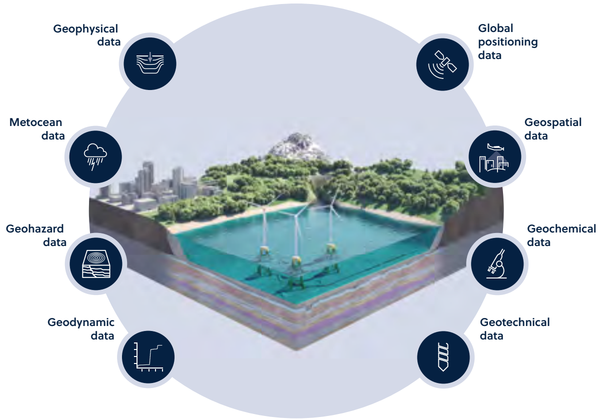
STAKEHOLDER RELATIONSHIPS
- Stakeholder engagement
- Code of Conduct

PROVISION OF SERVICES
- Fixed asset resource base, capital expenditure and supplier spend
- Project and risk management tools

ENVIRONMENT
- Energy use
- Risk mitigation systems

Value creation process

We unlock insights from Geo-data: information related to the Earth's surface, subsurface and structures built on it. With our unique 'triple-A' approach (data acquisition, analysis and advice) we help our clients design, build and operate their assets in a safe, sustainable and efficient manner



GLOBAL DEVELOPMENTS

Population growth Urbanisation Technology Climate change Engaged society

Output per capital

FINANCIAL
- Wages, interest, taxes and dividends
- Share price performance

HUMAN
- Engaged employees with enhanced skills
- Health and safety performance

KNOWLEDGE
- Innovative site characterisation and asset integrity solutions
- Intellectual property (patents)

STAKEHOLDER RELATIONSHIPS
- Ethical business conduct
- Solutions advancing a safe and liveable world

PROVISION OF SERVICES
- Total value of acquisition, analytics and advisory services
- Safe and reliable delivery

ENVIRONMENT
- Reduced environmental impact
- Solutions contributing to the energy transition, climate change adaptation and sustainable infrastructure

Outcomes for stakeholders

CUSTOMERS
- Innovative customer solutions
- Safely built and operated assets

EMPLOYEES
- Fair terms and conditions of employment and equal opportunity for all
- Training and life-long learning opportunities
- Living wage
- A healthy and safe working environment

SUPPLIERS
- Reliable customer
- Fair payment terms

INVESTORS
- Return on investment

SOCIETY
- Solutions contributing to the energy transition, sustainable infrastructure and climate change adaptation
- Reduced carbon footprint
- Protection of ecosystems through sustainable levee designs and water management consultancy
- Participation in various ocean science programmes
- Ethical business conduct
- Knowledge development through academic partnerships

Impact on SDGs

14 LIFE BELOW WATER

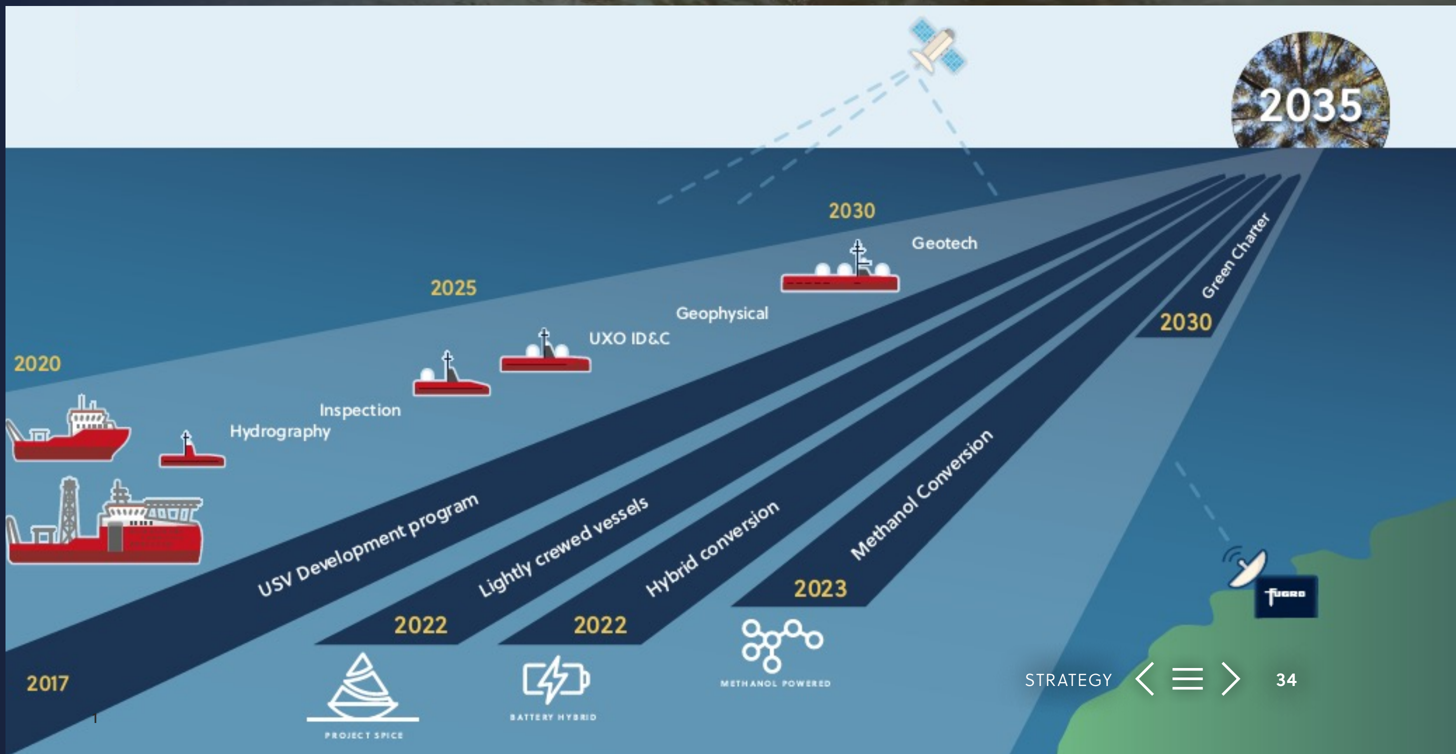
ENERGY TRANSITION

Development of low-carbon shipping fuel

Achieving emission-free shipping is not a straightforward matter as most vessels still run on fossil fuels. Although there are several routes to achieve CO_2 emission reductions in the maritime sector, there are only a few possible alternatives to marine diesel that can be deployed in the short to medium term. For large-scale introduction the most viable option is methanol.

The Fugro-led consortium MENENS (Methanol as Energy Step Towards Emission-free Dutch Shipping) has been awarded a EUR 24 million grant from the Netherlands Enterprise Agency for the development of methanol as a low-carbon shipping fuel. Methanol is an alcohol with a low carbon, high hydrogen content. Therefore it is also suitable as a hydrogen carrier and can be used as a ship fuel. The 22 partners in the consortium represent the complete breadth of the Dutch maritime sector, from equipment suppliers, designers, shipbuilders to ship owners. This is a unique group of companies, looking to develop methanol in fundamental research as well as the practical live trials.

Fugro's leading role in the consortium is to safely convert the engine of the Fugro Pioneer survey vessel to run emission-free on methanol by the beginning of 2023. Fugro will also contribute to the wider development of the engine technology and energy management, ship design, safety procedures and technology validation of this emission-free fuel.



11 SUSTAINABLE CITIES AND COMMUNITIES

CLIMATE CHANGE MITIGATION

Helping to secure San Francisco's coastal infrastructure

The 5 kilometres seawall was built more than 100 years ago and forms the foundation of San Francisco's Northeast Waterfront, which houses a critical mix of open spaces, tourist attractions, businesses, utilities, disaster response facilities, transportation networks, and state and regional maritime assets. The seawall's age and proximity to two major active seismic faults makes the waterfront especially vulnerable to effects of earthquakes and flooding.

The work was conducted over a period of 3 years as part of a multi-hazard risk assessment to identify immediate and long-term hazards, such as those associated with earthquakes, flooding and sea-level rise. As the port's lead geotechnical engineer for future programme phases, Fugro will use the MHRA inputs to develop and design optimal retrofit solutions for the port's ageing seawall.

Fugro's approach to the MHRA emphasised two key goals: reducing the uncertainty in the ground conditions for improved safety and minimising potential overengineering of seawall retrofit solutions for maximum cost efficiencies. These goals were accomplished through a targeted, high-quality geotechnical field campaign, development of a robust 3D ground model, and the use of innovative dynamic soil structure interaction analyses to confidently evaluate the seawall's seismic stability. The result was a reliable, rather than conservative, vulnerability assessment which will allow the port to make informed funding decisions on retrofit design and construction.

Fugro will be continuing its work with the port during the next programme phases, helping to secure the city's coastal infrastructure for safe and sustainable operations over the long-term.

Group performance

In 2021, Fugro delivered a clear improvement in its results. The margin was up, in particular in Europe-Africa and Americas, and the company generated a positive free cash flow and net result. The resilient performance, in a year that was still significantly impacted by the pandemic, was a combination of strict cost management, operational delivery, and early signs of improved pricing.

FINANCIAL

Key figures

from continuing operations unless otherwise indicated

(x EUR million)	2021	2020
Revenue	1,461.7	1,386.3
comparable growth[1]	*5.8%*	*(12.4%)*
EBITDA[2]	175.6	162.0
EBITDA margin[2]	12.0%	11.7%
EBIT[2]	63.0	48.2
EBIT margin[2]	4.3%	3.5%
Net result[3]	59.6	(74.0)
Net result incl. discontinued operations[3]	71.1	(173.8)
Backlog next 12 months	1,014.1	866.2
comparable growth[1]	*11.6%*	*(8.0%)*
Cash flow operating activities after investing (free cash flow)[4]	39.5	88.4
Net leverage[5]	1.7	2.1

1 Corrected for currency effect
2 Adjusted for specific items: onerous contract provisions, restructuring cost, impairment losses, and certain advisor/ other costs of EUR 2.7 million in 2021 (2020: EUR 28.4 million)
3 Attributable to the owners of the company
4 Incl discontinued operations; 2020 free cash flow includes EUR 49.9 million proceeds from the sale of Global Marine
5 Total debt (incl. subordinated debt) minus cash on balance sheet divided by last 12 months adjusted consolidated EBITDA for covenant purposes, including IFRS-16

Full-year revenue increased by 5.8% on a currency comparable basis. Revenue from renewables sustained its growth trajectory with an increase of 21%. Infrastructure and water were up by 5% and 11% respectively. In the fourth quarter, oil and gas related revenue increased in all regions, whereas for the full year, revenue declined versus 2020.

EBITDA increased to EUR 175.6 million, driven by improvements in Europe-Africa and Americas, resulting in an EBIT margin of 4.3% compared to 3.5% in 2020. Results in the marine and land asset integrity business lines were higher in all regions. Throughout the year, operations were still impacted by the pandemic, in particular operational complexities of cross border projects in Asia Pacific in combination with lower government cost compensation, and low activity levels in Middle East & India. As a result, marine and specifically land site characterisation margins declined.

Fugro generated a positive net result of EUR 71.1 million driven by improved EBIT, net finance expense and income tax.

Fugro's backlog grew by 11.6% to EUR 1,014.1 million, which represents the largest increase since the end of 2018, supported by all business lines in all regions.

Free cash flow was EUR 39.5 million compared to EUR 38.5 million in 2020 excluding EUR 49.9 million proceeds from the sale of Global Marine Group. An increase in cash flow from operating activities by EUR 32.9 million was offset by higher working capital related to the revenue growth in the second half of year. Working capital as a percentage of 12-months rolling revenue was 10.9% at the end of 2021 compared to a particularly low level of 8.1% a year ago. Days of revenue outstanding was 82 days at the end of 2021 compared to 83 at year-end 2020. Free cash flow after lease payments as a percentage of revenue was 0.9% compared to 0.8% in 2020 excluding the proceeds from Global Marine Group.

Capex amounted to EUR 79.7 million, in line with EUR 81.2 million in the previous year.Net debt was EUR 292.7 million as at 31 December 2021.

REVIEW BY BUSINESS

Marine

Key figures, adjusted[1]

(x EUR million)	2021	2020[2]
Revenue	1,037.9	980.4
comparable growth[3]	*5.8%*	(15.2%)
EBITDA	145.2	124.8
EBIT	52.3	33.3
EBIT margin	5.0%	3.4%
Backlog next 12 months	695.9	597.2
comparable growth[3]	*11.0%*	(11.4%)
Capital employed	781.3	701.8

[1] EBIT(DA) adjusted for specific items
[2] Adjusted for reclassification of nearshore infrastructure services in Europe-Africa from Land to Marine (EUR 17.3 million revenue in 2020)
[3] Corrected for currency effect

- Throughout the year, buoyant offshore wind activity levels led to a 21% growth in renewables, with projects executed in Europe-Africa, Americas and Asia Pacific. Oil and gas was down everywhere except in Europe-Africa. On balance, vessel utilisation was 72% compared to 66% in 2020.
- EBIT margin improved driven by asset integrity in all regions. Site characterisation margin was lower, mostly related to subdued activity levels in Middle East & India.

Land

Key figures, adjusted[1]

(x EUR million)	2021	20202
Revenue	423.8	405.9
comparable growth[3]	*5.7%*	(3.8%)
EBITDA	30.4	37.2
EBIT	10.7	14.9
EBIT margin	2.5%	3.7%
Backlog next 12 months	318.2	269.0
comparable growth[3]	*12.9%*	0.7%
Capital employed	225.6	173.0

[1] EBIT(DA) adjusted for specific items
[2] Adjusted for reclassification of nearshore infrastructure services in Europe-Africa from Land to Marine (EUR 17.3 million revenue in 2020)
[3] Corrected for currency effect

- Revenue increased by 5.7%, amongst others thanks to a 5% growth in infrastructure revenue. Only in Middle East & India, revenues were lower.
- Operational performance improved, in particular in asset integrity. However, this was offset by Covid related operational challenges in combination with lower cost compensation in Asia Pacific, and a transaction result on a property sale in China in 2020. In Middle East & India, the margin declined as a result of lower activity levels.

REVIEW BY REGION

Europe-Africa

Key figures, adjusted[1]

(x EUR million)	**2021**	2020
Revenue	657.6	595.4
comparable growth[2]	*8.6%*	*(11.1%)*
EBIT	62.3	46.8
EBIT margin	9.5%	7.9%
Backlog next 12 months	439.5	383.2
comparable growth[2]	*12.0%*	*2.7%*

[1] EBIT (margin) adjusted for specific items
[2] Corrected for currency effect

- Europe-Africa reported 8.6% growth, backed by a significant increase in the second and fourth quarter, when the sustained expansion of the offshore wind business was combined with recovery in the oil and gas market.
- The region's EBIT improved, driven by marine asset integrity, due to higher utilisation of vessels, supported by an increased utilisation of remote operations centres.
- The backlog shows an upward trend, both in marine and land. Growth was particularly strong in marine asset integrity.

Americas

Key figures, adjusted[1]

(x EUR million)	**2021**	2020
Revenue	355.5	340.2
comparable growth[2]	*7.8%*	*(12.6%)*
EBIT	1.7	(9.4)
EBIT margin	0.5%	(2.8%)
Backlog next 12 months	259.8	214.1
comparable growth[2]	*13.8%*	*(9.8%)*

[1] EBIT (margin) adjusted for specific items
[2] Corrected for currency effect

- Revenue increased 7.8% over last year, as a result of strong utilisation of the geophysical vessel fleet, a higher number of ROV support contracts in Brazil, increased positioning work in the Gulf of Mexico in the aftermath of hurricane Ida and more land asset integrity work.
- The region's margin improved thanks to higher marine asset integrity revenue and an improved margin in land site characterisation.
- The backlog increased substantially and is reflected in all business lines.

Asia Pacific

Key figures, adjusted[1]

(x EUR million)	**2021**	2020
Revenue	307.1	291.2
comparable growth[2]	*5.9%*	*(10.0%)*
EBIT	1.7	6.3
EBIT margin	0.5%	2.2%
Backlog next 12 months	182.4	161.5
comparable growth[2]	*6.7%*	*(22.3%)*

[1] EBIT (margin) adjusted for specific items
[2] Corrected for currency effect

- Revenues increased by 5.9%. The largest contributor was marine site characterisation which, after a slow first quarter, reported a strong recovery, on the back of renewable energy projects in Japan, South Korea, Taiwan and Vietnam.
- Asia Pacific was the region which sustained the largest impact from higher Covid-19 related mobilisation costs and delays, while the related government cost compensation was significantly below 2020. This impacted in particular the site characterisation business lines. In addition, 2020 included a positive transaction result on a property sale in China. The marine and land asset integrity businesses reported an improved EBIT.
- The backlog increased by 6.7% with land site characterisation showing the largest increase.

Middle East & India

Key figures, adjusted[1]

(x EUR million)	2021	2020
Revenue	141.5	159.5
comparable growth[2]	*(9.5%)*	*(20.4%)*
EBIT	(2.7)	4.5
EBIT margin	(2.0%)	2.8%
Backlog next 12 months	132.4	107.4
comparable growth[2]	*13.4%*	*(11.2%)*

1 EBIT (margin) adjusted for specific items
2 Corrected for currency effect

- Full year revenue declined owing to low activity levels during the first three quarters of the year impacting all business lines in the Gulf region, particularly marine and land site characterisation. After seven quarters of decline, revenue increased strongly in the fourth quarter, as several long-delayed contracts finally started and utilisation of the marine fleet increased significantly.
- EBIT declined as a result of lower revenue, mainly in marine and land site characterisation. Land asset integrity showed a significant improvement due to increased activity and efficient operations for the NEOM mega city development in Saudi Arabia.
- Backlog was up by 13.4% mainly due to growth in the fourth quarter, supported by all business lines.

HIGHLIGHTS INCOME STATEMENT

Result

(x EUR million)	2021	2020
Adjusted EBITDA[1]	**175.6**	**162.0**
Depreciation	(112.1)	(111.9)
Amortisation	(0.6)	(1.9)
Adjusted EBIT[1]	**63.0**	**48.2**
Specific items on EBIT	(2.7)	(28.4)
EBIT	**60.3**	**19.8**
Net finance income / (costs)	(18.3)	(74.0)
Share of profit/ (loss) of equity accounted investees	17.5	7.4
Income tax gain / (expense)	3.0	(25.2)
(Gain)/ loss on non-controlling interests from continuing operations	(2.9)	(2.1)
Net result from continuing operations	**59.6**	**(74.0)**
Result from discontinued operations	11.5	(99.8)
Net result including discontinued operations	**71.1**	**(173.8)**

1 EBIT(DA) adjusted for specific items

Specific items

Specific items in 2021 were composed of EUR 2.0 million restructuring costs, EUR 0.6 million net asset impairments and EUR 0.1 million other costs.

Net finance costs

Finance income / (costs)

(x EUR million)	2021	2020
Interest income	1.1	2.2
Net foreign exchange gain	18.7	–
Finance income	**19.8**	**2.2**
Interest expenses	(38.1)	(46.0)
Net foreign exchange loss	–	(30.2)
Finance expenses	**(38.1)**	**(76.2)**
Net finance costs	**(18.3)**	**(74.0)**

Interest income decreased by EUR 1.0 million to EUR 1.2 million primarily as a result of lower interest income on outstanding bank balances, while interest expenses decreased by EUR 7.9 million as a result of lower loans and borrowings. Net finance expenses decreased by EUR 55.7 million to EUR 18.3 million mainly as a result of a net foreign exchange gain of EUR 18.7 million compared to a net foreign exchange loss of EUR 30.2 million in 2020. The exchange gain in 2021 is primarily the result of the appreciation of the US dollar.

Share of profit/ (loss) of equity accounted investees

The share of profit of equity-accounted investees was EUR 17.5 million compared to EUR 7.5million in 2020. It mainly comprises the result of joint ventures, including the joint venture China Offshore Fugro Geosolutions and Fugro's remaining interest in Global Marine Holdings.

Income tax gain/ (expense)

There was an income tax gain of EUR 3.0 million compared to an expense of EUR 25.2 million in 2020. The variance is the result of increased taxation due to better results in various geographies offset by higher recognition of available deferred tax assets and the utilisation of carry forward tax losses.

(Gain)/loss on non-controlling interests from continuing operations

The EUR 2.9 million gain was attributable to non-controlling interests, mainly from a subsidiary in the Middle East.

Result from discontinued operations

Result from discontinued operations of EUR 11.5 million was a combination of Seabed Geosolutions' good operational result on the project for Equinor in Brazil, partly offset by charges related to the divestment on 27 June (mainly related to EUR 9.4 million restructuring costs and EUR 2.7 million impairment).

HIGHLIGHTS BALANCE SHEET AND CASH FLOW

Working capital

(x EUR million)	2021	2020
Working capital from continuing operations	158.9	111.7
Working capital as % of last 12 months revenue	10.9%	8.1%
Inventories	29.1	27.6
Trade and other receivables	512.8	406.3
Trade and other payables	383.0	322.2
Days revenue outstanding (DRO)	82	83

Working capital as a percentage of 12-months rolling revenue was 10.9% at the end of 2021 compared to a historically low 8.1% a year ago, reflecting good collections despite a particularly busy fourth quarter. Days of revenue outstanding was 82 days compared to 83 at year-end 2020.

Capital expenditure

(x EUR million)	2021	2020
Maintenance capex	38.3	47.6
Other capex (including fixed assets under construction)	41.4	33.6
Capex from continuing operations	**79.7**	**81.2**

Capital expenditure was in line with last year; around half was spent on maintenance of existing assets and the other half on expansion and transformation (investments in future technology & solutions, digitalisation, conversion of vessels, USVs and remote operations). In 2021, a Fugro-led consortium secured a grant from the Netherlands Enterprise Agency for the development of methanol as a low-carbon shipping fuel, which will be used to fund vessel conversion capex.

Return on capital employed

(x EUR million)	2021	2020
Capital employed[1]	1,006.9	874.8
Return on capital employed, ROCE (%)[2]	8.8%	4.6%

[1] Total equity plus loans and borrowings and bank overdrafts, minus cash and cash equivalents.
[2] ROCE is calculated using NOPAT of the last 12 months as a percentage of a three points average adjusted capital employed.

Capital employed increased by EUR 132.1 million to EUR 1,006.9 million, primarily due to an increase in equity resulting from the positive net result and contribution from other comprehensive income.

Cash flow from continuing operations

Cash flow

(x EUR million)	2021	2020
Cash flow from operating activities before changes in working capital	**119.2**	**86.3**
Changes in working capital	(28.0)	53.5
Cash flow from operating activities	91.2	139.8
Cash flow from investing activities	(65.0)	(34.4)
Cash flow from operating activities after investing	26.2	105.4
Cash flow from financing activities	(73.0)	(97.9)
Net cash movement	**(46.8)**	**7.5**

Cash flow from operating activities decreased as a result of higher working capital due to a higher activity level compared to a particularly low level at year-end 2020. The increase in cash flow from investing activities was primarily related to the one-off proceeds from the sale of Global Marine (EUR 49.9 million) in 2020. Cash flow from financing activities reflects amongst others, the redemption of the 2021 convertible bonds, of which EUR 59 million was outstanding at the start of 2021.

Cash flow from discontinued operations

Cash flow

(x EUR million)	2021	2020
Cash flow from operating activities after investing	13.3	(17.0)
Cash flow from financing activities	(13.3)	14.0
Net cash movement	**0.0**	**(3.0)**

Net cash movement from discontinued operations is at breakeven as a result of Seabed Geosolutions' good operational performance and proceeds from the divestment in June offset by changes in working capital and debt repayment in the second half of the year.

OUTLOOK

For 2022, Fugro expects an increase in revenue in offshore wind, infrastructure and water markets, plus modest growth in the oil and gas market, resulting in overall continued revenue growth. In addition, the company is focused on further margin expansion towards its 2023-2024 mid-term targets of an EBIT margin of 8-12% and a free cash flow of 4-7%, on the back of higher pricing, increasing asset utilisation, disciplined cost management, operational excellence and digital transformation. At the same time, the company will continue to focus on actively managing any impacts of the pandemic, inflationary pressures and a tight labour market. To support the anticipated growth and the company's transformation agenda, capex is estimated at around EUR 100 million.

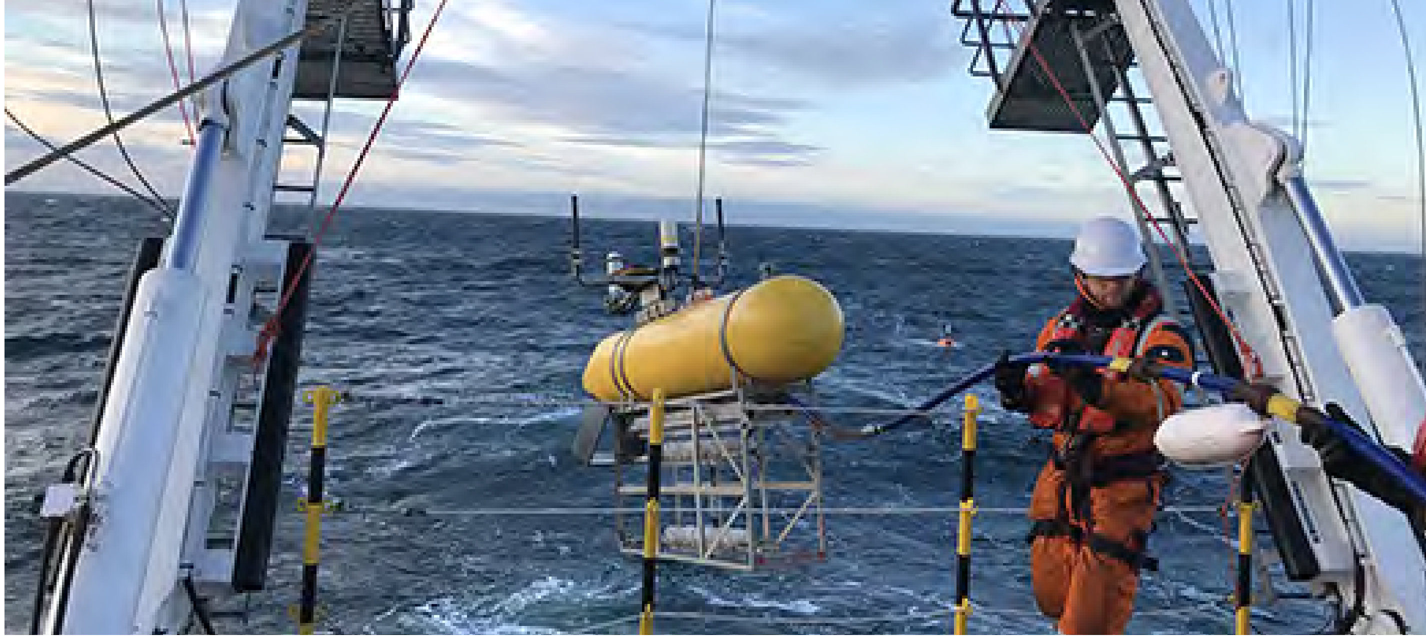
High quality solutions

The NPS or net promoter score is a globally recognised measurement of client loyalty and satisfaction, taken by asking clients how likely they are to recommend a company to someone else. Monitoring this metric is a demonstration of Fugro's intent to be fully client focussed and relationship driven, where the extremely valuable feedback allows the company to improve in many areas. In recent years Fugro has established a global client satisfaction survey tool, replacing the various local tools. In 2021, Fugro achieved an NPS of 55, although the number of responses in calculating this score is below a reliable sample size.

In the mid-term (2023-2024), Fugro aims to achieve a NPS of at least 40, calculated reliably from a sample size of at least 1,200 responses. Fugro strives for representative response rates from each region, country and business line. This NPS score is a good indicator that Fugro is doing well in looking after clients and able to generate and protect repeat business.

Fugro targets operational excellence through first time right delivery of results that meet client requirements, by adopting a 'lessons-learned' philosophy, coupled with easy-to-use and high-quality event reporting.

One of Fugro's key strengths is the translation of technological innovations into integrated digital solutions with a reduced CO_2 footprint. By leveraging technology developments in the fields of robotics, remote operations, cloud automation and machine learning, Fugro offers safer, faster, more efficient, and higher quality services and solutions, all in a more sustainable way. Fugro's portfolio of innovation is managed through a global network of research and development centres, where over 350 scientists, experts and technicians develop innovations. In 2021, Fugro spent 2.5% (2020: 2.6%) of its revenue on R&D and technology innovation, ensuring that clients receive the most up to date available technologies and solutions.



Fugro is a leader in the operation of advanced, multi-purpose uncrewed surface vehicles (USVs). Fugro's USVs consume over 90% less fuel than traditional vessels, supporting Fugro's target of net zero emission operations by 2035. Since 2020, Fugro has been deploying its 9-metre Blue Shadow USV fleet for medium- to large-scale hydrographic survey applications. In 2021 Fugro, together with its partner SEA-KIT International, has delivered its first two 12-metre Blue Essence USVs including fully electric Blue Volta remotely operated vehicles (ROVs). These two USVs have completed their first commercial inspection jobs successfully. In 2022, Fugro will continue to further expand its fleet of USVs in the range from 12 to 18 metres which will have longer endurance and will be able to deploy larger ROVs and towed equipment for site investigation purposes.

For offshore site investigations, also new robotic solutions have been introduced, such as an automated, portable system that is able to do cone penetration tests and vibro core samples (Blue Snake) and a portable shallow water unexploded ordnance identification and clearance tool with safe operations down to 20 metres water depth (SeaAuk).

In 2022, Fugro will introduce a new version of its highly portable and efficient rapid airborne multibeam mapping system (RAMMS), that will work on unmanned aerial vehicles. Other innovations such as mobile laser mapping systems and electric cone penetration testing operations will further reduce Fugro's carbon footprint.

In 2021, 62 national and international patents/patent applications were filed or validated. Additionally, the amount of exclusive rights has also increased with 29 new patents granted. In total, Fugro currently has 85 pending and 462 granted patents.

Patent filings

	2021	2020	2019	2018
Priority patent filing	2	7	9	11
National/regional patent filings	62	62	39	42
Granted patents	29	35	10	7

A significant part of Fugro's technology is developed in close cooperation with its clients, and joint research and development activities are carried out with local universities and institutes throughout the countries in which Fugro operates. Fugro maintains relationships with over 30 universities and other knowledge institutes across the globe. Examples include the University of California at Berkeley, Davis, Los Angeles and San Diego, Massachusetts Institute of Technology, University of Texas Austin and Texas A&M University, Louisiana State University, Catholic University of Chile, University of Oxford, Cambridge University, Imperial College in London, University of Montpellier (France), Delft University of Technology (Netherlands), Universite catholique de Louvain (Belgium), King Abdullah University of Science and Technology (Saudi Arabia), University of Western Australia, Queensland University of Technology, Griffith University (Australia) the Hong Kong University of Science and Technology, the University of Hong Kong, Eidgenoessische Technische Hochschule Zurich (Switzerland), Politecnico di Torino (Italy), Heriot-Watt University Edinburgh/OrcaHub (Scotland), University of Twente (Netherlands), TIAS Business School Tilburg and Universiteit Leiden.

Since 2014, Fugro funds the Chair in Geotechnics at the Centre for Offshore Foundation Systems at the University of Western Australia, whose research team performs world leading research in offshore geotechnical engineering. The relationship places the research undertaken at the forefront of its field and accelerates the dissemination of the outcomes into industry practice to maximise impact. In 2021, the academic partnership was renewed for a further five years. Recent collaborations have been focussed on offshore wind and have included a large research project to optimise wind turbine foundations under dynamic loadings. In addition, Fugro provides funding for PhD scholarships to support high-quality graduates in offshore geotechnics and engineering. Selected PhD students are offered the opportunity to work for Fugro where suitable opportunities exist. Fugro continues to contribute extensively to technical and scientific advancement through publications in technical and scientific journals, as well as through posters and presentations at events and seminars. In 2021 Fugro scientists, engineers and experts published close to 60 papers.

SOCIAL

Fugro is as good as the people it employs, and an engaged and skilled workforce is crucial to its success. Learning and development is an area of strong focus, in order to attract, develop and retain skilled staff in a competitive labour market. Fugro is an equal opportunity employer that promotes diversity and treats everyone with integrity and respect.

Health, safety, security and wellbeing

Safety is key to all of Fugro's operations and is an integral part of its operational management and innovation efforts. Fugro is committed to providing a safe working place to its employees, contractors and clients, and firmly believes that incidents can be prevented. Fugro recognises the importance of implementing standards and practices that eliminate risk exposure or control it to an acceptable level across all its activities. To address these risks, Fugro has a common approach to managing the health, safety, security and environmental (HSSE) aspects of its operations that requires all entities to meet the same standards of practice. Centrally developed policies, strategies, standards, performance indicators and targets help manage risk and achieve the highest levels of HSSE performance.

In 2021, three colleagues sadly lost their lives during two separate extreme weather events, while supporting client operations on third party vessels. One incident occurred in April 2021 in the USA Gulf of Mexico where two colleagues lost their lives when the third party vessel they were on capsized due to extremely bad weather that suddenly hit the area. In the same month, another colleague lost his life when an accommodation barge capsized during the cyclone Tauktae that hit the coastal area offshore West India. Our thoughts and support continue to be with family, friends and colleagues that have been affected by these tragic incidents. Fugro has re-assessed and strengthened its procedures around seconding Fugro employees to third party vessels. These tragic events demonstrate the critical importance of high levels of HSSE management and the continued emphasis on safety awareness, management and performance at all levels in the organisation and across the industries in which Fugro operates.

During this second pandemic year, health, safety and wellbeing of employees was again central in our Covid-19 management approach. While there were individual infections in parts of the business, serious vessel, project or office outbreaks have been prevented. Directed by a global task force, reporting to the Executive Leadership Team, Fugro continued to manage their groupwide response to the outbreak by ensuring continued communication and engagement with Fugro's regional operations, clients and other external stakeholders. Fugro's management approach is guided by regular interaction and advice from the medical experts from international SOS. The approach includes the constant development and review of regional and local response plans, aligned with guidelines and measures provided by local medical authorities. Fugro has a risk-based approach and strict guidance for vessel crew changes and project rotations.

Regular Covid-19 updates and guidance are shared with all staff via continuously updated dedicated pages on Fugro's intranet. Mindful of the impact of the pandemic on people's personal and professional lives, Fugro is actively promoting support for employees and their families through its independent and confidential global employee assistance programme, providing 24/7 support for mental-health-related issues.

Fugro believes vaccination is the route out of this pandemic, and encourages all employees to get vaccinated through their local medical authorities' vaccination plans or via other reputable vaccination

Safety performance

	2021	2020	2019	2018
Lagging indicators				
Lost time injury frequency (x million hours)	0.70	0.67	0.68	0.46
Total recordable case frequency (x million hours)	1.71	1.62	1.58	1.56
Total lost work days	419	444	691	362
Leading indicators				
Senior management project and site visits	1,015	675	987	808
Completed 'Managing Safely in Fugro' courses	165	*	1,010	393
Completed mandatory annual Life-saving rules' e-learning	92%	NA	NA	NA

* The course had to be delayed to 2021 due to the pandemic; in 2021 the format was changed to online.

programmes. Fugro has based its offshore Covid-19 management plans on fully vaccinated crews. Fugro strongly contributed to operational continuity during the pandemic with its remote operations centres, enabling operations when key personnel could not travel to the vessel, allowing projects to continue and to be delivered on time.

Fugro's operations are performed in accordance with ISO 9001 (Quality Management), ISO 45001/OHSAS 18001 (Occupational Health and Safety), ISO 14001 (Environmental Management) and ISM codes (International Management Code for the Safe Operation of Ships), or equivalent certifications. Fugro expects its business partners to adhere to comparable HSSE management standards and be aware of Fugro's principles, policies and standards. Fugro works with its partners, such as suppliers and clients, to support the adoption of practices that are aligned with Fugro's standards.

Active and reactive monitoring are critical elements of the HSSE management control loop. Fugro continuously reviews potential areas of improvement and ensures thorough root cause analysis of every incident. All lost time incidents and high potential incidents undergo a review process with a member of the Executive Leadership Team participating. Fugro promotes visible leadership and a sense of responsibility throughout the organisation. Senior managers set and implement the required relevant policies and procedures, decide on organisational objectives and priorities, and lead by example. Furthermore, every employee is personally responsible for his or her own and co-workers' safety and is authorised and encouraged to speak up and stop the job if they feel a situation is unsafe.

Fugro's employees continue to cope professionally with the significant operational challenges in relation to the pandemic and the loss of expertise as a result of related high staff turnover. The company demonstrated the strength of its operational and project management systems and was able to maintain its high levels of HSSE performance. In 2021, with a lost time injury frequency of 0.70 per million staff hours, Fugro's incident rates were comparable to previous years. Fugro's awareness on safety awareness could sadly not prevent the loss of three lives during two separate extreme weather events in 2021 while supporting client operations on third party vessels, Fugro has re-assessed and strengthened its procedures around seconding Fugro employees to third party vessels.

Taking into account amongst others its ongoing diversification away from oil and gas projects to, from a safety perspective less mature industry sectors, Fugro has adjusted its mid-term target to a lost time injury frequency of below 0.5 per million staff hours. The 3S Together campaign will provide a significant push to raise awareness and focus from managers and employees to work safely and drive further maturity of the groupwide safety culture.

To continuously improve safety performance, also leading metrics with regards to senior management site visits and training are monitored. Where possible because of the pandemic, these visits have continued and alternatively have taken place online.

To ensure continuation during the pandemic of the IOSH accredited Managing Safely training for line managers and supervisors, a virtual course with an external consultant was developed, which combines online content with instructor-led interactive webinars. Virtual delivery allows for a wider geographic participation, removing the need to travel to attend. In 2021, 165 colleagues successfully completed the training within this new format. In 2021, Fugro also started with a mandatory IOSH Managing Safely 5-year online refresher course, which was completed by 74% of the eligible 636 employees.

In 2021, Fugro launched its new global safety programme '3S Together' centred around the conduct that everyone in Fugro must follow in order to work safely, every day. The underlying 'Think Safe, Work Safe, Stay Safe' principles stimulate a working environment in which safety is actively managed by all, and where potentially hazardous situations are openly discussed and reported. This multi-lingual programme is also available to clients and suppliers.

Talent attraction, learning and development

Learning and development is an area of strong focus for Fugro in order to attract, develop and retain skilled staff in a competitive labour market. Throughout the year, Fugro continued to provide a broad offering of training courses and programmes that have been established over the years, covering the range of technical, safety, professional and interpersonal skills to support employees in their work and professional development.

Fugro aspires to be an employer of choice and is committed to employing and retaining talented people. In 2021, we continued with embedding the Fugro's Personal Leadership Expectations into the performance appraisal cycle: a set of corporate behaviours that encourages and inspires everyone to bring their best self to the organisation, drive performance and personal development.

Covid-19 has changed the world and Fugro is adapting to this change. In line with guidelines of local governments, Fugro teams are preparing for their return to the office and it is expected that a lot of people will continue to work in a hybrid manner, where Fugro employees partially work from home where possible. At the same time, Fugro believes that in-office collaboration is just as important to Fugro's future as it has been in the past. In-office time will be focused on connecting with colleagues, collaboration, and innovation. Fugro will support managers and employees with training opportunities as needed to adapt to this new post-pandemic normal.

Fugro's company values guide employees in fulfilling Fugro's purpose and thus in everybody's behaviour; therefore they also play an important role in our internal communications, training and development programmes. In 2021, the new values were officially

launched: *We are determined to deliver, We do what's right, We prepare for tomorrow, We build trust*. This set of values is based on hundreds of conversations and workshops with colleagues throughout the organisation. The global launch is supported by extensive communication tools, including an online values game.

Fugro's management values engagement with its employees, as it enables prioritisation of the topics that impact employees' well-being, professional development and commitment to the company. To collect company-wide feedback, Fugro conducted four employee engagement surveys in 2021, each centred around a different theme. The results show that employees are well aware of how their teams contribute to the strategy and have confidence in their colleagues. Employees mostly feel safe to discuss mistakes and speak up if they see or experience something that they feel isn't right. Employees sense a relatively good atmosphere of inclusion. On a more critical note, employees see opportunities for Fugro to better organise work processes and communicate changes.

During the year, in line with the global trend, Fugro faced challenges with retention, resulting in 14% of employees leaving to pursue other opportunities. The pandemic in particular is impacting the choices that people make regarding their career paths and work-life balance. Retaining Fugro's employees is a key management priority.

Voluntary staff turnover

2021	**2020**	**2019**	**2018**
14%	8%	10%	8%

The Fugro Academy is instrumental in the ongoing development of commercial, technical and management skills of employees at all levels throughout the company. Fugro Academy combines classroom, on site, online and virtual training, and operates certified live marine training facilities. During 2021, the use of virtual and online training was expanded further to substitute in-person training programmes, which had to be suspended due to the pandemic. In 2020, the focus was mainly on internal technical training, but during 2021, the range was expanded to include business skills courses on commercial and sales, project management, health and safety. Specific trainings supported managers to help them lead their teams during these extraordinary circumstances. Fugro's cloud-based human resources system Workday and LinkedIn Learning are instrumental to making these training and development opportunities available to all staff.

Fugro Academy statistics

	2021	2020	2019	2018
Number of enrolments	109,367	139,551	50,832	82,511
Number of completed courses	80,873	101,193	39,596	81,021

Fugro believes in the value of young people who bring new ideas on Fugro's role in the world, now and in the future. The 'U.Gro' programme was started in 2020 to support the onboarding of all new employees with a bachelor's degree or higher and less than two years work experience. In 2021, more than 250 young colleagues worldwide participated in this programme and this group grows every month. The International Leadership Track is a separate track of U.Gro which aims to attract and accelerate the development of highly talented university graduates. During a 2.5 year learning journey they are challenged with different (international) assignments, supported by training opportunities, a senior mentor and a coach. They develop a broad understanding of the organisation, establish a network and build cross-functional relationships, all of which prepare them for taking up key positions in the company.

Diversity and inclusion

Fugro is committed to creating a healthy work environment in which everyone uses their full capabilities and achieves their personal and professional aspirations. To this end, Fugro provides fair terms and conditions of employment and equal opportunity for all, in an environment where everybody feels valued. Recruitment, evaluation, promotion, development, and compensation decisions are based on qualifications, merit, and performance or business considerations.

Fugro strongly believes that when people feel accepted, included and valued, they are more engaged in their roles, work more collaboratively with colleagues, and deliver better outcomes for Fugro and its clients. Fugro's human rights policy formalises its responsibility under the Universal Declaration of Human Rights to respect the rights of those affected by its activities. The policy addresses principles such as diversity and non-discrimination, freedom of association, fair working hours, fair wages, protection of health and safety, no child labour and adequate grievance procedures. Fugro does not discriminate in employment opportunities or practices on the basis of race, colour, religion, disability, national origin, genetic information, age, sexual orientation, gender (including gender identity and expression), marital status, union affiliation, citizenship status or any other characteristic protected by applicable law. Fugro's approach of non-discrimination in employment relations applies amongst others to recruitment, compensation and benefits, training, promotions, and redundancies.

Fugro expects similar standards from third parties that work for or on behalf of Fugro, in line with its supplier and partner code of business principles. Together with leading industry partners, Fugro is committed to the 'Building Responsibly Worker Welfare' principles. In addition, Fugro endorses the ILO international labour conventions and the OECD Guidelines for Multinational Enterprises and is a signatory of the UN Global Compact.

Collective or individual labour relations are ruled by local applicable law, collective agreements, Fugro's Code of Conduct and underlying policies. Various collective bargaining agreements are in force within several of Fugro's entities. The agreements cover topics such as remuneration, working conditions, health and safety, equal opportunity and training. As per local labour laws, Fugro's entities in the Netherlands, Belgium, France, Germany, Norway, Brazil, and Australia have works councils, union or employee representatives and/or formal health and safety committees.

Fugro is an international company that employs around 9000 people from over 100 nationalities from different backgrounds. The company has operations in 59 countries throughout the world where operations are staffed with and managed by local people, whilst also offering opportunities for international careers and development opportunities.

Fugro targets diversity in its broadest sense at all levels of the organisation. Fugro believes in the importance of gender diversity and that it is a significant challenge to increase the representation of women at all levels. Therefore Fugro's diversity roadmap is currently focussed on gender diversity and inclusive behaviour in the widest sense. Fugro aims to attract, retain and promote women throughout the organisation. Fugro ensures job descriptions are gender neutral and the recruitment process promotes equal opportunity. In 2021, the company was successful in attracting women for several key senior management positions, both at corporate and regional level. At year-end, the Board of Management was 50% female, and the Executive Leadership Team 33%. Overall, in 2021, 20% (2020: 20%) of senior management positions were held by women. Fugro targets an increase to 25% by 2025.

In 2021, a female leadership programme called U.WiL (Women in Leadership) was launched for around 160 women worldwide. Women in roles with the potential to make a positive impact on Fugro's future leadership needs were invited to join, mostly middle managers and subject matter experts. The program focuses on participants developing their leadership compass aligning to their values and principles, by encouraging leadership traits and behaviours through coaching, influencing, trust, conversations, growth and impact. In addition, Fugro's senior executives regularly discuss female leadership, both internally and externally. In October 2021, at a conference of the European Association of Geoscientists and Engineers, Fugro hosted a discussion on diversity, inclusion, and leadership styles with an actively involved audience.

Promoting diversity and inclusion within Fugro's workforce is a responsibility of all management throughout the company; the executive responsibility lies with the Chief Human Resources officer.

Gender diversity

	2021	2020	2019	2018
Overall				
Female	22%	21%	21%	20%
Male	78%	79%	79%	80%
Total number of employees in full-time equivalents	8976	9025	9856	10045
In senior management				
Female	20%	20%	20%	19%
Male	80%	80%	80%	81%

Equal pay

Fugro promotes fair and equal pay for equal jobs. In 2021, a gender pay gap analysis was performed on two levels, by making use of the newly established global career framework:

- Gender pay gap: difference between overall average pay across all levels of the organisation.
- Equal pay gap: difference between the average pay within comparable jobs.

For the gender and equal pay gap analysis, countries with more than 250 employees were taken into consideration, in total covering 73% of employees, to ensure the analysis is statistically meaningful. The gender pay gap analysis showed some disparities that can mainly be explained by the relative under-representation of women in middle management and subject matter expert roles. The outcomes of the equal pay gap analysis are used to instigate further evaluation at local level. The discussions around gender and equal pay gap increase awareness and attention at local levels for this topic. Recruitment, hiring and salary procedures remain focused at equal pay for equal jobs.

Living wage

In addition to equal pay for men and women, Fugro is committed to living wages for all its employees and subcontractors. Fugro respects national statutory minimum wages, and the minimum living wage in case this is higher. Living wage is a wage that provides employees with the necessary income to maintain a decent standard of living for themselves and their dependants, based on the cost of living in the local context. Since 2018, Fugro performs an annual living wage assessment, and has increased wages in a few individual situations that surfaced in these assessments as being below the living wage standard. The 2021 assessment compared the data in Fugro's global human resource system with benchmark data provided by 'WageIndicator', a well known labour market data base. In conclusion, overall fair remuneration was applied and living wage minimums were respected. A small number of exceptions was found. Local management has been instructed to address these cases.

7 AFFORDABLE AND CLEAN ENERGY

ENERGY TRANSITION

Supporting the nascent offshore wind industry in Asia

Initially mostly European, the offshore wind industry has become an increasingly global market in which Fugro has a prominent position.

As one of the first major offshore wind developments in Vietnam, Enterprize Energy Group plans to develop the 3,400 MW Thang Long Offshore Wind Farm off Binh Thaun Province.

In an area covering approximately 2,000 square kilometres between 20 and 50 kilometres from the coast, Fugro and a local provider of technical services PTSC G&S are supporting the project with a floating lidar system measuring oceanographic and meteorological data.

The project will be a significant step forward in the development of the Vietnamese renewable energy industry, securing a move away from a dependence on coal or gas fueled power plants to an energy mix that includes wind (onshore/offshore), solar, biomass and hydroelectric energy.

ENVIRONMENTAL

Driven by the company's objectives to reduce its impact on the environment and meet global climate change related CO_2 reduction objectives, Fugro's focus relates to both its solutions for the energy transition and climate change mitigation and adaptation ('what we do'), and the way in which the company operates ('how we do it'). It is Fugro's ambition to support its clients to achieve net zero carbon emissions, enable the development of sustainable infrastructure and strengthen climate resilience. New Geo-data acquisition platforms, remotely operated and complemented by underwater robots that require significantly less supervision and maintenance, allows Fugro to drive CO_2 emissions of inspections down by over 90%. For its own operations. Fugro is committed to become net-zero by 2035 (scope 1 and scope 2 emissions), amongst others by investing in decarbonisation of its vessels and equipment.

Climate change mitigation and adaptation solutions

Fugro actively manages the opportunities and risks resulting from climate change for its business operations, taking both aspects of mitigation and adaptation into account. In 2020, Fugro started with the implementation of the Task Force on Climate-related Financial Disclosures (TCFD) framework to increase its insight into the potential impacts on the organisation, by conducting a qualitative assessment. From the potential risk and opportunity categories as identified by TCFD, Fugro assessed in detail those categories it considers relevant given its business characteristics (e.g., sectors, clients, suppliers, and location of operations). At this stage, Fugro has not performed a detailed analysis for different climate change scenarios, as these are not anticipated to result in a material change to its strategic approach to climate change.

Fugro further detailed its roadmap to achieve its net zero emission target (scope 1 and scope 2) for 2035. Guided by this target, the main focus is on reduction of emissions from vessel operations, for which detailed development and capex plans have been established. Refer to Group performance, greenhouse gas emissions, for more information on this roadmap.

While managing climate related risks (refer to the Risk management chapter for more details), Fugro is uniquely positioned to leverage its Geo-data services in order to contribute to the transition to a lower carbon economy and climate change adaptation.

Growth markets such as offshore wind and other renewable energy sources, coastal protection, ocean science and hydrography, flood control and urbanisation related infrastructure development provide significant opportunities for further diversification and expansion of Fugro's related solutions. As the world's leading Geo-data specialist, Fugro is increasingly involved in projects that map and mitigate the impact of climate change. In light of challenges such as erosion and rising sea levels, coastal resilience is an increasingly relevant theme that requires Fugro's Geo-data expertise.

Fugro has set a target for revenues in its renewables, sustainable infrastructure and water markets of at least 65% in 2024. In 2021, these market segments contributed for 61% to revenue (including 'other').

Fugro is leveraging its knowledge and assets towards contributing to the blue economy: the sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystem: an emerging concept which encourages better stewardship of the world's oceans.

The sustainable management of ocean resources will require collaboration across borders and sectors through a variety of partnerships, and on a scale that has not been previously achieved. Fugro supports several initiatives that aim to fill the sizeable data gaps that currently exist in ocean knowledge. In 2021, Fugro signed a strategic partnership with the Intergovernmental Oceanographic Commission of the UNESCO. By the end of the year, the company was invited to join the Ocean Decade Alliance. In 2021, Fugro also continued its support of The Nippon Foundation-GEBCO Seabed 2030 project, with approximately 522,000 km^2 of Fugro in-transit bathymetry data contributed over the course of the year, bringing our total contribution over 2 million km^2 mapped ocean floor of data.

% revenue from renewables, infrastructure and nautical markets

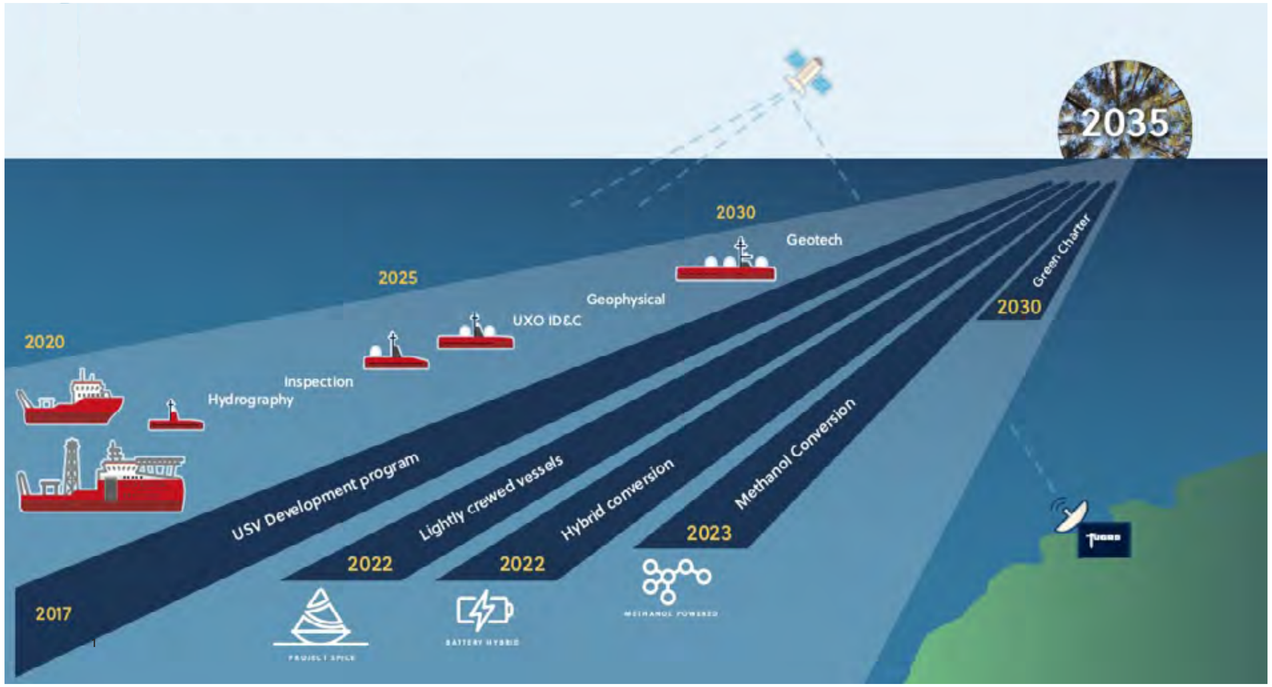
	2021	2020	2019	2018
Renewables	24%	21%	14%	11%
Infrastructure	23%	23%	23%	24%
Nautical	8%	8%	7%	6%
Other	6%	3%	4%	5%

Greenhouse gas emissions

The need for greenhouse gas (GHG) and specifically carbon dioxide (CO_2) emission reductions to avoid further global warming is a pressing, worldwide topic. In the lead-up to COP26 in Glasgow in November 2021, many studies were published showing that the world is not yet on track to meet the ambitions of the Paris agreement. Moreover, many people around the globe were affected by climate change related events in 2021 than ever before. Companies play an important role in the required reduction of GHG emissions. Fugro targets to become net-zero by 2035 covering all direct and indirect emissions from its operations (scope 1 and scope 2 emissions). To support this goal, Fugro has formally committed to setting science-based targets on its absolute CO_2 emission reduction in line with the Science Based Targets initiative (SBTi). The process of setting science-based targets takes approximately one to two years (2022-2023). Fugro's current intermediate targets are to lower vessel emission intensity by 20% in 2025 compared to 2020, and to source 80% of electricity consumption from renewable energy by 2025.

Fugro follows the Greenhouse Gas Protocol reporting standard, specifying scope 1, 2 and 3 emissions. Since 2019, Fugro discloses its CO_2 emissions scope 1 and 2 through CDP. By doing so, Fugro demonstrates the transparency and accountability vital to tracking progress toward a sustainable future. Since Fugro works as a service provider and consultant, the carbon footprint of its own operations is limited to the assets used for data acquisition, laboratories, transport and office environments. The majority of Fugro's scope 1 emissions comes from its vessels, either owned or chartered, followed by road and air transport. Scope 2 emissions come from electricity consumption of Fugro's offices, laboratories and other facilities.

Fugro's roadmap towards net zero 2035



CO_2 emissions from vessels, both owned and chartered, account for approximately 80% of Fugro's combined scope 1 and 2 emissions. Fugro's target to reduce the vessel emission intensity by 20% by 2025 compared to 2020, is more ambitious than the International Maritime Organisation (IMO) target of reducing GHG emissions from international shipping by at least 50% in 2050 compared to 2008. Reducing vessel emissions requires significant multi-year investments. Fugro's net-zero fleet in 2035 will consist of low or zero-emission fueled vessels and uncrewed surface vessels (USVs). To that end, Fugro's long-term investments entail the conversion of vessels to run on the low carbon emission fuel methanol, replacement of older vessels, and the further development and utilisation of uncrewed surface vessels and remote operations centres. In 2021, Fugro has recorded over 140,000 remote operations project hours (2020: 97,000 hours), setting new standards for safety and sustainability in land and marine environments. Fugro increasingly uses electrified and hybrid assets in its land site characterisation business.

Fugro plans to have the first methanol conversion for its survey vessel Fugro Pioneer to be completed early 2023. In the medium term, Fugro also invests in hybrid propulsion systems for its vessels to improve fuel efficiency. In the short term, Fugro continues to improve its vessels' energy efficiency through optimisation tools for fuel-efficient operations ranging from relatively simple solutions such as less heat absorbent deck paints and LED-lighting, to using route optimisation tools and the economic speed model. In addition, Fugro offers its clients biofuel as a short-term solution. Supported by these measures, in 2021, Fugro further reduced the emission intensity of its own vessels by 3% to 14.8 tonnes.

Besides owned vessels, Fugro uses chartered vessels for its operations. Since 2018, Fugro monitors CO_2 emissions from chartered vessels. In 2021, Fugro's vessel selection vetting procedure has been strengthened with a CO_2 index.

For 2025, Fugro targets at least 80% renewable energy consumption for its offices and other facilities worldwide. This will be achieved though transition to renewable energy suppliers and by seeking alternatives in those countries where green energy is not yet readily available. During 2020, many Fugro offices were able to switch to renewable energy. These offices, such as the UK offices, had their first full year of 100% renewable electricity in 2021. As a result, in 2021 about 43% of Fugro's electricity consumption was from renewable sources. In the region Europe-Africa 74% of all electricity consumed was renewable, in the Americas this was 59%. Asia Pacific and Middle East & India prove to be more challenging due to absence of local renewable options on the grid. Fugro is looking for solutions in these regions.

In 2021, Fugro has conducted a spend-based analysis of its scope 3 emissions. Based on 2020 procurement data, and using widely accepted databases and conversion factors, Fugro's 2020 scope 3 emissions were estimated at the equivalent of 390 kilotonnes CO_2. The majority of scope 3 emissions relates to purchased goods and services. This analysis will be used to develop plans and

Vessel CO_2 emission intensity (tonnes CO_2 per operational day)

	2021	2020[1]	2019[1]	2018[1]
Owned vessels[2]	14.8	15.3	16.1	17.5
Chartered vessels	15.0	16.9	14.4	14.5
Owned and chartered vessels	**14.9**	**15.8**	**15.4**	**16.4**

Total vessel CO_2 emissions (kilotonnes)

	2021	2020	2019[1]	2018
Owned vessels[2]	114	111	126	147
Chartered vessels	70	69	80	72
Owned and chartered vessels	**184**	**180**	**206**	**219**

[1] CO_2 emission intensity for 2018, 2019 and 2020, and absolute emissions 2019 have been restated. Refer to Sustainability reporting principles for more information.
[2] Emission (intensity) data of owned vessels include two leased vessels under Fugro management.

targets to drive Fugro's efforts on lowering its scope 3 emission reductions.

Environmental management

Fugro has strict group-wide guidelines for risk management, and incident prevention, investigation and reporting. Fugro operates according to environmental standards; the requirements of ISO 14001 or similar have been integrated into Fugro's operational activities, providing objectives and practical tools to manage the company's environmental responsibilities. Compliance audits are carried out, both internally and by external certification bodies and clients.

The risks that Fugro's activities pose to the environment are largely related to potential small spills during data collection activities, on land or at sea. Land data collection equipment, such as geotechnical drill rigs and cone penetration trucks, are hydraulically powered and could pose a risk of spillage. Fugro's equipment is managed under appropriate proactive maintenance programmes and is subject to periodic inspections, including daily pre-start checks. Operational teams are provided with spill kits and have been trained to capture, contain and clean any potential spillage during operations.

Sulphur emissions

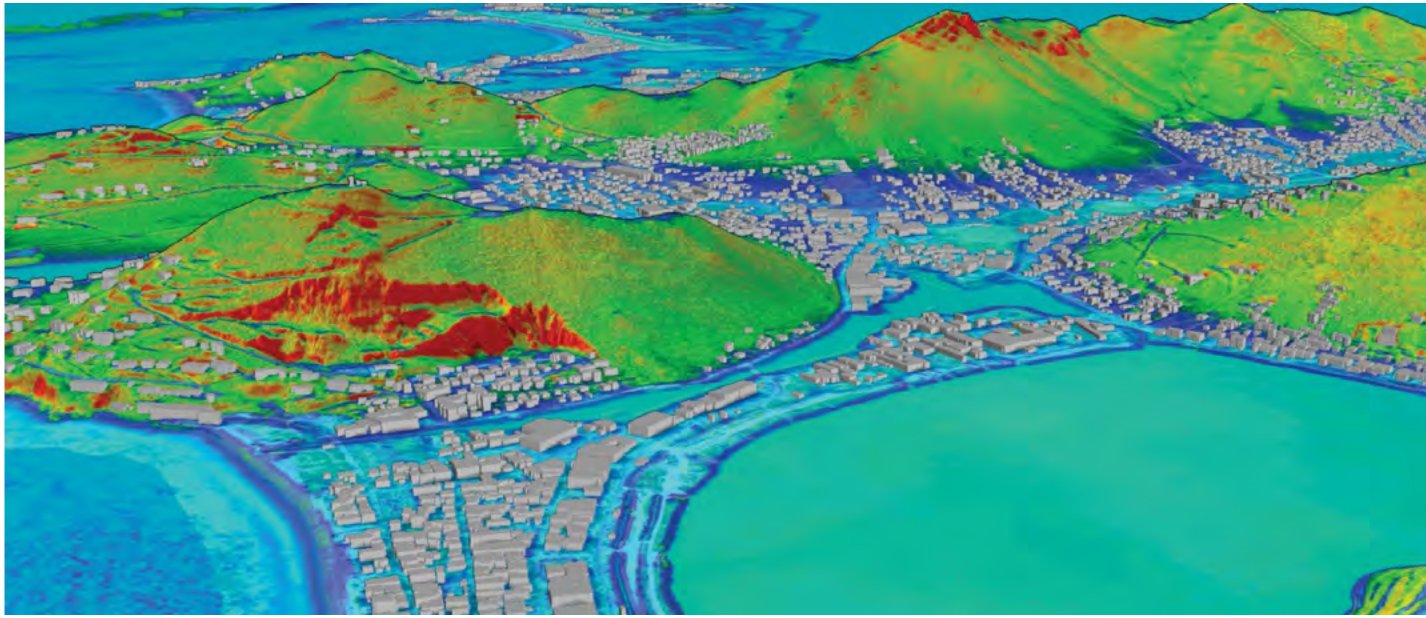
In its 'IMO 2020' regulation, the IMO has lowered the sulphur limits for the fuel oil used by ships, Fugro's vessels were already using 'clean fuel' technology long before these regulations came into force, and all fuel consumed during the year was within the reduced emission requirements.

Biodiversity

Biodiversity decline is increasingly becoming a key topic with high priority and urgency for governments, investors, clients and other stakeholders. Similar to climate change, Fugro's data collection capabilities and know how play an important role in understanding biodiversity and related changes, fully in line with its purpose of creating a safe and liveable world.

In 2021, Fugro has undertaken an impact assessment of its activities and resulting potential effects on biodiversity. By listing its activities and mapping the potential impact and resulting effects of each activity, further insights were developed. This resulted in an overview of potential effects on biodiversity, mitigating measures already in place, areas for improvement and best practices. Two types of impact from Fugro's operations stand out: the generation of greenhouse gas emissions contributing to global climate change, and underwater sound generated through some of Fugro's data-acquisition activities, such as via the use of multibeam echosounders, sub-bottom profilers or side-scan sonar equipment. These learnings are now used to develop further mitigating measures.

In addition, the company is actively engaging with its stakeholders by raising awareness among employees, clients, contractors and suppliers on this topic. Fugro contributed to the International Marine Contractor Association (IMCA) Recommended Code of Practice on Environmental Sustainability, which addresses marine biodiversity.



COMPLIANCE

Business ethics & compliance

Fugro's global presence exposes the company to regional and local laws, regulations, customs and practices, in at times, challenging political and economic environments. We are committed to adhering to applicable laws and regulations, and to conducting business in a responsible manner. The Code of Conduct, together with its underlying policies, helps employees and Fugro companies to put Fugro's values into practice. Together they provide practical guidance on how to conduct Fugro's business ethically, comply with legal requirements, and maintain Fugro's good reputation.

Code of Conduct and related policies

The Code of Conduct addresses topics including non-discrimination, health and safety, drugs and alcohol, anti-corruption, conflict of interest, political involvement, and fair competition. It applies to all Fugro employees, contractors and third parties Fugro works with such as suppliers and partners. Underlying policies provide further guidance on several topics, such as human rights, sponsoring and charity, gifts and entertainment, anti-corruption and fair competition. In 2021, an updated version of the Code of Conduct was published. Sections on data protection and responsible taxation were added to further highlight Fugro's commitment to these topics. Continuous efforts are made to convey the importance of the Code of Conduct and adherence with its contents and the underlying policies. Dilemma workshops have proven to be an effective way to discuss how Fugro's Code of Conduct should be brought into practice in difficult situations. Due to pandemic related restrictions, new workshops have been postponed to 2022.

Human rights

Fugro recognises its responsibility under the Universal Declaration of Human Rights to protect human rights, and to ensure that its business operations do not contribute to human rights abuses. The company is committed to the Core Conventions of the International Labour Organization, outlining, among others, freedom of association and collective bargaining, fair working hours and fair wages. The company has strengthened these commitments in its policy on human rights and the supplier and partner code of business principles.

Fugro endorses the OECD Guidelines for Multinational Enterprises and in 2021, joined United Nations Global Compact, the world's largest corporate sustainability initiative. Executive responsibility for the implementation of the human rights policy lies with the General Counsel/Chief Compliance Officer and with the Chief Human Resources officer.

Speak-up procedure

Fugro's speak-up ('whistleblower') procedure forms an essential part of the company's compliance programme and is available not only to employees and contract staff, but also to third parties with whom Fugro has a business relationship, such as customers, suppliers and agents. The procedure offers multiple channels for reporting a suspected violation of the Code of Conduct and/or of its underlying policies and outlines the subsequent internal investigation process which is supervised by Fugro's Corporate Integrity Committee.

One of the channels for reporting a suspected violation is the Convercent reporting line: a web-based application which offers users the opportunity to report violations in their local language. The procedure clearly stipulates that any party reporting in good faith is protected from any kind of retaliation. Nonetheless, anonymous reporting is also possible. Webinars and guidance material on the procedure are available to support managers and other staff in promoting Fugro's values and a culture of transparency and respect. To ensure that the Code of Conduct, its underlying policies and the speak-up procedure are easily accessible to all employees, the documents are available in the company's most relevant working languages and accessible via intranet and the website.

Fugro's Corporate Integrity Committee investigates any allegations regarding a breach of the Code of Conduct and/or its underlying policies. This committee consists of the Group Director Human Resources, Director Internal Audit, General Counsel/Chief Compliance Officer and senior compliance officer, and reports to the CEO and CFO. If a violation is determined, the committee advises on the appropriate remedial action. In 2021, Fugro received 9 reports of a suspected violation of Fugro's Code of Conduct or its underlying policies compared to 34 in 2020. Reports pertain to instances of (perceived) harassment, bullying or unfair treatment, (perceived) accounting misrepresentation, (perceived) conflict of interest or safety concerns. All 9 reports received were thoroughly investigated by the Corporate Integrity Committee and, where necessary, appropriate organisational and/or disciplinary measures were taken.

Supplier and partner code of business principles

Fugro's supplier and partner code of business principles governs the obligations and relationship between Fugro operating companies and the third parties they work with. It explicitly refers to for example Fugro's human rights policy, which includes fair working hours and wages. Fugro emphasises the use of the supplier and partner code as means to actively engage with Fugro's suppliers and partners to ensure they work with similar values as Fugro.

Screening of business partners

Over the years Fugro has entered into various joint ventures and other partnership agreements. To reduce possible compliance and operational risks, due diligence and monitoring procedures include screening of the parties involved in an appropriate database; this can be expanded to include background investigation by an independent expert agency. Partnership agreements include compliance provisions relating to anti-corruption laws and audit rights.

In certain limited instances Fugro works with commercial agents. All commercial agents are screened by an independent expert agency at least every two years, or more often as appropriate. The standard Fugro agency agreement includes clear compliance obligations, guidelines regarding fee arrangements, regular reporting requirements as well as audit rights. Any agent relationship is closely monitored, and each agent has to sign a compliance declaration once a year. At year-end 2021, Fugro had reduced the number of commercial agents to 5 (2020: 9).

International sanctions

To ensure compliance with internationally imposed sanction programmes, the company has a strict procedure in place in relation to working in sanctioned territories. This entails that prior to confirming any tender, submitting proposals, entering into contracts or deploying resources in any sanctioned territory, Board of Management and General Counsel/Chief Compliance Officer's approval must be obtained.

Compliance monitoring

Annually, an extended group of senior management worldwide must fill out a declaration regarding compliance with the Code of Conduct and related policies. For the year 2021, 100% of these managers have submitted the signed form. Adherence to the Code of Conduct and its related policies and procedures, as well as the supplier and partner code of business principles, is also monitored by Fugro's internal audit department. The head internal audit also plays an integral part in any investigation led by Fugro's Corporate Integrity Committee.

Data privacy and security

Building on its commitment to maintaining a high level of privacy standards around the globe, Fugro has a global privacy compliance programme in place, including global privacy and data protection principles. These set the global standard for Fugro with respect to the processing of personal data. These principles apply in all countries in which Fugro conducts its business and to all use of personal data. The programme has been implemented in Europe, the Americas and Asia Pacific, while preparations have been made for implementation in Middle East & India and Africa in 2022.

In 2021, one personal data breach was reported to the Dutch Data Protection Authorities. This breach pertained to a cyber-attack at one of Fugro's suppliers through which hackers gained access to a limited amount of Fugro personal data. Fugro at the time informed those individuals whose data was breached. There was no access to any data on Fugro's systems.

Fugro is ISO 27001 certified in multiple of its key markets. Fugro has a dedicated global information security team expertise consisting of a governance and operations team. Due to increasing dependence on information technologies, for instance due to growing usage of remote operations, Fugro has invested in resources and technology in order to respond timely and effectively to incidents, such as phishing attempts and malware outbreaks, and has set up a dedicated architecture team on IT and technology for remote operations and solutions. In 2021, a new cyber security campaign started. with tailored content for specific audiences, such as staff on vessels. As a result, an increased number of Fugro staff reported phishing attempts to the security operations team. The campaign will continue in 2022.

Information security management is on the agenda of the Board of Management at least on a quarterly basis.

Taxation

Fugro believes a responsible approach to tax is an integral part of sustainable business and that it is both a cost of doing business and a contribution to the countries in which it operates. Tax effects are one of the components in the commercial process but ultimately only legitimate business considerations drive decisions. Fugro does not undertake artificial tax planning, including the use of tax havens, contrary to legislative intentions.

Fugro's global presence exposes the company to various complex tax jurisdictions and tax systems. These systems are constantly under development following initiatives from individual countries and organisations such as the OECD and the EU. Other developments arise from the economic environment; as tax is a crucial component of the financial budget of national jurisdictions, economic developments have a direct impact on the way fiscal regulations are designed and upheld. In particular, the severe impact of the pandemic on all economies and local budgets is expected to be addressed by changes in tax collections across the world.

Fugro’s tax strategy and underlying tax principles, which illustrate good corporate practice in the areas of tax management and transparency, are both available on the company’s website. They support the company’s business strategy by providing value to the group through delivery of high-quality tax services within boundaries of legal and tax frameworks. The strategy has been approved by Fugro’s Board of Management and the audit committee of the Supervisory Board. The global tax department is equipped to support Fugro’s global activities in an effective and compliant manner. It is complemented by an extended tax function, represented by professionals across finance, business, procurement and human resources. This alignment is part of the integrated control framework. External support is provided by a reputable global network of external tax advisers that strictly follow their professional standards.

Fugro’s audit committee reviews, at least once a year, the tax strategy including financial impact, management of tax risks, valuation of deferred tax assets, status of compliance and tax implications of any acquisition or divestment.

Based on its risk-based audit plan, the internal audit department monitors tax compliance and controls. Fugro’s global tax position and tax processes are also included in the audit process of the external auditors, on a local and consolidated level. External support is provided by a reputable network of external tax advisers that strictly follow their professional standards.

Fugro has good working relationships with tax authorities in various jurisdictions, mitigating future disputes and uncertainty with potential financial, business and reputational effects. In The Netherlands for example, Fugro cooperates with the Dutch tax office

in an open and transparent matter on material tax topics. This cooperation is not formalised under an agreement. Another example is the United Kingdom, where Fugro cooperates with the tax office under the UK applicable Business Risk Review process, with a variety of information exchanges between tax authorities and taxpayer.

Fugro’s approach to tax is guided by its values and is embedded in the Code of Conduct. Issues related to elements of the Code of Conduct can be addressed through Fugro's speak-up (‘whistleblower’) procedure, including taxation related issues.

Fugro has outlined its key risks in the Risk management chapter. Although Fugro has not listed specific key tax risks, tax is an integral part of the overall risk management process. Within the Fugro internal control framework, internal controls addressing risks related to tax and compliance with local and international tax laws and regulations are outlined. The in-control statement by the Board of Management is based on the effectiveness of Fugro’s internal controls, including those relating to tax. In line with the principle that taxation is an integral part of the business, no separate tax in-control statement is provided by the Board of Management. The auditor does not provide separate assurance on tax; compliance with relevant tax laws and related tax accounting is nevertheless a material item as part of the financial statement for which assurance is provided by the external auditors.

EU Taxonomy reporting

The EU Taxonomy-Regulation became effective mid-2020 as part of the EU Action Plan on Sustainable Finance, aimed at directing investments towards sustainable projects and activities. This regulation is intended to serve as a standardised and mandatory classification system to determine which economic activities are considered as ‘environmentally sustainable’ in the EU.

The EU Taxonomy-Regulation identifies the following six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and the protection and restauration of biodiversity and ecosystems.

A distinction is made between Taxonomy-eligibility and Taxonomy-alignment. An activity can be considered eligible when it is described in the Delegated Regulations of (EU) 2020/852. To assess whether the activity can also be considered Taxonomy-aligned or 'environmentally sustainable', an additional evaluation has to be executed to identify if the specified technical screening criteria in the Delegated Regulations are met.

For the financial year 2021, the reporting requirement only covers eligibility of the company's economic activities in turnover, capital expenditure and operating expenditure. Furthermore, currently the catalogue of sustainable activities per the EU Taxonomy ('EU Catalog') only covers two of the six environmental objectives: climate change mitigation and climate change adaptation.

The regulation is complex and still under development. This is also illustrated by the approval (in principle) by the European Commission on 2 February 2022 of the Complementary Climate Delegated Act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the Taxonomy. Fugro will assess the impact of these and other changes. These disclosures are prepared based on our current interpretation and taking into account data availability, as further explained below.

Application

Revenue

The turnover KPI is calculated by the proportion of revenue derived from products or services that are Taxonomy-eligible. The total revenue of EUR 1,462 million for 2021 provides the denominator for the turnover KPI and corresponds to the total revenue in the consolidated statement of comprehensive income for the year ended 31 December 2021.

Fugro's market segmentation has been used as a basis to determine whether revenue was generated with Taxonomy-eligible activities in accordance with Annex I (substantial contribution to climate change mitigation) or Annex II (substantial contribution to climate change adaptation) of the Delegated Regulations. Based on detailed analysis of the items included in its revenue, the company has allocated the related revenue to the Taxonomy-eligible economic activities to the extent possible.

The new Taxonomy regulation is complex, still under development and the interpretation and application is evolving. Compounded by the short implementation window, for the 2021 mapping exercise the company has focused on the larger activities and those with a clear link (or lack thereof) to the Taxonomy in relation to the objectives of climate change mitigation and adaptation. This results in 25% of Fugro's revenue generating activities classifying as eligible.

Based on 2021 numbers	**Revenue**
Taxonomy eligible	25%
Non-eligible	41%
Unassessed*	34%
Total (X EUR million)	1,462

* Refers to activities for which the company was not yet able to conclude on eligibility, for example because data was not available or considered not sufficiently reliable.

Eligible activities primarily relate to the renewables market, where Fugro's services and solutions enable the development of offshore wind farms which are a key contributor to the energy transition by generating electricity from renewable sources supporting climate change mitigation.

The company expects that more of its activities may classify as eligible per Annex II (substantial contribution to climate change adaptation) and possibly per the other four objectives. These include activities such as those related to flood protection, water infrastructure, water resource management and hydrography. As a result, the proportion of reported eligible turnover is expected to increase over 2022 compared to 2021.
The portion of revenue which is currently non-eligible and that includes these activities is reported as unassessed.

In 2021, 39% of Fugro's revenue was generated from the oil and gas market segment. Activities supporting the development and production of fossil fuels do not qualify as eligible under the Taxonomy. This revenue is therefore included in the 41% of revenue of which non-eligibility has been established. At the same time, meeting the short-term energy demand requires an energy mix which includes fossil fuels, in particular natural gas. Furthermore, our solutions enable clients to keep their existing oil and gas assets operating in a safe, sustainable and reliable way by efficient inspection and corrosion detection work. Fugro is committed to executing its activities in the most sustainable way, using state of the art technologies with a strong focus on significant reduction of our own carbon emissions. Fugro supports the ambition to work towards a net-zero Europe by 2050 and targets 'net zero' carbon emissions from its own operations by 2035 (scope 1 and scope 2).

Capex

Capital expenditures considered for Taxonomy purposes (Taxonomy-Capex) comprise additions to property, plant and equipment, additions to intangible assets and additions to right-of-use assets (see notes 17, 18 and 19 of the financial statements. Additions to goodwill, if any, are not considered. Capital expenditures can be reported as eligible when an activity is either already Taxonomy-eligible or is part of a credible plan to extend or reach environmental sustainability.

Focusing again on the larger activities and those with a clear link (or lack thereof) to the Taxonomy in relation to the objectives of climate change mitigation and adaptation, this results in an eligibility of 43% out of total Taxonomy-Capex of EUR 103.43 million (non-IFRS performance measure; reference is made to the reconciliation of non-IFRS performance measures and glossary). Capital expenditures are derived directly from accounting records, avoiding double counting. Capital expenditures that are classified as eligible include investments in vessels including dry-docking and investments in uncrewed vessels (USVs). USV operations increase safety by removing personnel from high-risk offshore environments and reduce carbon footprint by over 90% compared to traditional survey methods.

It is expected that alignment will be below the percentage of eligibility, as for example regular maintenance capex will probably not meet the specified technical screening criteria. To reach net zero carbon emissions from its own operations in 2035, Fugro is investing in decarbonisation of its vessels and equipment, and the procurement of green energy. A significant part of these investments is expected to classify as Taxonomy-aligned.

Opex

Operating expenditures to be considered for Taxonomy purposes include direct, non-capitalised costs for research and development expenses, building renovation measures, short-term leasing, maintenance and repair expenses and any other direct expenditure relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party outsources that are necessary to ensure the continued and effective functioning of such assets were considered for the denominator calculation. Operating expenditures have been left out of scope of our initial assessment, considering data availability limitations and expected low materiality.

Next steps

During 2022, Fugro will proceed with this assessment and implementation of the related Taxonomy reporting requirements. This includes a further review to cover all of the company's activities and implementing internal data-collection and reporting processes in line with the requirements of the EU Taxonomy. In addition to the evaluation regarding the alignment criteria, this also includes the assessment of whether the eligible activities make a significant contribution to an environmental objective defined by the Taxonomy-Regulation while no other environmental objective is significantly negatively affected. In addition, compliance with minimum social safeguards in accordance with the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, ILO Core Labour Standards and the International Bill of Human Rights must be ensured.

SUSTAINABILITY REPORTING PRINCIPLES

Reporting framework

This board report has been prepared according to the legal requirements of section 2:391 of the Dutch civil code, including the Dutch Corporate Governance Code and the Decree on disclosure of non-financial and diversity information. The information in this report on Fugro's approach to managing climate risk follows the recommendations provided by the Task Force on Climate-Related Financial Disclosures (TCFD).

Fugro's reporting has been guided by the reporting principles from GRI standard 101: Foundation as issued by the Global Reporting Initiative. Fugro has applied the principles for defining report content (stakeholder inclusiveness, sustainability context, materiality, and completeness) and the principles for defining report quality (accuracy, balance, clarity, comparability, reliability, and timeliness) in the preparation of the sustainability information. Moreover, the report has been informed by the value creation concept and the content elements of the Integrated Reporting Framework.

Scope & consolidation

This report covers the activities of Fugro N.V. and its subsidiaries for the period from 1 January to 31 December 2021. The scope for human resources (HR) data and health, safety, security and environmental (HSSE) data including CO_2 emissions, is based on the principle of operational control. For entities under operational control, 100% of HR, HSSE and CO_2 emission data is included irrespective of percentage ownership. In the Fugro annual report 2021, the scope of operational control coincides with the financial consolidation scope. The vessel CO_2 emissions of Seabed Geosolutions have been included up to the divestment in June 2021. HR and HSSE data have always excluded Seabed Geosolutions.

Reporting process and controls

The Board of Management is responsible for the contents of the integrated annual report. Director Investor Relations coordinates the board report and collects information from departments, group strategy & communication, safety & sustainability, human resources, and compliance. The Board of Management thoroughly reviews the contents before signing off.

Health and safety data are extracted from the global HSSE system, HR data from the global HR system Workday. Fugro's subsidiaries report their fuel and renewable/ non-renewable electricity consumption and related scope 1 & 2 emissions in the group's consolidation system. CO_2 emission data from vessels is collected via the digital operational management environment. Each of these systems is operated with checks and balances to safeguard data quality.

The group safety & sustainability team safeguards that the non-financial data from different source systems is consistent with the indicator definitions.

CO_2 emissions

Fugro follows the GHG Protocol and applies the operational control approach to set organisational boundaries for GHG accounting purposes. CO_2 emissions from vessels account for approximately 80% of Fugro's combined scope 1 & 2 emissions. Both owned and chartered (long-term and short-term) vessels are included, because Fugro has operational control of the chartered vessels. Other scope 1 emissions are caused by fuel consumption of cone penetration trucks, vehicles and the operation of rigs and other assets. Scope 2 emissions come from electricity consumption of Fugro's offices, laboratories and other facilities. Fugro discloses its CO_2 emissions scope 1 & 2 through CDP. Fugro reports only on CO_2, because this constitutes around 99% of Fugro's total greenhouse gas emissions. Fugro uses marine gas oil to fuel the vessels; it does not use LNG-powered vessels.

The vessel emissions in 2019 have been restated to exclude one vessel that was incorrectly included. The vessel was divested in November 2018, but Fugro continued vessel management. By mistake, the vessel's emissions were included in the 2019 Fugro vessel emissions. In addition, the CO_2 emission intensity for 2018, 2019 and 2020 has been restated for the inclusion of Seabed Geosolutions' vessel operational days, which were previously omitted.

KPI definitions

Vessel CO_2 emission intensity

CO_2 emissions from fuel combustion of the vessels, both owned and chartered, in tonnes of CO_2 per operational day. An operational day is when the vessel is being used for actual business-related project work, including project related transit, preparation and testing. The notion of operational is irrespective of project contractual or client definitions or interpretations and is not linked to actual agreed contractually paid days. For each vessel, the fuel consumption (on both operational and non-operational days) is multiplied with the density factor (source: Bunker Delivery Note) and the CO_2 emission factor (source: latest edition of the International Maritime Organisation (IMO) GHG studies). The outcome is total CO_2 emissions in the period per vessel. The sum of total CO_2 emissions for all vessels is divided by the sum of operational days for all vessels.

Share of energy consumption in Fugro offices from renewable sources
Part of the electricity consumption in Fugro offices from renewable sources such as solar, wind, hydro, thermal and tidal energy.

Lost time injury frequency (LTIF)
Sum of injuries resulting in fatalities, permanent total disabilities and lost workday cases per one million exposure hours. A lost workday case is a work-related injury or illness which results in a person being unable to perform their normal work or restricted work on any day after the day on which the injury /illness occurred. LTIF covers both employees and contractors in all Fugro's activities.

Total recordable case frequency (TRCF)
Sum of injuries resulting in fatalities, permanent total disabilities and lost workday cases, restricted work cases and medical treatment cases per one million exposure hours. TRCF covers both employees and contractors in all Fugro's activities.

Number of employees
Number of employees in full-time equivalents per 31 December, excluding contingent workers.

Percentage of female employees
Number of female employees as share of total number of employees, based on headcount per 31 December.

Percentage of women in senior management
Number of women in defined senior management positions as share of total number of defined senior management positions, based on headcount. Senior management positions are defined as all functions in global grade 16 and higher in Fugro's global career framework. Per 31 December 2021, this includes 41 senior management positions.

Voluntary employee turnover rate
Total resignations divided by average headcount in the reporting year, covering all staff on an employment contract and excluding contingent workers.

Number of completed courses at Fugro Academy
Total number of courses completed by employees at Fugro Academy during the reporting year, including classroom, on site, online and virtual training.

Net promotor score
Net promoter score is a globally recognised measurement of client loyalty and satisfaction, taken by asking clients how likely they are to recommend Fugro to someone else, on a scale from 0 – 10 (lowest to highest score). Net promotor score is a representation of the percentage of promoters minus the percentage of detractors, and is expressed as a figure from -100 to +100. Those customers answering the above question with a 6 or lower are known as detractors and those with a score of 9 or 10 are promoters. Scorers of 7 or 8 are passives and not included in the calculation.

Number of alleged violations of Code of Conduct
All suspected violations of the Code of Conduct reported through one of the channels of the Speak-Up procedure during the reporting year. The Speak-Up procedure is available to employees, contract staff, and business relationships.

Remote operations centre (ROC) project hours
Number of offshore project hours managed from a remote operations centre. The number of offshore project hours is based on the number of working hours that would have been required if the project was managed from a vessel instead of remotely. The remote project hours allow Fugro to track the amount of traditional project hours that are replaced with safer and more efficient remote operations.

Renewables, infra and water as percentage of total revenue
Revenue in the market segments renewable energy, infrastructure, and water (nautical), as a percentage of total revenue.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SUSTAINABLE INFRASTRUCTURE

Fugro creates Digital Twin of Scotland's railway network

Infrastructure is the backbone of our society, and the need for innovative surveying techniques and accurate data analysis becomes critical. In 2021, Fugro was contracted to survey Scotland's rail network and provide Network Rail with a range of outputs to support operations, maintenance, and infrastructure upgrades including vital structure gauging information.

The network was surveyed using Fugro's train-mounted RILA monitoring system to simultaneously acquire lidar point cloud data, track position and imagery of the track and surrounding environment. Where possible the system was deployed on in-service trains, eliminating the need for dedicated survey trains or surveyors to be on or near the track. This cost efficient approach provides a clear health and safety benefit and reduces network disruptions.

Once recorded, the digital datasets are merged, and a 3D real-world digital twin of the track corridor is created that can be used to support the continued safe passage of trains operating on the network, facilitate the introduction of more energy efficient rolling stock, and support the design of new electrification projects; assisting Network Rail in their commitment to meet their science based, zero emission targets. ■

Governance

BOARD OF MANAGEMENT

Mark R.F. Heine (1973) Chief Executive Officer
Nationality Dutch
Employed by Fugro Since 2000. Joined Fugro's former Executive Committee in 2013 and appointed to the Board of Management in April 2015. Appointed CEO in October 2018
Current term Until AGM 2023
Background Mark Heine joined Fugro in 2000 and served in various positions, including amongst others, geodesist on various onshore and offshore survey projects, managing director Africa, regional manager Europe-Africa, Director of the Survey division, Executive Committee member and division director. He holds a MSc in Geodetic Engineering from Delft University of Technology. Mark is member of the board of directors and vice-chair of marine contractor association IRO.

Barbara P.E. Geelen (1974) Chief Financial Officer
Nationality Dutch
Employed by Fugro Since 2021. Appointed to Board of Management as Chief Financial Officer per May 2021
Current term Until AGM 2025
Background From 2014 until 2021 Barbara was CFO at HES International, one of Europe's largest independent bulk handling companies. Prior to that, she held various leading roles at ABN AMRO and has extensive experience in equity and high yield capital markets transactions, restructuring of companies and managing client teams, among others in the energy sector. She has extensive international experience. She holds a masters degree in Business from the University of Nijmegen.

Company secretary Paul Theunissen (1980)

EXECUTIVE LEADERSHIP TEAM

Erik-Jan Bijvank (1969)
Group Director
Europe-Africa
Dutch nationality
Employed by Fugro:
since 2020

Erik-Jan has spent over 20 years with Stork, a Fluor Corporation company in several senior management roles both in the Netherlands and the UK. He holds an MSc from Universiteit Twente and a Master of Project Management from Western Carolina University.

Céline Gerson (1972)
Group Director Americas
French/American nationality
Employed by Fugro:
since 2021

Before joining Fugro, Céline served as Vice President Global Account Director for Schlumberger and President of Schlumberger Canada. Along with being a Harvard Business School Alumna, Céline holds a Bachelor's degree from the European University of Brussels and a Juris Doctorate from the University of Houston.

Amar Umap (1972)
Group Director Asia Pacific
Indian nationality
Employed by Fugro:
since 2017

Amar has worked for several multinationals, including Technip, Global Industries, McDermott International Inc. in Asia Pacific, India, Middle East and USA. He graduated from the Indian Institute of Technology, Kharagpur with a Bachelor of Technology in Civil Engineering and holds a Global Executive MBA from INSEAD.

Tim Lyle (1977)
Group Director Middle East & India
British nationality
Employed by Fugro:
since 2006

Tim joined Fugro as an engineering geologist and project manager. He has since served in several management positions including country manager for Oman and the UAE and Regional Director of Europe. He holds a bachelor engineering degree from Camborne School of Mines, University of Exeter.

Erwin Hoogeveen (1968)
Group Director Human Resources
Dutch nationality
Employed by Fugro:
since 2016

Previously, Erwin worked in various HR leadership roles with Seafox, CEVA Logistics, Dockwise, BMC Software and Getronics. He holds a BA in Human Resources Management from Avans Hogeschool in Breda.

Annabelle Vos (1978)
General Counsel/Chief Compliance Officer
Dutch nationality
Employed by Fugro:
since 2016

Annabelle worked in private practice for 11 years at De Brauw Blackstone Westbroek, a Dutch law firm, in their M&A and corporate litigation practice groups. She holds a Master of Law degree from Leiden University and a Master of International Relations and International Economics from Johns Hopkins University.

Wim Herijgers (1975)
Group Director Development & Digital Transformation
Dutch nationality
Employed by Fugro:
since 2014

Before joining Fugro, Wim was Principal at the Boston Consulting Group for over 12 years. He holds an MBA from INSEAD and an MSc in Electrical Engineering from Delft University of Technology.

The Executive Leadership Team includes the CEO and CFO.

14 LIFE BELOW WATER

CLIMATE CHANGE ADAPTATION

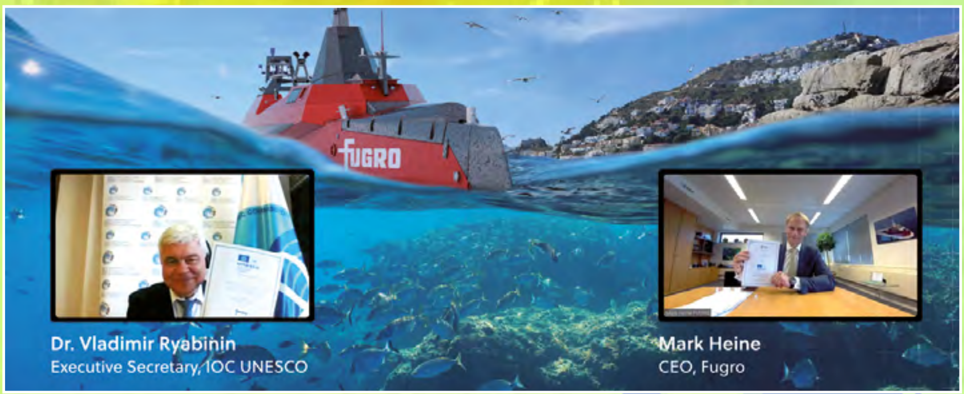
Increasing ocean knowledge

The world's oceans cover 70% of the Earth's surface and support nearly every aspect of our lives. Fugro is leading the industry in support of two complementary initiatives that aim to fill the sizeable data gaps that currently exist in our ocean knowledge.

The United Nations Decade of Ocean Science for Sustainable Development (2021-2030) was launched in January 2021 to reverse the cycle of decline in ocean health and ensure ocean science supports countries in creating improved conditions for sustainable development of the ocean. Fugro significantly expanded its engagement over the course of the year, starting with CEO Mark Heine joining world leaders and experts at the first International Ocean Decade Conference in June.

In September, Fugro signed a partnership agreement with the Intergovernmental Oceanographic Commission of the United Nations Educational, Scientific and Cultural Organisation to improve the coordination of and access to global ocean science data. By the end of the year, Fugro was invited to join the Ocean Decade Alliance, an exclusive network of eminent partners of the Ocean Decade.

In addition, Fugro continued its support of Nippon Foundation-GEBCO Seabed 2030 project, with approximately 522,000 km² of Fugro in-transit bathymetry data contributed over the course of the year. This initiative aims to deliver a wholly mapped ocean within the next decade. Fugro has been involved since the start in 2017 and has to date contributed over 2 million km² of data.



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RISK MANAGEMENT

Doing business inherently involves taking risk and therefore risk management is an essential element of Fugro's culture, corporate governance, strategy development, and operational and financial management. On a daily basis, risks are managed by employees as part of their roles and responsibilities. Fugro is willing to take certain risks associated with the execution of its core business, as it is sufficiently equipped to successfully manage them within the boundaries of its expertise as set by the Board of Management in consultation with the Executive Leadership Team and under supervision of the Supervisory Board. These boundaries ensure that the actions of a single individual will not result in disproportionate risk or missed opportunities for the entire company resulting in not achieving Fugro's strategic goals.

Fugro's risk management is aimed at supporting long-term and short-term sustainable value creation. It is designed to provide reasonable assurance that objectives are met by integrating management control into daily operations, ensuring compliance with legal requirements and safeguarding the integrity of the company's financial reporting and its related disclosures. Fugro's risk management framework is in line with the Dutch Corporate Governance Code.

Key risks

Risk category	Key risks	Risk appetite	Page	Fugro's approach
Strategic	■ Market exposure ■ Climate change ■ Innovative capability ■ Employees and capacity	■ High ■ Low ■ High ■ Low	68 68 69 69	For strategic risks, acceptable risk levels vary depending on the subject at hand, where expected rewards have to justify the risk. In any case, all risks related to climate change and employees and capacity are subject to a low-risk appetite
Operational	■ Health, safety and security ■ Project execution ■ Information security and technology	■ Low ■ Moderate ■ Low	70 71 71	Operational risks are managed with a moderate risk appetite. However, all risks related to health, safety and security, and information security and technology are subject to a low-risk appetite as Fugro strives for the highest level of performance.
Financial	■ Company financing ■ Liquidity and working capital ■ Currency risk	■ Low ■ Low ■ Low	72 72 73	Financial risk appetite is low, with the intent to limit financial risks and maintain long-term solvency and a sustainable capital structure.
Compliance	■ Legal & regulatory compliance	■ Low	73	Compliance is subject to a low-risk appetite as Fugro strives for the highest level of compliance with legal and regulatory requirements.

RISK APPETITE AND SENSITIVITY

Risk appetite refers to the level of risk, that Fugro is prepared to accept or be exposed to in pursuit of long-term value creation. Risk boundaries are driven by the company's culture, corporate governance and management systems, its expertise and strategic risk assessments. This is detailed in Fugro's values, Code of Conduct, policies and procedures and authorisation schedules. The company's risk management aims to identify, assess and manage risks in accordance with its risk appetite in the different categories.

In 2021, Fugro has been impacted with the ongoing effect of the pandemic. The impact was observed through operational and logistic challenges, albeit with strong regional differences. We have adapted our work processes, but also continuously reviewed, updated and where needed strengthened our robust Covid-19 management protocols to deal with the operational challenges and turbulent market conditions caused by the pandemic and constant new medical insights and developments, aimed at business continuity while focusing on the physical and mental health, safety and wellbeing of employees, with a specific focus on staff on remote projects and vessels. Our increased remote operations capabilities facilitated continued operations for our clients. Furthermore, country specific Covid-19 related regulations are continuously being monitored and employees are informed and guided according to the latest updates.

In addition to the key risks mentioned above, other risks which can potentially impact Fugro's market or financial position, as well as reputation, are closely monitored and managed. Considered risks include biodiversity, geopolitical developments, business ethics, human rights, and the global macro-economic situation such as the current inflation and the price increases of raw materials. These risks influence Fugro's work environment and could impact the realisation of Fugro's strategy Path to Profitable Growth, and its related mid-term targets.

RISK MANAGEMENT FRAMEWORK

Fugro has a risk management framework in place to identify and manage risks and internal controls.

Control environment

The first level of the control environment consists of Fugro's employees who perform the day-to-day activities in the business operations, and their management guided by ISO certified management systems: ISO 9001 (Quality Management), ISO 45001/ OHSAS 18001 (Occupational Health and Safety), ISO 14001 (Environmental Management) and ISM codes (International Management Code for the Safe Operation of Ships), or equivalent certifications. This also includes people who work in shared service centres, for among others finance, human resources and IT. They undertake these activities in accordance with the applicable authorisation matrix, which is updated regularly by the Board of Management in consultation with the Executive Leadership Team. They have the obligation to obtain an appropriate level of understanding and training regarding their roles and responsibilities and carry them out correctly and completely. Every employee is expected to comply with internal policies, procedures and guidance, and applicable laws and regulations.

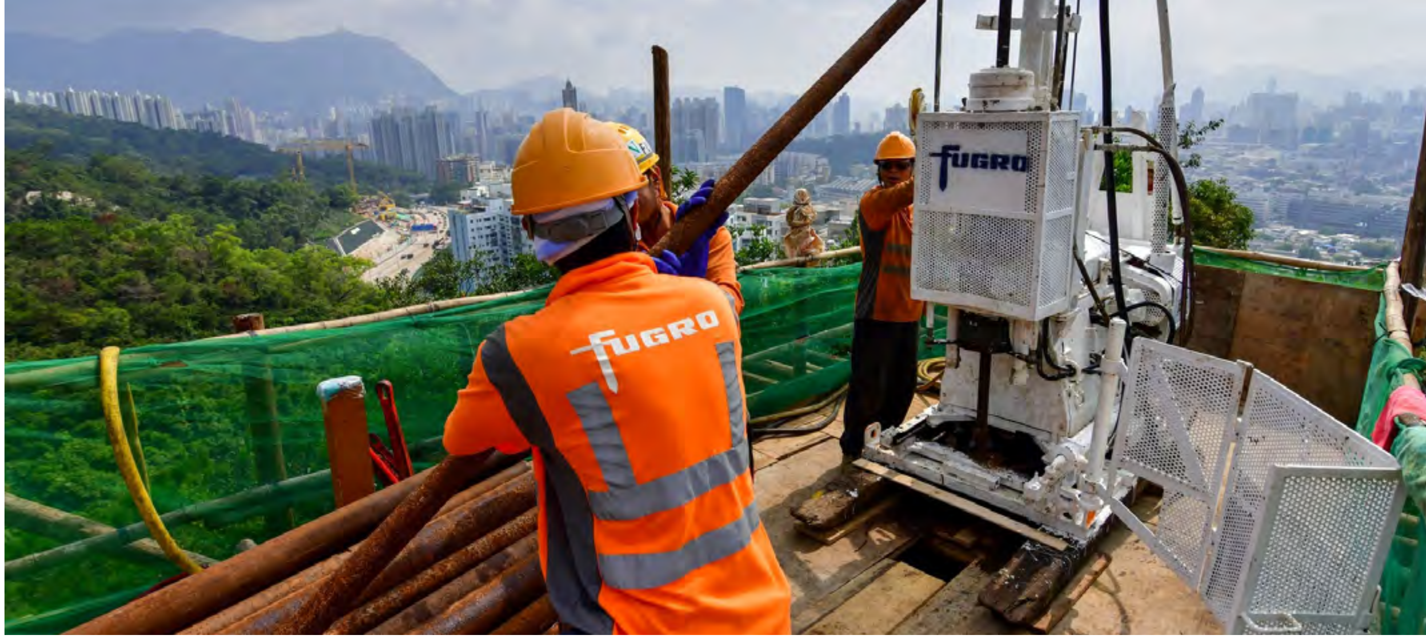
The second level consists of the company's regional and business line management and support functions such as QHSSE, sustainability, financial and management control, procurement, IT, tax, human resources, insurance, communication, strategic sales and marketing, innovation, treasury, operational excellence, compliance and legal. People within these functions carry out various risk management and compliance activities to issue guidance, support and/or monitor the first level controls.

The third level consists of the independent internal audit department which reports primarily to the Board of Management and the audit committee on the structure, existence and effectiveness of risk management and internal control systems. In the second place, the internal audit department provides services to facilitate risk management activities.

Internal control and risk management procedures have been further embedded and structured within the organisation. Risks have been detailed, aligned between the regions and linked to specific internal control procedures. In 2021, a risk management maturity scan was performed by an external specialist, assessing the risk management process and related procedures. No material shortcomings regarding the risk management framework have been reported. By taking the outcomes of the maturity scan into account, processes will be further enhanced in 2022.

Responsibilities

Fugro's risk management governance is based on a delegated accountability across the regions, business lines, global support functions and shared service centres. Accordingly, risks and opportunities are the responsibility of those best placed to manage them. Risks are managed within the boundaries set by the Board of Management in consultation with the Executive Leadership Team. Management with delegated authority (ie regional, business line, global support function and shared service centre management) is expected to perform annual risk assessments. The identified risks and (when applicable) mitigating measures are documented, assigned to an appropriate risk and action owner, and monitored. The risks are communicated with all relevant employees and significant risks are reported to the Board of Management and Executive Leadership Team. The internal audit department supports the Board of Management in reviewing the periodic risk assessments and identified mitigating measures.



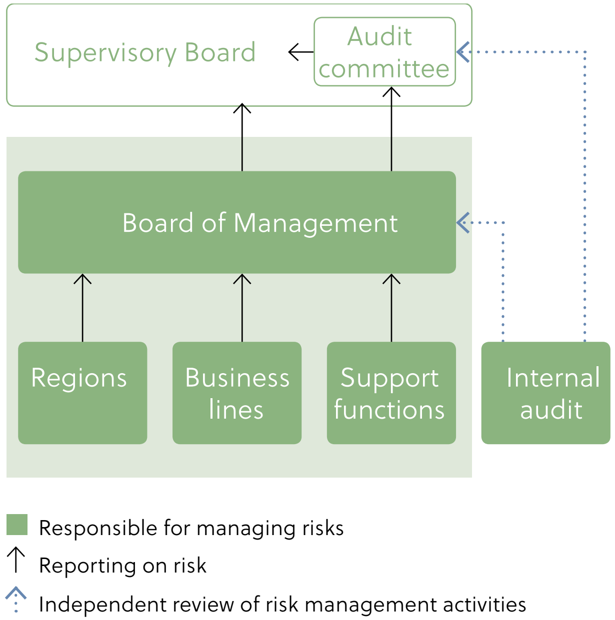
RISK GOVERNANCE

The Board of Management holds ultimate responsibility for risk management within the company and determines the risk appetite. This risk management process also covers risks related to environmental, social and governance aspects of Fugro's business. Internal audit supports the Board of Management in managing the implementation of the risk management framework. On an annual basis, the Executive Leadership Team, which includes the members of the Board of Management, performs a comprehensive assessment of Fugro's strategic, operational, financial and compliance risks. The identified key risks are assigned to the appropriate owners to manage and follow-up. The identified key risks are continuously monitored and re-evaluated and potential new risks are assessed. This process is facilitated and monitored by the internal audit function, which reports periodically on the process to the audit committee.

The Board of Management reports to the audit committee on the risk management processes (assessments, response and management). The audit committee and the Board of Management receive independent information on risk management activities from the internal audit department. The audit committee reports their observations and findings to the full Supervisory Board.

This structured process allows Fugro to take risks in a controlled manner. Constant monitoring of the external environment and operating and financial results is intrinsic to its way of working. Clarity and transparency are essential for assessing and evaluating risks. These are fundamental characteristics of Fugro's culture. Management throughout the company is bound by clear restrictions regarding representation and decision-making.

Risk governance



Strategic risk

Fugro's Path to Profitable Growth strategy has associated risks, for which the company has management measures in place. Apart from the key strategic risks, Fugro recognises risks related to its digital transformation and innovation and utilisation of its asset base. All these risks are mitigated with appropriate measures and monitored on different levels within the company.

Market exposure

Risk of market developments negatively impacting Fugro.

Risk description	Risk mitigation	Risk appetite	Risk trend
Fugro operates in competitive markets exposed to market volatility and economic cycles. A substantial part of Fugro's activities is related to the oil and gas industry.	▪ In 2021, the company generated 61% of its revenue in wind, infrastructure and water. These markets are expected to have a higher mid-term growth rate than the oil and gas market, further increasing Fugro's relative exposure to these growth markets. ▪ A large part of Fugro's revenue in the oil and gas market is related to asset integrity services, focused on keeping existing infrastructure safe and sound. ▪ Continuous scenario planning and monitoring helps Fugro to forecast and pro-actively react on specific market events.	High	Stable

Climate change

Climate change and the energy transition present both opportunities and risks for Fugro.

Risk description	Risk mitigation	Risk appetite	Risk trend
The pandemic has accelerated the attention for other disruptive global challenges, most notably climate change and the energy transition. Although vital for the future of the planet, this results in particular challenges for the fossil fuel industry, which still constitutes, albeit much smaller than in the past, a relatively large share of Fugro's revenue. The identified climate-related risks mainly concern the potential consequences of not acting upon transition to a lower carbon economy fast enough. Major investments are needed to rewire and replace the Earth's energy systems. This is a process that will take time, presenting Fugro with opportunities to differentiate with sustainable and digital solutions, including solutions that will lower the carbon footprint of Fugro and its clients.	▪ With its flexibility to shift assets to strategic growth markets, Fugro supports the energy transition, climate change adaptation and sustainable infrastructure developments. In 2021, 61% of revenue was generated in wind, infra and water. ▪ Fugro is implementing its roadmap to reach its net zero emissions target in 2035, mainly through decarbonisation of the vessel fleet. ▪ A large part of Fugro's revenue in the traditional energy markets is related to asset integrity: keeping existing assets safe and sound. ▪ Fugro aims to further increase the transparency regarding climate-related risks and opportunities, by applying Task Force on Climate-related Financial Disclosures (TCFD) framework. Refer to Group performance chapter, climate change mitigation and adaptation solutions, for more information.	Low	Increasing

Innovative capability

Risk that Fugro is not delivering new sustainable innovations meeting market demand.

Risk description	Risk mitigation	Risk appetite	Risk trend
Innovation is a key enabler of Fugro's strategic priorities, especially in a rapidly changing world. There is a risk that investments relating to research and development will not deliver timely, new, sustainable technologies and solutions supporting Fugro's and its clients' net-zero emission targets. In addition, irrespective of Fugro's efforts to protect its intellectual property, competitors might develop similar or better solutions.	▪ The introduction of new differentiating integrated solutions in sustainable growth markets has been streamlined through an innovation framework. Fugro's innovation teams are supported by four global business line directors, who have a deep understanding of client needs, market trends and competition, and of how to translate these insights into a differentiating innovation portfolio. ▪ Working with universities, technology institutes and other high-tech companies gives Fugro the opportunity to leverage third party technology and research and development, resulting in increased effectiveness. In several countries Fugro receives government subsidies to support the development of innovative new solutions. ▪ Fugro is fully leveraging technology developments in the field of visualisation, robotics, connectivity and advanced analytics in order to offer safer, faster and higher quality services with a significantly lower carbon footprint.	High	Increasing

Employees and capacity

Risk that within the organisation insufficient talent is available to deliver Fugro services.

Risk description	Risk mitigation	Risk appetite	Risk trend
Not being able to attract and retain qualified employees impacts effective delivery of Fugro services and leadership within the organisation. The pandemic in particular is impacting the choices that people make regarding their career paths. This has become a trend that many other organisations are also experiencing. Therefore, keeping employees engaged and looking after their wellbeing is key for the future success of the organisation.	▪ Fugro acknowledges the value of its employees as they determine the long-term success of the company. This is demonstrated by providing opportunities to its employees, through its diversity and inclusion agenda, training, leadership and expertise development, career opportunities, and by focusing on attracting young people and healthy retention levels through Fugro's appeal as a purpose driven company. ▪ Fugro regularly engages with employees through its regular employee engagement surveys, and acts on related feedback. ▪ Fugro assists employees in their career development with its global career framework. ▪ (Partly remote) trainings have been provided to employees whereby technical trainings will be continued on site in 2022 and there is a continuous focus on recruitment initiatives to attract talented and capable people.	Low	Increasing

Operational risk

Being a project organisation, the main operational risks are related to projects. Apart from the regular key operational risks presented below, Fugro recognises operational risks related to the pandemic. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

Health, safety and security

Risk of health and safety and security incidents or exposure adversely impacting Fugro's people or business.

Risk description	Risk mitigation	Risk appetite	Risk trend
Fugro is subject to a variety of health and safety, risks, given the operational diversity, technical complexity and geographic spread of its operations. The core activities of Fugro remain predominantly the same in 2021. At the same time, the ongoing pandemic continues to impact the exposure and pressure on the health and wellbeing of our employees.	■ Fugro has a groupwide approach to managing HSSE, which requires all activities to meet the same high standards. Centrally developed policies, strategies, standards, incident registration and management, performance indicators and targets help manage risk and achieve the highest levels of related performance. ■ All Fugro's activities are executed under certified management systems, such as ISO 9001, ISO 45001/ OHSAS18001, ISO 45001, ISM codes or equivalent. ■ Employees receive regular safety training and Fugro is continuously reviewing areas of improvement, thoroughly evaluating all incidents and sharing resulting areas of improvement and best practices across the company and the industry where relevant. ■ Fugro informs its business partners of its principles, policies and standards, and expects them to work according to comparable HSSE management standards. ■ In order to reinforce awareness on health and safety, recently the '3S Together' safety programme was launched. ■ Mental health impacts aggravated by the pandemic are assessed through quarterly employee surveys. Fugro supports employees and their families through an independent and confidential global employee assistance programme. ■ Increasingly, Fugro makes use of uncrewed operations, removing personnel from a high-risk environment to an onshore remote operations centres.	Low	Increasing

Project execution

Risk of projects not delivered timely, within budget or with the required quality.

Risk description	Risk mitigation	Risk appetite	Risk trend
Fugro is faced with a variety of risks while delivering its services, which relate to quality delivery, project management and the impact of external events on operational performance. Downtime related to adverse weather, vessel or equipment breakdown, logistical complexities or availability of people or assets can significantly impact project performance. Lack of management or control, due to time, knowledge or resource constraints, can cause unnecessary delays and serious damage to projects.	■ All projects and contracts require approval in accordance with Fugro's authorisation matrix; projects and contracts above a certain threshold, risk or complexity require Board of Management approval. ■ Fugro has a robust project delivery process in place, in which risk assessments regarding the impact of internal and external events are embedded. ■ There are contracting rules and guidelines in place to structure projects with mandatory controls. ■ Fugro uses a standardised project management approach across the whole project life cycle and by sharing lessons learned across the regions. ■ Increasingly, performance dashboards providing continuous insight into project performance are being implemented. ■ Utilisation of assets is constantly monitored, ao by the global business line directors, ensuring the availability or timely investment in additional assets and tools when required.	Moderate	Stable

Information security and technology

Risk that confidentiality, integrity and availability of data is compromised due to an information security incident and the unavailability or restricted availability of critical IT systems for Fugro operations.

Risk description	Risk mitigation	Risk appetite	Risk trend
Fugro relies on a range of information technology (IT) systems to manage its business, support operations and deliver its advanced technological solutions. Information security incidents and the unavailability or restricted availability of critical IT systems present a risk for Fugro, related to a cyber-attack (e.g. phishing, malware), non-delivery by suppliers or an internal system failure. This could lead to loss of operational functionality and business disruptions.	■ Fugro has a solid security IT infrastructure in place which consists of advanced spam and internet filters, firewalls, policy-based access to the internet and tooling to monitor network and cloud usage. Fugro's IT systems are continuously being monitored for contamination by viruses, malware or malicious content or behaviour. Fugro invests in resources and technology to respond timely and effectively to incidents (e.g. phishing attempts and malware outbreaks). In 2022, Fugro will further strengthen its incident detection and response process by implementing a more robust 24/7 monitoring and response set up. ■ Fugro has strengthened the set-up of its global information security team with a governance and operations team. ■ Information security and technology activities within the regions are being monitored by the global information security team. ■ Expertise on IT and technology for remote operations and solutions has been further strengthened with a dedicated architecture team. ■ Fugro is ISO 27001 certified in multiple of its key markets. ■ In 2021, Fugro launched a new cyber security campaign to further contribute to the information security resilience and awareness.	Low	Increasing

Financial risk

Fugro has to fund its operations, which is done with a mix of equity and external capital (bank facilities and convertible bonds) and manages bank balances and receivables on different locations and in different currencies. Apart from the key financial risks presented below, Fugro also recognises risks related to development of interest rates. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

Company financing

The risk of having inadequate access to capital markets.

Risk description	Risk mitigation	Risk appetite	Risk trend
Inadequate access to capital to fund the company could negatively affect Fugro with potential refinancing issues and delays which can in turn result in breach of covenants and/or not meeting debt maturities. Strongly increased focus on the capital markets for ESG investing is also a very relevant development.	▪ Fugro continues to focus on the financial strength of the company to ensure that sufficient positive free cash flow is generated to service debt. ▪ As part of stakeholder engagement the company regularly engages with shareholders and other capital providers, in order to understand what is important to them.	Low	Stable

Liquidity and working capital

The risk of having insufficient liquidity to fund its operations.

Risk description	Risk mitigation	Risk appetite	Risk trend
Insufficient free cash flow could negatively affect Fugro from being able to fund its operations. Customers or counterparties to a financial instrument failing to meet it contractual obligation expose Fugro to liquidity risks. Aging debtors have a negative impact on the available working capital, exposing Fugro to the risk of increased cost of capital.	▪ Fugro continues to focus on timely collection of outstanding trade receivables and performing regular customer creditworthiness checks. ▪ Liquidity assessments are made during project tendering to monitor the liquidity risks, within the boundaries set by the Board of Management. ▪ Financial scenario analyses are performed to monitor liquidity. ▪ Recently, a new groupwide programme was initiated to increase focus across all regions on working capital. Within this programme, all relevant staff is trained and continuously informed about the importance and impact of this topic based on lessons learned on cost and cash management	Low	Stable

Currency risk

Risk of exchange rate fluctuations and devaluation of foreign currencies.

Risk description	Risk mitigation	Risk appetite	Risk trend
Fugro's global business operations lead to risks arising from fluctuations in exchange rates. Additionally, Fugro holds cash balances in local currencies in certain countries from where it is difficult to transfer cash abroad or to convert it to USD or EUR at short notice. These local trapped cash balances expose Fugro to risk of devaluations. This relates in particular to the Angolan Kwanza, of which per year-end 2021 an equivalent amount of EUR 8.8 million was outstanding, and the Nigerian Naira, of which per year-end 2021 an equivalent amount of EUR 6.8 million was outstanding.	▪ As most of the company's revenue in local currencies is used for local payments, the effect of exchange rate fluctuations is limited (natural hedge). To further mitigate the impact of exchange rate fluctuations, Fugro's treasury department continually assesses the exposure. ▪ For high complexity projects, the treasury department is involved during project tendering to highlight and monitor specific currency risks, within the boundaries set by the Board of Management.	Low	Stable

Compliance risk

Fugro is a multinational company, operating with multiple subsidiaries and branches in various countries. Apart from the key compliance risks presented below, Fugro also recognises compliance risks related to taxation, insurance, and intellectual property. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

Legal & regulatory compliance

Risk of non-compliance with international and statutory laws and regulations in the jurisdictions in which Fugro operates; and/or risk of behaviour not in line with Fugro's values.

Risk description	Risk mitigation	Risk appetite	Risk trend
Fugro's global presence exposes the company to regional and local laws, regulation and business cultures, and related changes or new laws and regulations, for example in relation to GDPR and international sanctions. Fugro is also exposed to changing and challenging political and economic environments and environmental laws and regulations. This can impact the realisation of business opportunities. Other risks may include non-compliance with Fugro's Code of Conduct.	▪ The Code of Conduct directs Fugro's employees, subcontractors and business partners to conduct business ethically and to comply with the law and regulations. Continuous efforts are made to inform employees, suppliers and other business partners about the Code of Conduct and related policies. ▪ Agents and joint venture partners are actively monitored by the business with supervision from the legal and compliance department. ▪ To increase the level of awareness with regard to ethical behaviour in line with Fugro's Code of Conduct, (remote) trainings and workshops have been provided to all Fugro employees, amongst others in relation to diversity and inclusion. ▪ Fugro is acutely aware of and firmly responsive to the topic of climate change, and the related challenging political and economic business environment.	Low	Increasing

FINANCIAL REPORTING

Fugro operates in many different parts of the world, sometimes differing in accounting policies and local reporting requirements. This exposes Fugro to the risk of reporting figures that are not in line with the group's IFRS framework, which may lead to a (material) impact on the reported figures. To mitigate this risk a financial handbook and an accounting manual, containing detailed guidelines for the financial reporting, are available for all employees. Continuous guidance and support is delivered to senior management and controllers of all reporting entities. Every six months all managers and controllers of reporting entities sign a detailed statement regarding the design and operating effectiveness of financial reporting and internal controls.

The business plans of every reporting entity are translated into forecasts. Deviations from the forecast are reviewed on a monthly basis. Any unforeseen circumstances that arise, or any substantial deviation from the forecasts, must be reported immediately to the responsible management. The monthly reports submitted by the operational management include an analysis of the achievements versus the approved plans and a forecast for the coming periods including actions to address any shortfall.

Fugro continues to implement a groupwide integrated system to monitor and manage the business, including redesign and standardisation of applicable processes in order to optimise the way Fugro operates. The key business processes are validated by business and support functions. The aim for this global implementation is to contribute to and improve Fugro's business management and internal control environment.

Internal audit

The internal audit department assists the company with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. In the year under review, the department obtained its recertification for the coming five years from the Institute of Internal Auditors.

In 2021, the internal audit department performed a broad range of services, including (financial) project, organisational and process reviews. In total, 25 reviews took place during the year. Due to the pandemic, a significant part of these had to be done remotely, as a substitute for the regular onsite audits. The internal audit department is independently accountable to the audit committee of the Supervisory Board and participates and reports in each audit committee meeting (5 times per year). Additionally, the Director Internal Audit has direct access to the chair of the audit committee and CEO. The Director Internal Audit meets one on one with both the chair of the audit committee and the CEO at least quarterly.

Close cooperation and alignment between the external auditor and internal audit department takes place on approach, scoping and outcome. The performance of the internal audit department is annually evaluated by the audit committee, assisted by the Board of Management.

External audit

The financial statements of Fugro are audited annually by external auditors. The audit is performed in accordance with Dutch law. As a matter of independence principles, the firm of the external auditor does not provide advisory services.
The performance of the external auditor is evaluated annually by the audit committee, assisted by the Board of Management. The audit committee advises the Supervisory Board on their proposal to the annual general meeting regarding (re)appointment of the external auditor. For specific information regarding the external audit, refer to the independent auditor's report on pages 186-195.

Audit committee

The audit committee, one of the committees within the Supervisory Board ensures an independent monitoring of the risk management process from the perspective of its supervisory role, based on the risk appetite of the company. The committee focuses on the quality of the internal and external reporting, the effectiveness of the internal audits and the functioning of the external auditor. See 'Supervisory Board report – Supervisory Board committees' for further information on the audit committee.

7 AFFORDABLE AND CLEAN ENERGY

ENERGY TRANSITION

Supporting the construction of a floating wind park

Fugro fulfills an important role in the ongoing energy transition. This includes solutions for floating wind, opening up previously inaccessible deepsea areas where the wind is more powerful than in shallow coastal waters. As these floating turbines require solid anchoring to the seabed, Fugro's services are crucial for these developments.

MunmuBaram is a joint venture established by Shell and CoensHexicon with the aim of developing and operating a 1.3 gigawatt floating wind development off the south-east coast of South Korea near the city of Ulsan. This represents a significant development towards South Korea's Renewable Energy Plan, which aims to increase domestic renewable energy generation to 20% of the energy mix by the year 2030 and will assist in meeting its ambition to become carbon neutral by 2050.

MunmuBaram has contracted Fugro to provide geophysical and geotechnical investigations within the development site and the connecting export cable route. In partnership with UST21 of South Korea, Fugro has since successfully completed the site investigation. The field work was complemented with advanced laboratory testing and geo-consultancy's interpretative reporting scope. ■

CORPORATE GOVERNANCE

ORGANISATIONAL STRUCTURE

Fugro N.V. is a public limited liability company under Dutch law. Fugro is also an international holding company. It has a two-tier board structure, consisting of a Board of Management and an independent Supervisory Board. As of 1 May 2019, the company also has an Executive Leadership Team, which consists of the Board of Management members and seven senior executives/functional directors.

The Board of Management and the Supervisory Board have their specific role and tasks regulated by laws, the articles of association, the Dutch corporate governance code and the rules of these boards. The tasks of the Executive Leadership Team are regulated by the Board of Management and Execute Leadership Team rules.

Board of Management

The Board of Management is responsible for the day-to-day management, the continuity, the goals and objectives, the policies and the results of the company. These responsibilities include long-term value creation for all of the company's stakeholders and integrating environmental and social factors into its strategy, policies and reporting.

The members of the Board of Management are appointed by the general meeting for a maximum period of four years. The Supervisory Board determines the number of members of the Board of Management after consultation with the Board of Management. Board of Management members may be reappointed. The Supervisory Board appoints one of the members of the Board of Management as chair (CEO). The Board of Management shall divide its tasks among its members subject to the Supervisory Board's approval.

On 12 January 2021, the Supervisory Board announced that Chief Financial Officer Paul Verhagen had decided to leave the company after the annual meeting of shareholders on 22 April 2021. On 12 May 2021, and upon a binding nomination of the Supervisory Board, the general meeting appointed Barbara Geelen as member of the Board of Management of Fugro. N.V. Barbara Geelen serves as Chief Financial Officer as per that date.

In accordance with the articles of association the Supervisory Board is entitled to make a (binding) nomination for every appointment to the Board of Management. The general meeting can overrule a binding nomination by a resolution adopted by an absolute majority of the votes cast, provided such majority represents more than one-third of the issued share capital. If this part of the share capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of the resolution to cancel the binding nature of the nomination, a new meeting may be convened at which the resolution may be passed by an absolute majority of votes, irrespective of the part of the capital represented at such meeting. On a non-binding nomination, the general meeting decides on the appointment with an absolute majority of votes.

The general meeting can dismiss or suspend members of the Board of Management. Such a decision, other than proposed by the Supervisory Board, requires at least two-third of the votes, representing at least half of the issued share capital. With regard to the overruling of the binding nature of decisions to suspend or dismiss members of the Board of Management or Supervisory Board, convening a second meeting pursuant to section 2:120, subsection 3, Dutch Civil Code is not permitted. The Supervisory Board may at any time suspend a member of the Board of Management.

During 2021, the members of the Board of Management have not been involved in transactions involving conflicts of interest for Board of Management which were of material significance to Fugro and/or to members of the Board of Management.

The Board of Management regularly, and at least annually, evaluates its own and individual members' performance.

Executive Leadership Team

The Executive Leadership Team (ELT) consists of the two members of the Board of Management (CEO and CFO) and seven senior managers with clear accountability to deliver on all elements of the strategic plan. The four Regional Group Directors each focus on their own region. Key functional focus areas are covered by three other members: development and digital transformation, human resources, and legal and compliance. CEO Mark Heine is chairman of both the Board of Management and the ELT.

The ELT members assist the Board of Management in managing the company. The ELT is collectively responsible for the performance of the company and its business, the implementation of the strategy and group wide policies, systems and processes. It focuses on review of business results, functional and regional strategies, budget-setting, people and organisation. The Board of Management is responsible for ensuring its expertise and responsibilities are safeguarded in the context of the operation of the ELT.

Each ELT member is accountable to the Board of Management for the fulfilment of his/her duties and therefore reports to the Board of Management on a regular basis and in such manner as to give the Board of Management a proper insight in the performance of his/her tasks. The Board of Management remains fully accountable for the actions and decisions of the ELT and has ultimate responsibility for the general affairs of the company's business and the general affairs of the Group.

The size and composition of the ELT are subject to Supervisory Board approval. The ELT members, other than the members of the Board of Management, are appointed, suspended and dismissed as ELT members by the Board of Management, subject to approval by the Supervisory Board. The remuneration of ELT members, including short- and long-term incentives, other than for the members of the Board of Management is decided annually by the Board of Management, subject to approval by the Supervisory Board.

During 2021, the ELT held 25 meetings, of which the vast majority were held via video-conference due to the Covid-19 restrictions. Information about the members of the ELT is provided on page 63 of this report.

At least annually, the ELT evaluates its own performance. The Board of Management regularly, and at least annually, evaluates the performance of each ELT member, other than the members of the Board of Management. The CEO informs the Supervisory Board on the outcome of the evaluation.

Supervisory Board

The Supervisory Board supervises and advises the Board of Management and the ELT on the policies, management and the general affairs of Fugro, including the relations with shareholders. The Supervisory Board assists the Board of Management with advice on general policies related to Fugro and its business. In fulfilling its responsibilities, the Supervisory Board is guided by the interests of Fugro and its stakeholders. The environmental, social and governance aspects of Fugro's policies, operations and performance are an integral part of its supervisory duties.

Members of the Supervisory Board are appointed (and, if necessary, dismissed) by the general meeting for a maximum period of four years. The Supervisory Board consists of such number of members as shall be set by the Supervisory Board (currently six). In case of an appointment or reappointment of Supervisory Board members, the Supervisory Board profile will be observed. A Supervisory Board member may be reappointed once for a second period of four years, and subsequently reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the Supervisory Board.

For every appointment to the Supervisory Board and the Board of Management, the Supervisory Board is entitled to make a (binding) nomination. The general meeting can overrule a binding nomination by a resolution adopted by an absolute majority of the votes cast, provided such majority represents more than one-third of the issued share capital. If this part of the share capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of the resolution to cancel the binding nature of the nomination, a new meeting may be convened at which the resolution may be passed by an absolute majority of votes, irrespective of the part of the capital represented at such meeting. On a non-binding nomination, the general meeting decides on the appointment with an absolute majority of votes.

The Supervisory Board appoints one of its members as chair and one as vice-chair. The chair is assisted in his role by the company secretary.

The Supervisory Board has established three committees from amongst its members: an audit & risk committee, a nomination committee and a remuneration committee. The function of the committees is to assist the Supervisory Board and to prepare the decision-making.

The general meeting can dismiss or suspend members of the Supervisory Board. Such a decision, other than proposed by the Supervisory Board, requires at least two-third of the votes, representing at least half of the issued share capital. With regard to the overruling of the binding nature of decisions to suspend or dismiss members of the Supervisory Board, convening a second meeting pursuant to section 2:120, subsection 3, Dutch Civil Code is not permitted.

During 2021, the members of the Supervisory Board have not been involved in transactions involving conflicts of interest for Supervisory Board members, which were of material significance to Fugro and/or to members of the Supervisory Board.

The Supervisory Board regularly, and at least annually, evaluates the performance of the Board of Management and its members individually.
The Supervisory Board discusses the conclusions of this evaluation, also in relation to the succession of members of the Board of Management. The evaluation takes place without the Board of Management being present. The Supervisory Board regularly, and at least annually, also evaluates its own and the individual members' performance. The performance of the various committees is evaluated as well.

Further information on the internal proceedings governing the Board of Management, the ELT and the Supervisory Board, can be found on the website of Fugro.

Diversity Board of Management, ELT and Supervisory Board

Fugro values diversity and inclusion in all areas of its organisation. In 2017, Fugro defined diversity policies for the composition of the Supervisory Board and Board of Management. Reference is made to the diversity policy for the Board of Management (which also applies to the ELT) and the Supervisory Board, and to the Supervisory Board rules (which contain the profile of the Supervisory Board), both of which are available on Fugro's website.

Increased diversity will lead to a wider range of skills for better oversight and governance. It will also better reflect the diversity of Fugro's employees and client base. In these policies, and based on the nature and complexity of the business, the markets in which Fugro operates, and the diversity of its client base and employees, Fugro identified the diversity aspects of gender, nationality, location of residence, cultural background and qualifications (education and experience) as most relevant for Fugro. For the boards, these diversity aspects are considered when filling vacancies.

The Supervisory Board has set a gender diversity target for the boards of at least one-third female and at least one-third male members.

For the better part of 2021, the Supervisory Board already comprised of four male (67%) and two female members (33%). With this percentage, the gender diversity target for the Supervisory Board has been achieved according to the composition profile and pursuant to law. The Supervisory Board profile sets out: the size of the Supervisory Board, the desired expertise, experience, background, diversity and desired independence of the members.

The Board of Management consists of two members. With the appointment of Barbara Geelen on 12 May 2021, the diversity target regarding gender has been met. During 2021, the ELT, had two female members. In January 2022, Celine Gerson was appointed as successor of Ed Saade who will retire after a tenure of 24 years. As a result, the current diversity ratio of the ELT is six male (67%) and three female (33%) members.

In the longer run, gender diversity at the top should also come from a more balanced composition in terms of gender at the other layers in the organisation. Therefore, the company pays specific attention to women in its management development programmes to ensure the rise of women to senior management positions. In addition, external recruitment agencies are specifically instructed to identify and submit capable female candidates for senior management positions. Finally, the company will give preference to women in the case of equal suitability. Nonetheless, it will take time before these measures take effect to achieve the target on gender diversity at the executive level.

See pages 62 and 91 for the personal details of the members of the Board of Management and the Supervisory Board.

General meeting of shareholders

General meetings of shareholders are convened by the Board of Management or the Supervisory Board. Meetings can also be convened by shareholders who, individually or jointly, represent at least 10% of the issued share capital if authorised by the relevant Dutch court.

The powers of the general meeting are stipulated in legislation and in the articles of association of Fugro and can be summarised as follows: approval of decisions that would entail a significant change to the identity or character of Fugro or its business; appointment and dismissal of members of the Board of Management and of the Supervisory Board; adoption of the remuneration policies of the Board of Management; approval of option and share plans for the Board of Management; approval of the remuneration of the Supervisory Board; adoption of the annual financial statements; discharge of members of the Board of Management and of the Supervisory Board; approval of the profit appropriation in accordance with article 33 paragraph 7 of the articles of association; authorisation to repurchase or cancellation of shares, to issue shares (or to grant rights to subscribe for shares) and to restrict or exclude pre-emptive rights in respect of shares; and approval of decisions to amend the articles of association or to dissolve Fugro.

The annual general meeting (AGM) is held within six months of the end of the financial year (often in April) in order to discuss the management report and the financial statements, any appointments of members of the Board of Management and of the Supervisory Board and any of the other topics mentioned above and as required by Dutch law. Extraordinary general meetings (EGM) are convened as often as the Supervisory Board or the Board of Management deems necessary.

General meetings are chaired by the chair of the Supervisory Board. The Supervisory Board and the Board of Management provide the shareholders' meeting with all the information requested, unless there is a very good reason why providing the information would not be in the interests of Fugro.

Shareholders who, individually or jointly, represent at least 3% of the issued share capital may request to the Board of Management that items be placed on the agenda. Such requests need to be received in writing not later than 60 days prior to the meeting date.

CORPORATE INFORMATION

Capital structure

At 31 December 2021, the authorised capital of Fugro amounted to EUR 20,000,000 and was divided into:

- 180,000,000 ordinary shares, with a nominal value of EUR 0.05
- 200,000,000 cumulative protective preference shares, with a nominal value of EUR 0.05
- 10,000,000 cumulative financing preference shares, with a nominal value of EUR 0.05 each, which can be sub-divided into two series of 5,000,000 cumulative financing preference shares
- 10,000,000 cumulative convertible financing preference shares, with a nominal value of EUR 0.05 each, which can be sub-divided into two series of 5,000,000 cumulative convertible financing preference shares.

On 31 December 2021, the issued capital amounted to EUR 5,159,518.30 divided into 103,190,366 ordinary shares. No preference shares have been issued.
On 31 December 2021, all ordinary shares have equal voting rights (one share, one vote). There are no restrictions on the voting rights of the company's ordinary shares and preference shares (if issued).

Restrictions to the transfer of shares

The Board of Management's approval is required for each transfer of preference shares. The approval has to be requested in writing stating the name of the intended acquirer of the shares in question. There are currently no limitations either under Dutch law or the articles of association of Fugro to the transfer of ordinary shares.

Protective measures

On 19 October 2020, in the context of the refinancing process, Fugro announced its intention to bring its protective measures in line with Dutch market practice, resulting in the termination of two of the company's previous three protective measures. On 14 December 2020, the call option agreements with Stichting Continuiteit Fugro have been terminated. In addition, on 27 May 2021 Fugro and the Foundation Trust Office terminated the certification of the ordinary shares. Following the decertification, ordinary shares of Fugro are listed and traded on Euronext stock exchange; the Foundation Trust Office has been dissolved and ceased to exist as per 15 February 2022.

When carrying out assignments, Fugro receives or can have access to clients' extremely confidential information. For this reason it is essential the company can safeguard its position as independent service provider. The main point of Fugro's protection against a hostile takeover depends on the possibility of Fugro to issue cumulative protective preference shares. This protective measure shall be put up, especially in a takeover situation, when this is in the interest of Fugro to protect its independent service delivery and also in defining Fugro's position in relation to that of the raider and the raider's plans. It creates the possibility, when necessary, to look for alternatives. It will not be put up to protect the Board of Management's own position. Due to the uncertainty regarding the situations with which Fugro could be confronted, the use of protective measures in circumstances other than those described above cannot be discounted.

Foundation Protective Preference Shares Fugro

The objects of Stichting Beschermingspreferente aandelen Fugro ('Foundation Protective Preference Shares') are to attend to Fugro's interests and of Fugro's businesses as well as the businesses of the entities that form part of the group, in such way that Fugro's interests and the interests of the relevant businesses as well as the interests of all parties involved, are safeguarded to the extent possible, and that Fugro and the relevant businesses are defended to the extent possible against factors that could negatively affect the independence and/or continuity and/or identity of Fugro and the relevant businesses, as well as all activities which are incidental to or which may be conducive to any of the foregoing.

The Foundation aims to achieve its objects independently from Fugro, by acquiring protective preference shares and by exercising the rights attached to such shares. On 27 May 2021 Fugro amended its articles of association among other things to affirm its protective measure. In the articles of association of Fugro, the Foundation Protective Preference Shares has been granted the option to subscribe for up to the number of cumulative protective preference shares included in Fugro's authorised capital from time to time, provided that immediately following the issue, the number of protective preference shares issued may not exceed half (1/2) of the total number of shares issued and outstanding. The Foundation is in a position to achieve its objects – i.e. safeguarding Fugro and its businesses – autonomously, independently and effectively should the occasion occur. The Board of Foundation Protective Preference Shares operates completely independently from Fugro; for the composition of the Board see page 197.

Amendment of articles of association

A resolution to amend the articles of association of Fugro may be passed only on a proposal thereto of the Board of Management with the prior approval of the Supervisory Board.

Insofar as a resolution to amend the articles of association brings about a change in the rights vested in the holders of protective preference shares or the holders of financing preference shares or the holders of convertible financing preference shares (currently no such preference shares are issued), such a resolution shall require the approval of the meeting of holders of protective preference shares or the meeting of holders of financing preference shares or the meeting of the holders of convertible financing preference shares, as the case may be. Fugro's latest articles of association are posted on the website.

Authorisation Board of Management regarding shares

Fugro regularly proposes to its shareholders to authorise the Board of Management to grant or issue (rights to acquire) shares and to repurchase own shares. On 22 April 2021, the AGM authorised the Board of Management for a period of 18 months as from 22 April 2021 until 22 October 2022, subject to the approval of the Supervisory Board, to:

- cause Fugro to repurchase (certificates of) its shares in its own capital, up to a maximum of 10% of the issued capital at the date of acquisition, provided that Fugro will hold no more (certificates of) shares in stock than at maximum 10% of the issued capital, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the shares and not higher than 10% above the average of the closing price of (the certificates of) the shares on Euronext Amsterdam for the five business days preceding the date on which the repurchase is made
- resolve on the issue of – and/or on the granting of rights to acquire up to 10% of the issued capital on 22 April 2021 of ordinary shares and/or all sorts of financing preference shares in which the authorised capital of Fugro is divided
- limit or exclude pre-emption rights in relation to any issue or grant of (rights to acquire) ordinary shares and all sorts of financing preference shares in which the authorised capital of Fugro is divided as referred to under the second bullet.

The Board of Management may resolve, with the approval of the Supervisory Board, to dispose of shares acquired by Fugro in its own capital.

Long-term incentive plans

Fugro has the following long-term incentive plans in place:

1. Unconditional options, approved by the AGM in 2008
2. Conditional performance options and performance shares, approved by the AGM in 2014
3. Conditional performance shares (adjustment of the plan under ii) above), approved by the AGM in 2017
4. Restricted Shares Units, replacing the unconditional options under 1.

With effect from 2014, unconditional options were no longer granted to members of the Board of Management. Instead, conditional performance options and performance shares were granted to members of the Board of Management and senior management. From 2017 onwards, only conditional performance shares are granted to members of the Board of Management and senior management. In 2021 it was decided to replace the unconditional options with new plan granting restricted share units to a group of employees as from a certain level or designated as talent.

With effect from 2017, unconditional options and conditional performance shares are no longer granted at the end of the calendar year, but the grant date has been shifted to the open period immediately following the publication of the annual results. The first grant under this revised timetable was on 1 March 2018. The vesting date has also been shifted to match the new grant date.

The vesting period of the options, restricted share units and performance shares is three years. The term of the options is six years and the term of the performance shares is five years (vesting period is followed by a lock-up of 2 years).

Unconditional options and restricted share units are in principle not subject to any vesting conditions, except continuous employment of the holder by Fugro or one of its subsidiaries. The usual terms and conditions are applicable including exceptions in connection with retirement, long-term disability, death and change of control. On 31 December 2021, the unconditional options granted December 2015 expired.

The vesting conditions of the performance options (last grant in 2016) and shares, which vested partially in March 2021 are not only subject to continuous employment of the holder by Fugro or one of its subsidiaries, but also to performance testing. Vested performance shares have a holding (lock-up) period of two years and may be partly sold only to meet tax requirements at vesting ('sell to cover'). The usual terms and conditions are applicable including exceptions in connection with redundancy, termination of employment without cause, prorated vesting, retirement, long-term disability, death and change of control.

Restricted share units and performance shares are granted in such a way that at any moment the maximum number of outstanding options and performance shares will not exceed the mandate of 7.5% of the issued ordinary share capital (including treasury shares but excluding the conversion rights under the outstanding convertible bonds). It is Fugro's policy to repurchase own shares to cover the options and performance shares granted in order avoiding the issue of new shares when options are exercised and performance shares vest.

See note 12 of the financial statements for further information on option and share plans.

The table below gives an overview of the series unconditional options, performance options and performance shares that are currently outstanding and of the vesting and the expiration dates.

Unconditional options	Exercise price (EUR)	Vesting date*	Expiration date*
Series 31/12/2016	29.10	31/12/2019	31/12/2022
Series 01/03/2018	24.40	26/02/2021	26/02/2024
Series 04/03/2019	19.98	01/03/2022	01/03/2025
Series 26/02/2020	13.12	26/02/2023	26/02/2026
Restricted share units			
Series 01/03/2021	n/a	01/01/2024	n/a

Performance options	Exercise price (EUR)	Vesting date*	Expiration date*
Series 31/12/2016	29.10	partially vested 26/02/2020	01/03/2023

Performance shares	Exercise price (EUR)	Vesting date*	End of lock-up*
Series 31/12/2016	n/a	partially vested	01/03/2022
Series 01/03/2018	n/a	partially vested 01/03/2021	28/02/2023
Series 04/03/2019	n/a	partially vested 01/3/2022	29/03/2024
	n/a	03/2023	03/2025
Series 26/02/2020	n/a	09/03/22	08/03/2024
Series 01/3/2021	n/a	03/2024	03/2026

* Based on anticipated publication dates of annual results onwards.

Key agreements containing change of control provisions

Fugro differentiates the following categories of agreements as referred to in the Decree on Article 10 of the EU Takeover Directive:

- Fugro, directly and indirectly, has entered into a syndicate revolving credit facility (RCF), as well as a term loan. See for further details note 28.2/28.3 of the financial statements. The RCF and term loan agreements stipulate that in the event of a change of control of Fugro, the loans/amounts outstanding under these arrangements may become immediately due
- Fugro has entered into a sale and lease back agreement regarding the geotechnical vessels Fugro Scout and Fugro Voyager. The documentation contains change of control clauses which could result, depending on various circumstances, in damages to be paid by Fugro
- In October 2017 Fugro N.V. issued EUR 100 million in subordinated convertible bonds. For further details see note 28.4 of the financial statements.
  Both agreements contain a change of control clause which gives the holder of each bond the right to require Fugro to redeem that bond
- Some joint venture agreements Fugro and Fugro subsidiaries have entered into contain change of control clauses, which agreements are in itself not considered key agreements within the meaning of the Decree on Article 10 of the EU Takeover Directive, but jointly they are considered significant
- Fugro and Fugro subsidiaries have entered into various important agreements that contain clauses that in the event of a change of control the other party has the right to terminate the agreement. These agreements are in itself not considered key agreements within the meaning of the Decree on Article 10 of the Takeover Directive, but jointly they are considered significant

- Long-term incentive plans with respect to unconditional options and conditional performance options and shares. The terms and conditions of the unconditional options stipulate that in the event of a restructuring of the share capital of Fugro or a merger of Fugro with any other legal entity, the option holder is entitled for every option to such securities, cash or other property as to which a shareholder of Fugro is entitled per share immediately prior to the restructuring or merger, unless the option period is shortened by Fugro. In the event of a restructuring of its share capital or merger with another company, Fugro may shorten the option period so as to terminate immediately prior to the time at which the restructuring or merger is effectuated. In the event that a public offer is considered hostile and such offer is declared unconditional, all options become immediately exercisable. The terms and conditions of the conditional performance options and shares contain more or less similar change of control clauses.

Termination of management service agreements resulting from public bid

Fugro has not entered into any agreements with members of the Board of Management that provide for a specific severance payment on termination of the services agreement as a result of a public bid within the meaning of section 5:70 or 5:74 of the Dutch Act on Financial Supervision. The agreements with the members of the Board of Management do – in accordance with the Code – provide for a general severance payment amounting to a maximum of one year's fixed base salary which in principle is applicable in the event of termination or annulment of the agreement unless this is for cause. This severance payment is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to an important reorganisation or to a major change of policy. This severance payment is in addition to a three months' notice period for both parties.

COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE IN 2021

The Dutch corporate governance code contains principles and best practices on the governance of listed companies and their accountability to their shareholders on this topic. Fugro applies the principles and best practices of the Code. Since Fugro finalised the process of decertification on 27 May 2021, it is fully compliant with the Code. A full overview ('comply or explain'-report) of Fugro's compliance with the Code in 2021 is posted on Fugro's website, as are the rules governing the internal proceedings of the Board of Management and Executive Leadership Team and of the Supervisory Board (including its three committees).

CORPORATE GOVERNANCE STATEMENT

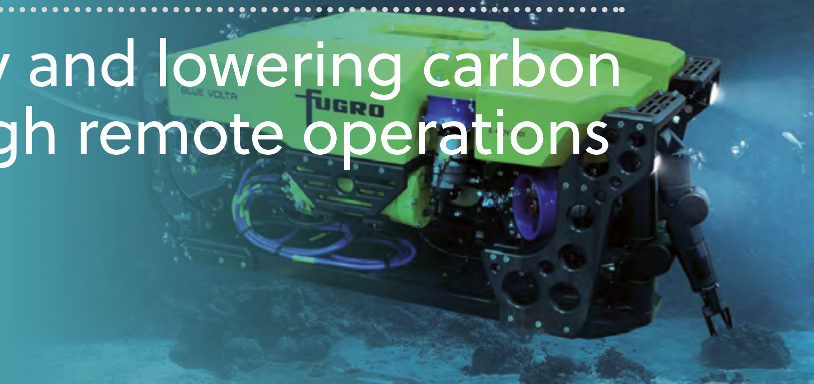
This is a statement concerning corporate governance as referred to in section 2a of the decree on additional requirements for board reports (Besluit inhoud bestuursverslag) effective as of 1 January 2018 (the 'Decree'). The information required to be included in this corporate governance statement as described in sections 3, 3a and 3b of the Decree and in best practice provision 2.1.6 of the Code can be found in the following chapters, sections and pages of this annual report 2021 and are deemed to be included and repeated in this statement:

- The information concerning compliance with the Code, as required by section 3 of the Decree, can be found in 'Corporate governance'
- The information regarding Fugro's diversity policy for the Supervisory and Management Boards as required by section 3a sub d of the Decree and best practice provision 2.1.6 of the Code, can be found in 'Corporate governance'
- The information concerning Fugro's main features of the internal risk management and control systems relating to the financial reporting process, as required by section 3a sub a of the Decree, can be found in the risk management chapter.'
- The information regarding the functioning of Fugro's general meeting, and the authority and rights of Fugro's shareholders, as required by section 3a sub b of the Decree, can be found in 'Corporate governance'
- The information regarding the composition and functioning of Fugro's Board of Management, the Supervisory Board and its committees, as required by section 3a sub c of the Decree, can be found in the relevant sections of 'Corporate governance' and 'Supervisory Board report'
- The information concerning the disclosure of the information required by the Decree on Article 10 EU Takeover Directive, as required by section 3b of the Decree, can be found in 'Corporate governance' and 'Fugro on the capital markets'.

7 AFFORDABLE AND CLEAN ENERGY

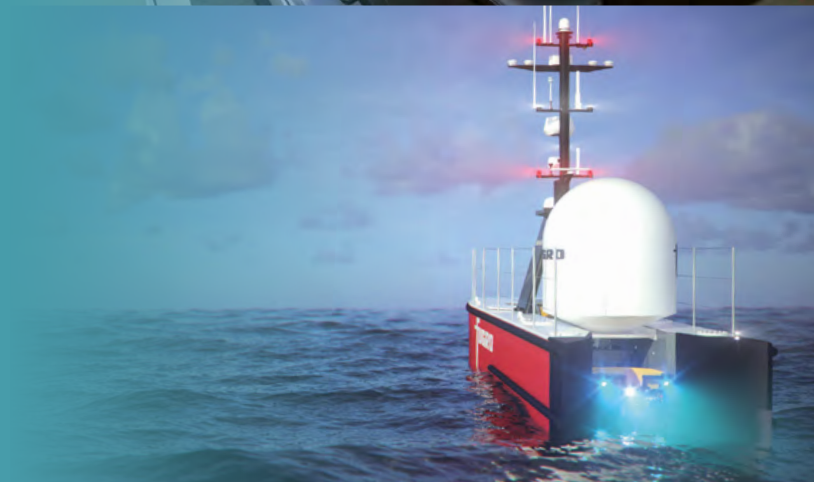
ENERGY TRANSITION

Improving safety and lowering carbon emissions through remote operations



Fugro Maali, one of Fugro's newest range of uncrewed surface vessels (USV) with an electric remotely operated vehicle on board, conducted an inspection of pipelines off the north-western coast of Australia. This was the culmination of a three-year programme conducted by the client, Woodside, and Fugro's inspection, repair and maintenance team.

The pipeline inspection included a multibeam survey, visual inspection, and cathodic protection assessments. Remote control of the USV was undertaken, via satellite connections, from a transportable control centre in King Bay Supply Base and Fugro's remote operations centre in Perth, 1,500 km from the worksite. During the one-month project, the USV navigated around 1,300 nautical miles in the surroundings of one of the busiest ports in Australia. It consumed 3,300 litres of diesel, reducing CO_2 emissions by 97% compared to a traditional vessel.



USV operations remove personnel from high-risk offshore environments and have significantly reduced carbon footprint when compared to traditional survey methods. Cloud-based data processing allows near real-time data delivery, leading to faster and more informed decision making. All in all, remote operations fundamentally changes the way in which subsea operations are conducted. ■

FUGRO ON THE CAPITAL MARKETS

Investor relations policy

Fugro's investor relations policy is aimed at providing timely, complete and consistent information to existing and potential shareholders, other capital providers and its intermediaries. Fugro wants to enable them to develop a clear understanding of the company's strategy, activities, historical performance and outlook for the future. Fugro offers comprehensive information on its website and through presentations to and meetings with analysts, investors and media. Analyst presentations are accessible via webcast.

After the publication of the full year and half-year results, Fugro hosts meetings with shareholders and other investors. These roadshows usually cover the UK, the Netherlands, other European and the North American markets. Due to the ongoing pandemic, in 2021 almost all meetings took place via calls and webinars. Fugro is currently covered by eight financial analysts.

These activities are carried out in strict accordance with the requirements of Euronext and the Dutch Authority for the Financial Markets. Fugro has a policy on bilateral contacts in place, detailing how information is provided to investors, analysts, financial institutions, the press and other stakeholders. For this policy and all other relevant publications such as press releases and presentations, see www.fugro.com.

Listing on the stock exchange

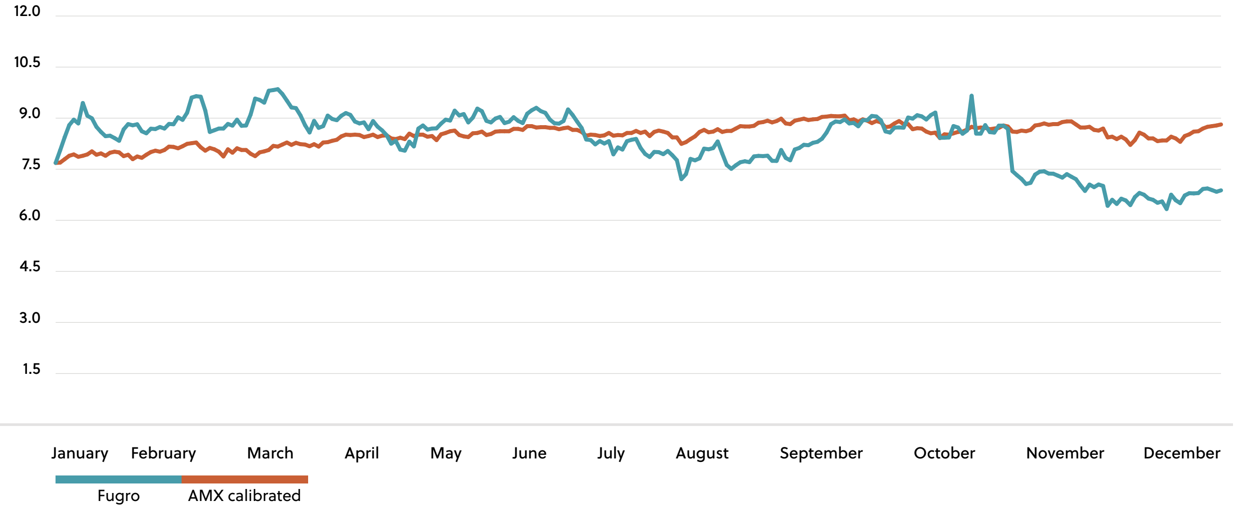
Fugro is listed on Euronext Amsterdam since 1992 (symbol: FUR/ISIN code: NL0015000 4A7) and is included in the midcap index AMX. Options on Fugro shares are traded on the European Option Exchange in Amsterdam (Euronext Life).

Trading information

	2021	2020	2019*	2018*	2017*
Shares outstanding (at year-end)	103,190,366	103,190,366	84,572,525	84,572,525	84,572,525
Year-end closing share price on Euronext	6.88	7.60	9.98	7.55	12.99
Market capitalisation (x EUR 1 million, year-end)	710	784	844	639	1,099
Average daily trading on Euronext (shares)	849,048	1,374,116	941,676	935,089	786,522

* 2017-2019 numbers have not been adjusted for the rights issue and 2:1 share consolidation, which both took place in December 2020.

Development share price 2021 (x EUR)



AMX (Dutch large cap index) calibrated to Fugro share price on 4 January 2021.

On 31 December 2021, Fugro had 103,190,366 shares outstanding. In May 2021, Fugro terminated the certification of its shares. All shares have equal voting rights: one share gives one vote. No preference shares have been issued.

Shareholders

Under the Dutch Financial Supervision Act, holdings of 3% or more must be disclosed to the Dutch Authority for the Financial Markets (AFM).

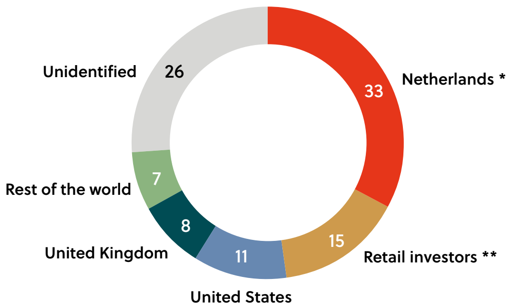
Holdings of 3% or more per 31 December 2021

	Position	Date notification
NN Group N.V.	16.74%	30 November 2020
ASR Nederland N.V.	7.63%	30 November 2020
H.M. van Heijst	3.49%	30 November 2021

On 31 December 2021, Fugro owned 1,683,748 'treasury shares' which can be (partly) used to cover the employee option and share plans and (partial) conversion of the outstanding convertible bonds. Treasury shares are not entitled to dividend and there are no voting rights attached to these shares.

During 2021, Fugro has not been involved in any transaction with holders of at least 10% of its shares; therefore best practice provision 2.7.5 of the Code has been observed.

Geographical distribution of shares (in %)



* Including treasury shares.
** Primarily Dutch shareholders.
Source: cmi2i shareholder identification report, June 2021

ESG ratings

Various organisations are including Fugro in their ESG rating systems and benchmarks. Investors and clients increasingly use these ratings as part of their investment or commercial decision making processes. Fugro actively engages with the benchmarks that are most relevant to our stakeholders, and uses the learnings to further enhance transparency and achieve continuous improvement in these scores going forward.

Scorings in various ESG benchmarks

	2021	2020	2019	Rating scale (from good to bad)	Brief description
CDP	B –	C	D	A – D	CDP runs a global disclosure system for mainly investors and companies to manage and understand their environmental impacts. We target a further improvement to a B rating.
Sustainalytics	23.3	19.4	28.0	0 – 40+	Sustainalytics, a Morningstar company, has rated Fugro with an ESG Risk Rating of 23.3 as of August 2021. With this score, Fugro ranks 11th of 278 companies in the construction and engineering industry.
MSCI	AA	AA	AA	AAA – CCC	MSCI ESG Rating is designed to measure a company's resilience to long-term, industry material ESG risks. Fugro has maintained its 'AA' rating for the last five years.
V.E.	48	NA	40	100 – 0	V.E.'s sustainability ratings combine a range of environmental, social and governance data points to assess how companies are responding to the various sustainability challenges they face. In 2021, Fugro scored 48 points, ranking 6th out of 23 oil field services companies in the EU.
Transparancy Benchmark	64%, #57 out of 235 companies	NA	56%, #62 out of 235 companies		Bi-annually, the Dutch Ministry of Economic Affairs and Climate Policy ranks companies and other organisations according to their ESG related strategy and policies. In 2021, Fugro scored 64 out of 100 points, ranking 57 out of 235, an improvement from 56 points in 2019.

Dividend

Even though Fugro reported a positive net result in 2021, the company will only resume dividend payments once leverage structurally allows. Through an ongoing focus on cash flow generation, a gradual improvement in profitability and disciplined asset management, Fugro targets an annual positive free cash flow resulting in a further reduction of net debt, deleveraging of the balance sheet, and consequently net leverage of 1.5 times.

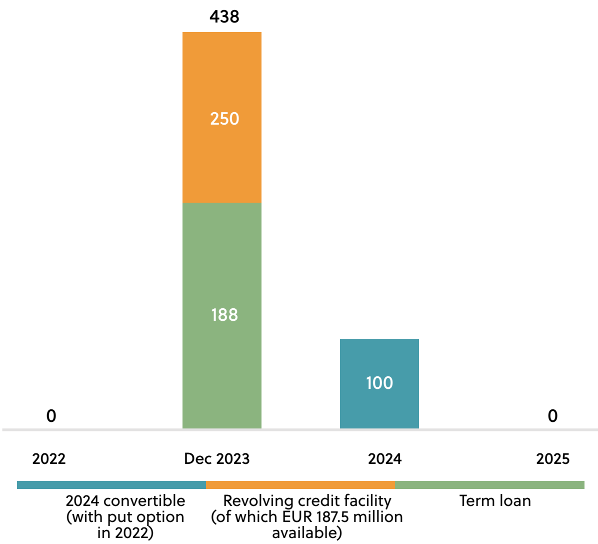
Fugro's dividend policy is a pay-out ratio of 35% to 55% of net result. Shareholders have the choice between cash or shares. In case no choice is made, the dividend will be paid in shares. Fugro offsets dilution resulting from the optional dividend (cash or shares). Fugro will repurchase the number of shares issued as stock dividend and these shares will be cancelled after having obtained shareholder approval. This way, dilution is being offset while the tax advantage for a substantial part of the shareholders related to stock dividend is retained.

Loans

Fugro has EUR 100 million in subordinated convertible bonds outstanding which mature in 2024, with a put option in November 2022. These bonds carry a coupon of 4.5% and a conversion price of EUR 19.6490. They are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange (symbol: ISIN: XS1711989928).

In addition, Fugro has a EUR 250 million revolving credit facility and term loan in place with seven banks, of which EUR 12.5 million has been drawn at year-end 2021. The revolving credit facility has a maturity of December 2023, plus a one-year extension option. It had an initial margin coupon of EURIBOR+4.25% and depending on leverage the margin can vary between EURIBOR+2.75% and EURIBOR+5.50%. The term loan has a maturity of December 2023. In July 2021, EUR 12 million proceeds from the divestment of Seabed Geosolutions were used to repay part of this loan, from the original EUR 200 million to EUR 188 million. The loan has an initial coupon of EURIBOR+5.50% and will gradually increase in bi-annual steps in the second and third year towards EURIBOR+8.00%. On both loans, covenants apply on Fugro's solvency ratio (>=33.33%), net leverage (equal to or less than 3.25:1) and interest coverage (at least 2.50:1).

Debt maturity profile per 31 December 2021 (in millions, euro equivalents)



Financial calendar	
22 April 2022	Publication trading update first quarter 2022
22 April 2022	Annual general meeting (14.00 CET)
28 July 2022	Publication half-year results 2022
28 October 2022	Publication trading update third quarter 2022
23 February 2023	Publication 2022 annual results
26 April 2023	Publication trading update first quarter 2023
26 April 2023	Annual general meeting

Contact

For further information contact:

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c.vanbuttingha@fugro.com

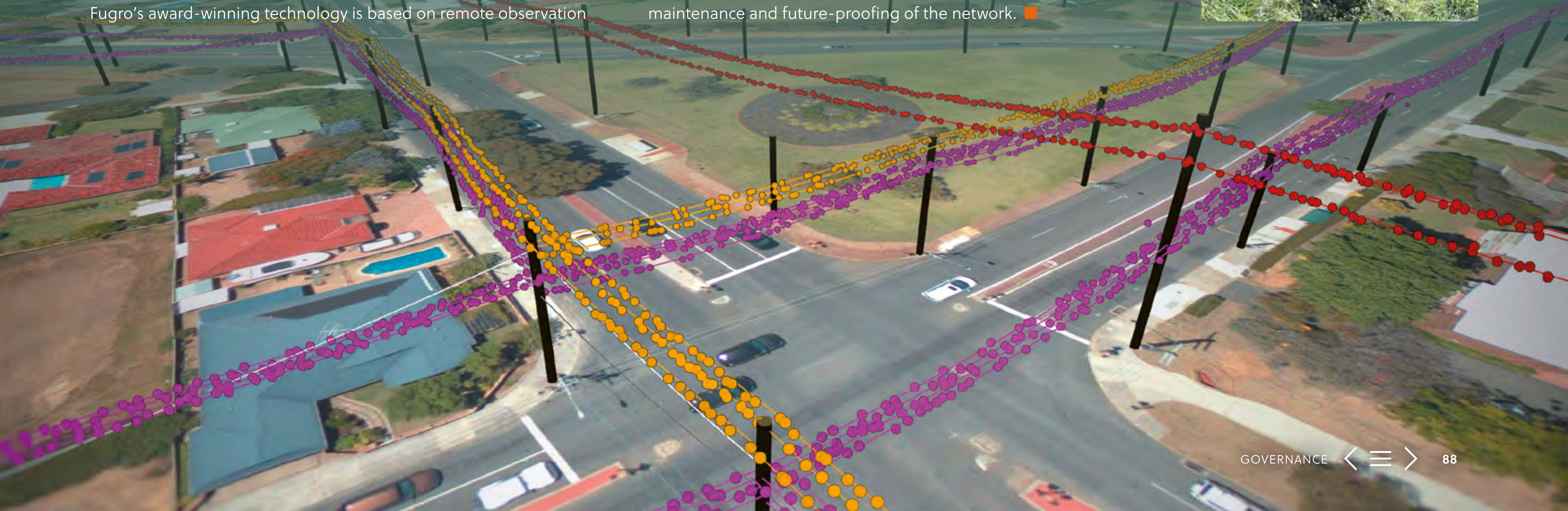
SUSTAINABLE INFRASTRUCTURE

Creating Digital Twin of electricity network to support asset management

Millions of kilometres of powerlines and their immediate operational environment throughout the world are in different states of repair and maintenance, and impacted by vegetation encroachment and weather events. Understanding the interplay between the network and the world around it in a 3-D virtual environment allows power utilities and infrastructure owners to better manage both current and potential future defects.

WEL Networks of New Zealand has contracted Fugro to provide them with asset modelling of their overhead network. Fugro combines pioneering geospatial mapping techniques with cutting-edge data processing and cloud computing capabilities. Fugro's award-winning technology is based on remote observation automated modeling economic simulation (ROAMES)—which creates a digital twin and detailed analytics for remote asset inspection, identification, and condition assessment. This allows WEL Networks to identify and prioritise risk mitigation and maintenance actions. Fugro ROAMES is also used by to investigate deformities and non-conformances for distribution poles and equipment in remote areas using high-resolution digital pole imagery.

Fugro's ROAMES solution helps to improve asset management programmes, plan future spending, and increase the safety of the electricity network to minimise risk. Overall, this leads to more sustainable infrastructure management, improved targeted maintenance and future-proofing of the network. ■



MANAGEMENT STATEMENTS

The Board of Management is responsible for the design and operation of the internal risk management and control systems. In discharging this responsibility, the Board of Management has made an assessment of the effectiveness of the design and operation of these systems.

Fugro is aware of risks it can be confronted with and has an internal control framework in place to identify and manage risks. The Board of Management has reviewed the effectiveness of Fugro's internal risk management and control systems, based upon the following information:

- letters of representation signed by the management of Fugro's reporting entities
- reports of internal audit on reviews performed throughout the year
- various risks assessments performed throughout the company, including risk assessment by the Board of Management.

The Board of Management considered the external auditor's reporting provided at half-year and full year 2021. The reports gave an update on areas for further improvement, such as the risk and control framework (substantiation of internal controls and follow-up of internal audit findings) and information technology (IT landscape and cyber security risk management). The Board of Management monitored ongoing action plans.

The establishment of the internal risk management and control systems is based on the identification of external and internal risk factors that could influence Fugro's operational and financial objectives and contains a system of monitoring, reporting and operational reviews. All material risk management activities have been discussed with the audit committee and Supervisory Board. For more information on Fugro's risk management activities and internal control and risk management systems, see pages 65 to 74. For a summary of risk factors, see page 65.

The purpose of Fugro's internal risk management and control systems is to adequately and effectively manage the significant risks to which it is exposed. Such systems can never provide absolute assurance as to the realisation of operational and strategic business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. These systems do not provide certainty that Fugro will achieve its objectives.

Based on the annual evaluation and discussion of Fugro's internal control and risk management systems and identified risk factors, the Board of Management confirms, in accordance with best practice provision 1.4.3 of the Dutch corporate governance code of 8 December 2016, that, according to the current state of affairs to the best of its knowledge:

- the internal risk management and control systems of Fugro provide reasonable assurance that the company's financial reporting does not contain any material inaccuracies
- there have been no material failings in the effectiveness of the internal risk management and control systems of Fugro
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of Fugro's operations in the coming twelve months
- it is appropriate that the financial reporting is prepared on a going concern basis, as supported by Fugro's budget process and latest forecasts.

Furthermore, in view of the above, the Board of Management confirms, in accordance with article 5:25c of the Financial Supervision Act, that, to the best of its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Fugro and of group companies included jointly in the consolidation
- the board report (pages 7 to 88) provides a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of Fugro and of the group companies for which the financial information is recognised in its financial statements
- the board report describes the principal risks and uncertainties that Fugro faces.

Leidschendam, 25 February 2022

M.R.F. Heine, Chief Executive Officer
B.P.E. Geelen, Chief Financial Officer

11 SUSTAINABLE CITIES AND COMMUNITIES

SUSTAINABLE INFRASTRUCTURE

Geo-intelligence to support cities of the future

The Kingdom of Saudi Arabia is aiming to create a more diverse and sustainable economy. It's Vision 2030 programme, targeting net zero emissions by 2060, is driven by a series of ambitious projects which aim to open new areas of economic activity, create jobs and drive economic development. NEOM is the largest and most ambitious of these projects. It is an urban development covering an area of 26,500 square kilometres including a new smart city, The Line. This city is to be a new model for sustainable living and business, fully powered by 100% renewable energy.

Fugro is involved in the delivery of this strategic development through a number of activities, including the management of ground risk, which is vital to deliver complex, major infrastructure projects such as The Line on time and to budget. Through its Geo-risk management framework, Fugro is able to reduce uncertainty and add project value. By applying a consulting mindset to provide linked, scalable solutions (such as newly-developed passive seismic screening for engineering properties and digital delivery through ground models supported by machine learning) Fugro is delivering reliable advice, shortened design schedules and accelerated construction of The Line's futuristic urban infrastructure.

Report of the Supervisory Board

SUPERVISORY BOARD

Name **Sjoerd S. Vollebregt (1954)**
Function Chairman Supervisory Board
Committee Chairman nomination committee, member remuneration committee
Nationality Dutch
First appointed 2020
Current term Until AGM 2024
Previous positions CEO Stork NV, senior management roles at various companies in the field of logistics, member of the Supervisory Board of TNT Express BV and non-executive board director of Mylan NV
Other functions Chairman of the Supervisory Board of Heijmans NV and chairman of the Supervisory Board of Joulz BV

Name **Petri H.M. Hofsté (1961)**
Committee Vice-chair Supervisory Board, chair audit committee
Nationality Dutch
First appointed 2015
Current term Until AGM 2023
Previous positions Senior financial management positions at various organisations; partner at KPMG, group controller and deputy chief financial officer of ABN AMRO Bank, division director of the Dutch Central Bank and chief financial and risk officer of APG Group
Other functions Member Supervisory Board of Rabobank, Achmea B.V. and Achmea Investment management, Pon Holdings BV and chair of the Board of Nyenrode Foundation

Name **Antonio J. Campo (1957)**
Committee Member remuneration committee; member nomination committee
Nationality Colombian
First appointed 2014
Current term Until AGM 2022
Previous positions Multitude of senior management positions at Schlumberger, President and CEO of the Integra group of companies
Other functions Vice-chairman Board Basin Holdings, lead director of National Energy Services Reunited Corporation

Name **Marc J. C. de Jong (1961)**
Committee Member audit committee
Nationality Dutch
First appointed 2021
Current term Until AGM 2025
Previous positions CEO LM Wind Power, various executive positions and part of Group Management Committee at Royal Philips, executive position at NXP Semiconductors
Other functions Owner and CEO of Innomarket Consultancy BV, member of the Supervisory Board of ASM International NV, member of the Supervisory Board of Sioux. Non-executive board member at three Danish based, private equity owned companies in the international wind energy market, called Nissens AS, Fiberline AS and PolyTech AS

Name **Ron Mobed (1959)**
Committee Member audit committee
Nationality British
First appointed 2020
Current term Until AGM 2024
Previous positions CEO of Elsevier (part of RELX Group), president of the Energy division of HS Markit Ltd, various senior management positions at Schlumberger
Other functions Non-executive director at AVEVA Plc, board member of Ordnance Survey Limited, non-executive director and chair of Robert Walters Plc

Name **Anja H. Montijn (1962)**
Committee Chair remuneration committee; member nomination committee
Nationality Dutch
First appointed 2015
Current term Until AGM 2023
Previous positions Various national and international leadership positions at Accenture, amongst others managing partner Resources practice in France and Benelux, Country Managing Director Accenture the Netherlands, Global Managing Director Management Consulting Resources, member Supervisory Board Royal VolkerWessels NV
Other functions Non-executive director at OCI NV

Company secretary Paul Theunissen (1980)

SUPERVISORY BOARD REPORT

For the second year in a row, the world experienced the consequences of the Covid-19 pandemic, both economically and socially. We have had to accept that the impact of the pandemic is lasting longer than we all expected at the beginning of the year. Also, in 2021 Fugro succeeded to adapt its work processes quickly to the circumstances to continue its operations effectively, despite the increased operational complexities caused by the measures to contain the virus.

As Supervisory Board we can only conclude that the management's measures aimed at business continuity during the pandemic paid off. Revenue increased by 5.8% on a currency comparable basis. Thanks to its technical capabilities and excellent reputation, revenues in the offshore wind market sustained its growth trajectory with a plus of 21% for the full year. Infrastructure and water were also up, by 5% and 11% respectively. The company improved its EBIT margin and generated good cash flow. The company has executed numerous demanding projects for its clients successfully. Fugro is in the forefront leveraging technology developments in the field of robotics, remote operations and analytics & cloud automation in order to offer safer, faster, more efficient and higher quality services; all in a more sustainable way.

2021 FINANCIAL STATEMENTS AND DIVIDEND

This annual report includes the 2021 financial statements, which are accompanied by an unqualified independent auditor's report of Ernst & Young Accountants LLP (see the independent auditor's report starting on page 186). These financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and section 9 of Book 2 of the Dutch Civil Code.

The audit committee discussed the draft 2021 financial statements with the CEO, the CFO and the auditors. The committee also discussed the long form auditor's report, the quality of internal risk management and control systems and had a discussion with the auditor without Fugro's management being present.

Subsequently, the Supervisory Board discussed the annual report, including the financial statements with the Board of Management in the presence of the auditor. Furthermore, we took note of the reporting from the audit committee and reviewed the independent auditor's report and the quality of internal risk management and control systems.

We recommend that the AGM, to be held on 22 April 2022, adopts the 2021 financial statements. In addition, we request that the AGM grants discharge to the members of the Board of Management in the 2021 financial year for their management of the company and its affairs during 2021, and to the members of the Supervisory Board in office in the 2021 financial year for their supervision over said management. We concur with the decision of the Board of Management that no dividend will be paid for 2021. Even though Fugro reported a positive net result, the company will only resume dividend payments once leverage structurally allows.

HEALTH, SAFETY AND SUSTAINABILITY

Health and safety is of critical importance for Fugro and its people. In 2021, sadly three Fugro employees lost their lives as a consequence of two separate extreme and sudden weather events, while supporting client operations on third party vessels. One incident occurred in April in the USA Gulf of Mexico and the second in May offshore West-India. Our thoughts and support continue to be with family, friends and colleagues that have been affected by these tragic events. We discussed the reviews performed on these incidents with management. We trust that the recently launched '3S Together' safety programme will further underpin Fugro's safety culture. Each regular meeting with the Board of Management starts with a discussion on safety, based on an analysis of statistics, usually in the presence of Global Director Safety & Sustainability.

During the pandemic, the extra demands on health and safety measures continues to be a key focus area. Management explained how Fugro is continuing safe operations from home, in the field and especially on the vessels that Fugro operates. We were also informed on Fugro's employee assistance programme which provides full (mental) health support for all employees.

Sustainability is closely linked to Fugro's purpose of creating a safe and liveable world. It is becoming increasingly important, also from a strategic perspective, as it is not only a corporate responsibility but also a driver for long-term value creation. We discussed the roadmap aimed at reducing the environmental impact of Fugro's own operations (carbon footprint, energy consumption and waste and recycling). As Fugro's carbon footprint is mostly related to its vessels, the ongoing roll-out of remote and autonomous solutions will support improved sustainability performance, not only of Fugro, but also of the clients that use these solutions.

STRATEGY

In November 2018, Fugro launched its strategy 'Path to Profitable Growth', including related mid-term targets. We reviewed the strategy with management to consider whether there is a reason to amend this strategy in light of the pandemic. We agreed with management that the strategy is as relevant as before. In 2021, already 61% of revenues was generated in wind, infra and water. In general, we fully support management's intent to further diversify, and its ongoing focus on its ESG (environmental, social and governance) related performance and reporting, which is considered increasingly important by investors and society in general.

In September, during our three-day 'off-site' meeting, we joined the Board of Management in extensively discussing the group's long-term vision and strategy. We agree with management that the key challenge of Fugro's strategy is supporting its clients with the energy transition, development of sustainable infrastructure and climate change adaptation, both in the marine and land environment. This includes in our joint view:

- Continued diversification through strong growth in offshore wind, major infrastructure projects and new growth markets such as flood protection and water supply
- Maintaining and expanding market leading positions by digital solutions, more client focus and technical innovations
- Improving profitability and cash flow generation towards achieving its mid-term targets, amongst others by further strengthening of commercial capabilities and operational excellence.

RISK MANAGEMENT

Risk management is an essential element of Fugro's culture, corporate governance, strategy development, and operational and financial management. Fugro's risk management is aimed at supporting long-term sustainable value creation. It is designed to provide reasonable assurance that objectives are met by integrating management control into daily operations, ensuring compliance with legal requirements and safeguarding the integrity of the company's financial reporting and its related disclosures.

The oversight of the company's risk management is a critical part in our role. In the past years, risk management procedures have been firmly embedded and structured within the organisation.

Risk awareness is increasing within the organisation and risk management processes are continuously enhanced. Risks have been detailed and compared between the regions. The identified key risks are continuously monitored and re-evaluated and potential new risks are assessed. This process is facilitated and monitored by the internal audit function, which reports periodically on the progress to the audit committee.

Risks have been identified as part of the risk management process and are linked to specific internal control procedures embedded in the internal control framework. The Fugro internal control framework describes the requirements on internal control and determines the set of internal controls to mitigate (key) risks for processes that contribute to, amongst others, the preparation and processing of accounting and financial information. By embedding the internal control framework linked to risk management in the organisation, formalising the documentation of control activities, self-assessments on control activities and standardised business processes, improvements to internal control will be achieved.

The audit committee reviewed the reporting of Fugro's internal risk management and control systems. This was reported to and discussed in the full Supervisory Board. We also discussed the risk management maturity scan performed in 2021, the roadmap to further enhance risk management, and the internal audit plan which is linked to the identified risks for Fugro. The internal audit plan reflects a risk-based approach. Based upon the advice of the audit committee, the audit plan of the internal audit department and the external auditor was approved. We also took note of the reports from internal audit and discussed the reports of the external auditor provided on the (interim) financial statements at half year and full year.

Taking into account the reports and advice from the audit committee, we concur with management that the internal risk management and control systems of Fugro are sufficiently adequate and robust.

INVESTOR RELATIONS AND SHAREHOLDER MEETINGS

We are of the opinion that an open and regular dialogue with shareholders and other investors is important to explain the company's strategy and performance and to receive feedback. On a regular basis, we were informed on investor relations including feedback from roadshows and analyst contacts, share price developments and the composition of the shareholder base. We also took note of analyst reports.

Together with the Board of Management, we prepared for the 2021 annual general meeting of shareholders (AGM). Due to the pandemic, the AGM was again organised in the form of a virtual meeting. It was accessible via a webcast and shareholders were given the opportunity to send in their questions in advance with a possibility for follow up questions during the meeting. All proposals on the agenda were adopted by the AGM.

On 12 May 2021, an extraordinary general meeting was held for the appointments of Marc de Jong as member of the Supervisory Board and Barbara Geelen as member of the Board of Management. The set-up of the meeting was similar to that of the AGM.
All proposals on the agenda were approved.

OTHER ACTIVITIES AND MEETINGS

In the year 2021, we had 13 meetings with the Board of Management, of which 6 regular scheduled meetings. The 7 extra meetings were predominantly related to the decertification process, strategy, the composition of the Board of Management and Supervisory Board and the divestment of Seabed Geosolutions. Except for one in September and one in October, all meetings in 2021 were held virtually.

None of the Supervisory Board members was absent at the regular scheduled meetings. Including the extra meetings, the attendance of the Supervisory Board members to the Supervisory Board meetings in 2021 was 92.8%. When members are unable to attend meetings, they provide their input beforehand and receive an update afterwards. The chairman of the Supervisory Board and chair of the audit committee has been in frequent contact with colleagues, the CEO, the CFO, the company secretary and external advisors.

During most of our regular meetings, one of the ELT members (not being a Board of Management member) joined the meeting and was invited to participate in the discussions and give a presentation on his or her area of responsibility.

Supervisory Board attendance record

	SB	AC	RC	NC
Harrie Noy Until 22 April 2021	6/6	–	4/4	1/1
Marc de Jong [1] As of 12 May 2021	7/7	3/3	–	–
Antonio Campo	12/13	–	6/6	3/3
Petri Hofsté	13/13	5/5	–	–
Anja Montijn	13/13	–	6/6	3/3
Douglas Wall Until 22 April 2021	3/6	1/2	–	–
Ron Mobed	13/13	5/5	–	–
Sjoerd Vollebregt [2]	13/13	2/2	2/2	2/2

[1] Mr. de Jong attended Supervisory Board and audit committee meetings as a guest as of April 2021.
[2] Mr. Vollebregt resigned from the audit committee as per 12 May 2021 to join the remuneration and nomination committees.

The chairman acts as the first point of contact within the Supervisory Board for the CEO. By way of preparation, many subjects are discussed in advance in one of the three permanent Supervisory Board committees.
All Supervisory Board members receive the meeting documents and the minutes of the three committees.

The Board of Management is an important source of information for the Supervisory Board. It is supplemented with information from the external auditor, internal audit and presentations and discussions with members of the ELT, senior management and other employees in meetings and during site visits. The Supervisory Board receives monthly flash reports on financial performance.
Information is also provided outside meetings, in bilateral contacts or whenever a Supervisory Board member feels the need to be informed on a specific topic.

In the regular scheduled meetings, recurring items on the agenda were, among others, quarterly results, market developments, financial performance and forecasts, developments and performance per region and business line, the quarterly results press release, organisational developments, HSSE, ESG, strategy updates and updates on key projects including divestments. The CEO gave a presentation every meeting with an update on priorities of the Board of Management, new key hires and other highlights. The meeting reports of the audit committee, the nomination committee and the remuneration committee were also discussed.

Apart from the regular agenda items and insofar as not already mentioned before, we discussed, amongst others, the following items:

- In our regular February meeting, we discussed the annual results 2020 and related items in the presence of the external auditor (EY). We agreed to propose the re-appointment of the external auditor at the AGM. The annual report 2020 including the remuneration report 2020 were approved. In addition, ESG reporting, the company's net zero target for 2035 and the divestment of Seabed Geosolutions were discussed.
- In March, four extra Supervisory Board meeting were held. The first meeting was scheduled to discuss the strategic roadmap and the decertification process. Also, the agenda for the 2021 AGM was approved. In the second, third and fourth meeting the divestment of Seabed Geosolutions and the composition of the Board of Management and Supervisory Board were discussed. The Supervisory Board also appointed Sjoerd Vollebregt as chairman after the resignation of Harry Noy.
- In April, we discussed the first quarter results and received and compliance update and an overview of talent below the ELT level.
- In May, a virtual meeting was dedicated to the process around the decertification of Fugro's shares and in June we held a meeting to discuss the long-term strategy.
- In July, the half-yearly report 2021 was discussed and approved. The external auditor attended the financial part of the meeting. We received an update from the Chief Financial Officer on her first 100 days at the company.
- In September, we had a three-day 'off-site' meeting in The Netherlands in combination with visits to Fugro's local offices. During our meeting we discussed the July and August results and the mid-term targets. We discussed Fugro's long term strategy and received a presentation from the Global Director Strategic Sales and Marketing on growth through strategic sales and marketing. The 'off-site' visits and meetings with senior management and staff take place annually and we highly value them because it gives us a better view on local operations, management and key employees.
- In our regular October meeting, we discussed the third quarter results. The Chief Financial Officer presented an update on the finance roadmap and an update on cyber security was presented by the Chief Information Officer.
- In a conference call in November, we discussed the preliminary budget for 2022. We gave our feedback on the proposed targets for 2022.
- In December, we approved the annual budget/ operational plan for 2022. The Director Investor Relations and the Head of Accounting and Reporting gave a presentation on ESG reporting. We approved the audit plan for 2022, as recommended by the audit committee.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has three permanent committees: an audit committee, a nomination committee and a remuneration committee. The function of these committees is to assist the Supervisory Board and to prepare the decision-making. The chairman of each committee reports the main considerations, findings and recommendations to the full Supervisory Board.

Audit committee

The members of the audit committee are Petri Hofsté (chair), Ron Mobed and Marc de Jong, who joined the committee as of 12 May 2021. Sjoerd Vollebregt resigned from the committee to join the nomination committee and remuneration committee. Collectively the members possess the required experience and financial expertise. Petri Hofsté has specific expertise in financial reporting, risk management and audit.

In 2021, the committee met five times. All meetings were attended by the CFO, the Group Controller, the Director Internal Audit, the General Counsel and the external auditor. In the meeting in which the annual results were discussed, the CEO was also present. The chairman of the committee had regular contact with the CFO to discuss financial performance, risks and other relevant matters, and with the internal and external auditors.

Recurring items on the agenda were the quarterly results and the half-year report, risk management and internal control, the internal audit plan and internal audit reports, audit plan and reports of the external auditor and claims/disputes and compliance aspects. More specific items on the agenda were amongst others, project management and strategic projects, ESG reporting, tax, impairment testing, treasury, IT, cyber security and the follow upon the management letter. Many of these topics were presented by the responsible managers.

In its February 2022 meeting, the audit committee reviewed amongst others the 2021 financial statements and other parts of the annual report. The committee discussed the use of the going concern assumption, and the compliance with covenants. The budget 2022 was discussed in the December 2021 meeting.
The valuation of goodwill, vessels and right-of-use assets were discussed on the basis of impairment tests and sensitivity analysis performed. The quality of the financial closing and analysis process was reviewed as was the adequacy of the disclosures in general and specifically those with respect to segment reporting.

Furthermore, during the year the compliance and due diligence processes regarding agents and the process of project reviews were discussed, as were ESG reporting and Fugro's approach to the TCFD guidelines (Taskforce on Climate-related Financial Disclosures). Considerable time was spent on performance in relation to capital expenditure, economic circumstances (e.g., inflation), availability and utilisation of assets and third-party costs.

The committee was briefed by the external auditor on relevant developments in the audit profession. The committee met with the external auditor without the Board of Management being present and reported to the Supervisory Board on the performance of and the relationship with the external auditor. The chair of the committee also regularly communicated on a one-to-one basis with the external auditor.

The committee also had a closed meeting with the Director Internal Audit. Among others, the performance and independence of internal audit and its members were discussed. The committee also evaluated the performance of the internal audit function, without the Director Internal Audit being present, on the basis of input provided by management and its own observations. Conclusions were positive. During the year, there were regular one on one contacts between the chair of the committee and the Director Internal Audit.

It is a regular practice that the audit committee shares its main deliberations and findings in the Supervisory Board meeting following the audit committee meeting. In the reporting to the Supervisory Board, the information as referred to in best practice provision 1.5.3 of the Code is taken into account.

At the AGM on 22 April 2021, Ernst & Young Accountants LLP (EY) was reappointed as auditor to audit the financial statements for 2022.

In its February 2022 meeting, the audit committee evaluated the performance of EY. Input was an assessment based on a questionnaire and interviews with relevant management. Based on the evaluation, the audit committee advised the Supervisory Board to propose at the upcoming AGM on 22 April 2022, to reappoint EY to audit the financial statements for 2023.

Nomination committee

The members of the nomination committee are Sjoerd Vollebregt (chair), Antonio Campo and Anja Montijn.

In 2021, the committee met three times, mostly with the CEO and the Group Director Human Resources being present. The topics that were discussed included, among others, organisation development, global human resources management, talent development and succession planning, initiatives to increase diversity at senior management level, annual assessment of the Board of Management and its individual members and the process for self-assessment of the Supervisory Board.

The committee also discussed the composition of the Management Board and the Supervisory Board, developed profiles for vacancies, involved a search agency to look for candidates, ran the selection process and prepared proposals for the succession in the Management Board and in the Supervisory Board. This resulted in the appointments of Barbara Geelen and Marc de Jong at the EGM on 12 May 2021.

Remuneration committee

The members of the remuneration committee are Anja Montijn (chair), Antonio Campo and Sjoerd Vollebregt.

Both the remuneration and the nomination committee prepare the Supervisory Board's duties in its role as the employer of the Board of Management.

In 2021, the committee met six times, mostly with the CEO, the Group Director Human Resources and the Global Head of Rewards being present. Discussed were, among others, the annual bonus 2021 for the members of the Board of Management and the ELT, the bonus targets for 2022, the vesting of the performance shares that were granted in 2019 and the granting of performance shares to the members of the Board of Management and the ELT for the period 2022 – 2024. The committee also discussed and advised on the granting of RSU's under the new long-term incentive programme for key employees and discussed and agreed on the remuneration report to be included in the annual report 2021.

COMPOSITION AND FUNCTIONING OF THE SUPERVISORY BOARD

The Supervisory Board has formulated a profile defining its size and composition, taking into account the nature of the company and its activities. This profile is published on Fugro's website. The Supervisory Board has set the number of members that it aims for at six.

After the AGM of 22 April 2021, Harry Noy, who had been on the board since 2012, stepped down. We thank him for his valuable contribution as chairman of the Supervisory Board and chair of the nomination committee. During his 10 year tenure in our Board, of which 8 years as chairman, he has enabled the company to navigate challenging market circumstances. Sjoerd Vollebregt succeeded him as chair of the Supervisory Board and chair of the nomination committee. After the same AGM, Douglas Wall stepped down. We thank him for his large contribution as member of the Supervisory Board and audit committee. To fill the vacancy, Marc de Jong was appointed for a four-year term, an experienced international business executive and board member, with an extensive experience in the wind energy market and a proven track record in technology and business development.

Also after these changes, the composition of the Supervisory Board is balanced and complies with the requirement of at least one-third of each gender in accordance with the Gender Diversity Bill for Company Boards that came into effect on 1 January 2022. The mix of knowledge, skills, experience and expertise of its members is such that it fits the profile and strategy of the company and its diversity policy (see for more information on composition and diversity, page 91 of this annual report).

The Supervisory Board attaches great importance to the independence of its members. All members qualify as independent in the meaning of best practice provisions 2.1.7 – 2.1.9 of the Code. None of the criteria as referred to in best practice provision 2.1.8 is applicable to any one of the members and they do not carry out any other functions that could jeopardise their independence. The Supervisory Board members also comply with the requirement under section 2:142a of the Dutch civil code that they do not hold more than five Supervisory Board positions (including non-executive directorships at one tier boards) at certain 'large' (listed) companies or entities.

The Supervisory Board undertakes a self-evaluation on an annual basis, in principle, every three years with the help of an external consultant. Although this was last done in February 2017, we decided that under the present circumstances and the changing composition of the Supervisory Board in 2021, the evaluation over the year 2022 will be performed by an external

Supervisory Board skills matrix

	Sjoerd Vollebregt	Petri Hofste	Antonio Campo	Marc de Jong	Ron Mobed	Anja Montijn
Executive board member of (listed) international company	✓	✓	✓	✓	✓	✓
Finance/governance	✓	✓		✓		
ESG		✓		✓		
Technology/innovation	✓		✓	✓	✓	
IT/digital/cyber security					✓	✓
Risk management	✓	✓	✓			
Human resources		✓	✓	✓		✓
Project management	✓	✓	✓			✓
Energy (transition)			✓	✓		✓
Business strategy planning	✓	✓	✓	✓	✓	✓

consultant. The self-evaluation this year was conducted on the basis of a questionnaire, which was completed by each member and discussed with the full board in an internal meeting. Attention was paid to the composition and functioning of the board and its three committees and the interaction with the Board of Management and the ELT.

The overall conclusion from this process was that the Supervisory Board – despite the limitations caused by the pandemic – is operating well and that discussions are open and constructive. The face-to-face meetings were clearly missed, as were the informal meetings on the evenings prior to the regular board meetings. Although all members are used to meet via video calls, teambuilding and informal contacts are hampered when meeting in person is not possible. Key areas of supervision such as strategy, business performance and financial reporting are well covered. Several suggestions were made for items which need specific attention in the interaction between the Boards.

COMPOSITION AND FUNCTIONING OF THE BOARD OF MANAGEMENT

During the year 2021, the Board of Management consisted of Mark Heine (CEO) and as of 12 May 2021, Barbara Geelen (CFO). Barbara Geelen succeeded Paul Verhagen who left the company after the AGM of 22 April 2021. We thank him for his contribution for the company in the last seven years. Paul played a key role in the professionalisation of the finance function throughout the company and the transformation towards a more cohesive, agile and resilient organisation, providing Fugro with the financial flexibility to execute on its Path to Profitable Growth strategy.

With input from all Supervisory Board members, the nomination committee evaluated the performance of the Board of Management. Also, the personal targets for 2021 were evaluated and the functioning of the Board of Management as a team was discussed.

The size and composition as well as the combined experience and expertise of the ELT and the Board of Management fit the profile and strategy of the company. The composition is balanced from an age, nationality, gender and background perspective. Conform the Gender Diversity Bill for Company Boards, the Supervisory Board will supervise the target setting for a balanced gender diversity in the Board of Management, the Supervisory Board and senior management levels to be reported on the in the annual report 2022. For the current composition of the Board of Management and the ELT and information about its members, please refer to pages 62 and 63 of this report.

FINAL COMMENTS

It has again been a challenging year for everybody in Fugro as the consequences of the pandemic are still being felt. The pressure has been high for everyone at Fugro. Therefore, we praise the resilience of all Fugro staff in this pandemic.

We want to thank management and all Fugro staff for their professional behaviour, dedication and flexibility which has been key to achieving our goals. With the positive results of 2021, we can look forward to the future of Fugro with confidence.

Leidschendam, 25 February 2022

Sjoerd Vollebregt, chairman
Petri Hofsté, vice-chair
Antonio Campo
Marc de Jong
Ron Mobed
Anja Montijn

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SUSTAINABLE INFRASTRUCTURE

Assessing undersea power cable routing in support of the development of renewable energy

In Sicily, Sardinia and Campania, there is a strong production from renewable energy sources, mostly solar and wind. The Tyrrhenian Link project is a nationally strategic project to install a double undersea electrical power cable connecting the Italian peninsula with the islands of Sicily and Sardinia. This interconnector power system will create a new electricity corridor 950 kilometres long with a capacity of 1000 MW. The link will improve electricity exchange capacity, facilitate the development of renewable energy sources, and the reliability of the grid.

Fugro was selected by Terna, owner of the Italian national transmission grid, to perform a large multidisciplinary marine survey for part of this link. In 2021, Fugro successfully carried out several detailed surveys. From April to May, Fugro surveyed the East Link, covering a corridor of up to 3500 metres wide. This allowed to select the two best cable routes with the minimum possible geo-hazard risks. In August 2021, Fugro also carried out the reconnaissance survey for the West link.

REMUNERATION REPORT 2021

This report has been prepared by the remuneration committee of the Supervisory Board. The responsibility of this committee is to prepare the decision-making of the Supervisory Board regarding the remuneration policy and the determination of the remuneration of individual members of the Board of Management within the framework of the remuneration policy. The Supervisory Board remains responsible for the decisions. The members of the remuneration committee are Anja Montijn (chair), Antonio Campo and Sjoerd Vollebregt.

This report contains:

- Current remuneration policy for the Board of Management
- Remuneration of the Board of Management in 2021
- Internal pay ratio and 5-year analysis
- Terms of appointment of the members of the Board of Management
- Remuneration Board of Management per 2022
- Remuneration of the Supervisory Board.

Further information on the remuneration and on option and share ownership of members of the Board of Management and members of the Supervisory Board is available in note 35 of the financial statements in this annual report. The remuneration policy and the remuneration charter, which is included in the Supervisory Board rules, are posted on Fugro's website.

This report takes into account the Shareholders' Rights Directive which was implemented into Dutch law per 1 December 2019. The current remuneration policy was first adopted by the AGM in 2014 and adjusted by the AGM in 2017, primarily to change the long-term incentive plan to performance shares only with the addition of a longer-term strategic target. Early 2020, the remuneration committee evaluated the remuneration policy, taking into account the Shareholders' Rights Directive, an updated benchmark analysis of the labour market reference group and feedback from stakeholders, including shareholders and their representatives. Based on that evaluation, the Supervisory Board decided not to adjust the remuneration policy, other than required by the Shareholder Rights' Directive. These adjustments included the addition of a derogation clause and increased transparency on target setting and achievements of the short-term incentive plan.

At the AGM in April 2021, the remuneration report 2020 was on the agenda. The advisory vote on the remuneration report had 87% of the votes in favour. No comments were raised during the AGM on the report.

In line with the Shareholders' Rights Directive, the remuneration policy will be submitted for adoption to the AGM at least every four years, so ultimately at the AGM in 2024.

REMUNERATION POLICY FOR THE BOARD OF MANAGEMENT

The main objective of Fugro's remuneration policy is to attract, motivate and retain qualified management that is needed for a global company of the size and complexity of Fugro. The policy targets compensation in line with the median of the labour market reference group. Variable remuneration is an important part of the total package. The policy supports both short and long-term objectives, whereas the emphasis is on long-term value creation, to which it contributes by including both financial and non-financial performance metrics.

Labour market reference group

In preparing the remuneration policy and to determine the remuneration of the members of the Board of Management, the remuneration committee uses external benchmark information to assess market comparability. The labour market reference group consists of 14 Dutch listed companies of comparable scope with international/ global business activities. These are currently Aalberts Industries, Accell Group, AMG, Aperam, Arcadis, ASM International, BAM Group, Boskalis, Brunel, Corbion, SBM Offshore, TKH Group, TomTom and Vopak. In addition, an international group has been used to assess market competitiveness within the sector, especially regarding short- and long-term incentive levels.

The remuneration committee periodically evaluates the composition of this group, amongst others in light of corporate events and overall fit. Companies removed from the reference group will be replaced by other listed companies of comparable scope with international/ global business activities with the objective to position Fugro around the midpoint in terms of the average of the scope parameters revenues, market capitalisation, assets and employees.

Analyses

In the design of the remuneration policy and in determining the remuneration of the members of the Board of Management, the Supervisory Board takes into consideration:

- Fugro's purpose, vision and strategy
- Related strategic enablers and Fugro's values
- Internal pay differentials
- Scenario analyses, indicating possible outcomes of the variable remuneration elements and how these may affect the remuneration
- Performance indicators relevant to the long-term objectives of the company.

Fugro considers sustainable development an important driver to help create a safe and liveable world. This requires balancing the short- and long-term interests of stakeholders and taking into account environmental, social and governance (ESG) aspects of Fugro's business and operations, as included in the strategic agenda.

The remuneration structure and elements do not encourage risk taking that is not in line with Fugro's strategy and risk appetite. The remuneration committee takes note of individual Board of Management members' views with regard to the level and structure of their remuneration.

Remuneration elements

The remuneration of the Board of Management consists of the following four elements:

- Fixed base salary
- Short-term incentive (STI), consisting of an annual cash bonus opportunity
- Long-term incentive (LTI), consisting of conditional performance shares
- Pension and other benefits.

The principles of the remuneration policy are cascaded to the next senior management level.

Fixed base salary

Fixed base salaries of the members of the Board of Management are determined by the Supervisory Board (based on advice of the remuneration committee) and set in line with the median of the labour market reference group. Once a year, the Supervisory Board determines whether, and if so, to what extent the base salaries will be adjusted. The outcome of external benchmarking by an independent consultant is taken into consideration.

Short-term incentive

Each member of the Board of Management is eligible for an annual bonus. The bonus may vary from 0% to 100% of fixed base salary, with 67% being applicable when targets are achieved. The STI is linked to financial performance metrics and to non-financial (personal) performance metrics. The non-financial metrics give the possibility to take for example health and safety, ESG and personal development goals into consideration.

At target level, the financial metrics count for 75% of the bonus payment and the non-financial metrics count for 25%. To ensure continued alignment of the STI with Fugro's strategy and to enable adequate responses to the challenges the company is facing, flexibility with respect to the STI metrics is important. Therefore, at the beginning of each financial year, the Supervisory Board will set the metrics and targets, based on the budget and taking into account the strategic goals of the company.

The Supervisory Board will also determine the relative weight for the selected performance metrics and the applicable performance zones for each metric (financial and non-financial). These zones determine:

- Threshold performance below which no pay-out is made
- Target performance at which 100% pay-out is made
- Excellent performance at which the maximum pay-out is made.

Between these levels, pay-out is based on linear interpolation. Overall, maximum pay-out is 1.5 times pay-out at target level (from 66.7% at target to 100% maximum). As there is no overshoot possibility for the non-financial metrics, maximum pay-out for the financial metrics is 1.67 times pay-out at target performance. The Supervisory Board ensures that the targets are challenging, realistic and consistent with Fugro's strategic goals.

After the end of the financial year, the remuneration committee determines to what extent the targets have been met. The Supervisory Board, following a proposal from the remuneration committee, will decide upon the STI to be awarded over the past financial year. The STI, if any, is paid after adoption by the AGM of the financial statements.

As per 2020, the metrics that will be used for the financial targets and their relative weight are disclosed at the beginning of the financial year in the remuneration report regarding the previous year.
The incentive zones qualify as sensitive information and will not be disclosed. After the end of the financial year, the performance will be disclosed in relation to the incentive zones that had been applied.

Long-term incentive
To strengthen the alignment with shareholder's interests, the LTI consists of performance shares which are conditionally granted annually to members of the Board of Management (and to other senior management). These shares vest after three years, conditional on the achievement of predetermined targets, which are focused on long-term value creation. Vesting is also subject to continuous employment with exceptions in connection with retirement, long-term disability and death.

As from 2018, the number of granted performance shares is set for a period of three years. The principle being that the expected value as percentage of fixed base salary of the members of the Board of Management is as follows:

- CEO: 100%
- CFO: 90%.

As from 2021, a new number of annual granted performance shares was set for the granting in 2021, 2022 and 2023. This number will remain the same for the set period. A new three year period started with the granting on 1 March 2021.

Conditional grants under the LTI are made each year in the open period immediately following the publication of the annual results. The performance period is from 1 January of the year of granting to 31 December three years later. The maximum number of shares that can vest after three years equals 175% of the conditionally granted number of shares (only in the case that excellent performance is achieved on all criteria). As of the granting in 2018, the criteria used for vesting and their relative weight are as follows:

- Total shareholder return (TSR): 37.5%
- Return on capital employed (ROCE): 37.5%
- Strategic target: 25%.

TSR is defined as the share price increase, including reinvested dividends. TSR is measured over a three-year (calendar year) period based on a three-month average of the last three months of the year before grant and before vesting date. The relative position within the peer group determines the award level.
The composition of the peer group is evaluated on a yearly basis, amongst others, in light of corporate events, and comprises Arcadis, Boskalis, Core Laboratories, Fluor, John Wood Group, Oceaneering International, Schlumberger, Subsea 7, TechnipFMC, Transocean and WorleyParsons.

Each year at granting, the Supervisory Board will determine the target and performance zones with respect to ROCE for the last year of the performance period. Return will be based on NOPAT, excluding impairments; capital employed will be corrected for impairments (these will be set back when applying the vesting criteria).

The strategic target is part of the LTI as achieving strategic goals is an important driver for long-term value creation. Each year at granting, the Supervisory Board will set a strategic target to be achieved in the coming period. These targets will be derived from Fugro's strategy to create long-term value for its shareholders and other stakeholders.

Achievement of the performance targets is determined by the Supervisory Board in the first quarter of the year following the three-year performance period.
The vesting period starts at the first day following the grant date. Vested shares have a holding (lock-up) period of 2 years and may be partly sold only to meet tax requirements at vesting. The holders of performance shares are not entitled to shareholders' rights, including the right to dividends, during the period between granting and vesting.

Total shareholder return ranking (weight: 37.5%) and applicable vesting (% of conditional award)

Ranking	12	11	10	9	8	7	6	5	4	3	2	1
Vesting	0%	0%	0%	0%	0%	25%	50%	75%	100%	125%	150%	175%

Vesting percentage for ROCE (weight 37.5%) and strategic target (weight 25%)

Performance	Below threshold	Threshold	At target	Excellent
Vesting as % of conditional grant[1]	0%	25%	100%	175%

1 Vesting in between performance levels as from threshold is based on linear interpolation.

Pension and other benefits
The pension contribution for the members of the Board of Management is in line with market practice.
In accordance with Dutch law, tax deductible pension accruals are only possible for the part of salary up to EUR 112,189 (2021). Members of the Board of Management are compensated by a non-tax deductible, age dependent pension contribution, which allows building up pension out of net salary, resulting in pension costs for Fugro at a similar level as before the legislative changes per 1 January 2015.

In 2019, Fugro transferred all employees in the Netherlands to a new defined contribution plan up through the legal maximum pensionable salary.
The Board of Management also participates in this plan up through the legal maximum.

The fringe benefits of the members of the Board of Management are commensurate with the position held and include expense and relocation allowances, a company car and health and accident insurance.

Fugro does not grant loans, advance payments or guarantees to members of the Board of Management.

Claw back and value adjustment
Pursuant to section 2:135 paragraph 6 of the Dutch Civil Code (DCC), the Supervisory Board is authorised to adjust a variable remuneration component to an appropriate level if payment of that variable remuneration component would be unacceptable according to standards of reasonableness and fairness.
Pursuant to section 2:135 paragraph 8 DCC, Fugro is authorised to claw back a variable remuneration component in full or in part to the extent the payment was made on the basis of incorrect information with respect to the achievement of the targets on which the variable remuneration component was based or with respect to the circumstances on which this variable remuneration component was dependent.

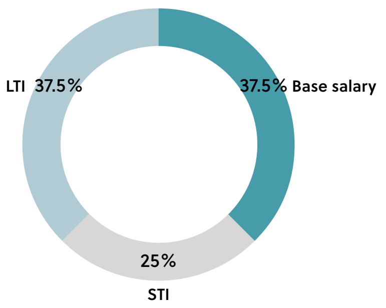
Derogation clause
In exceptional circumstances the Supervisory Board may decide to temporarily deviate from its remuneration policy based on a proposal of its remuneration committee, when this is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability.
The derogations can concern the objective setting and pay-out of the short-term and long-term incentive plans.

Share ownership guidelines
The Supervisory Board encourages the Board of Management to hold shares in Fugro to emphasise their confidence in the company and its strategy. Since 2014, minimum share ownership guidelines are applicable.
For the CEO this amounts to 250% of fixed base salary and for the other members of the Board of Management this amounts to 125%. The target period to achieve these levels is 5 years, but in practice timing will (also) depend on share price developments and the vesting of shares and options that have been granted under the LTI programme.

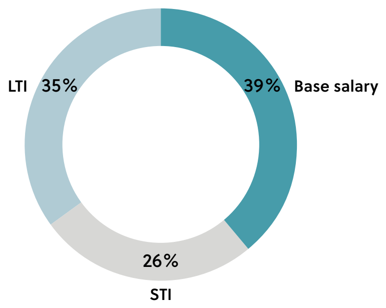
Ratio between fixed and variable pay
Based on Fugro's remuneration policy as described above, the pie charts on this page represent the pay mix for the CEO and CFO in case of 'at target' performance.

Ratio between fixed and variable pay

CEO



CFO



REMUNERATION BOARD OF MANAGEMENT IN 2021

Fixed base salary

In 2021, the fixed base salaries of the members of the Board of Management have not changed. A new CFO, Barbara Geelen has been appointed as member of the Board of Management per the AGM on 12 May 2021, following the resignation of Paul Verhagen per 30 April 2021.

Short-term incentive

The remuneration committee evaluated the performance of the Board of Management in 2021 in relation to the targets that had been set for the year. The financial metrics for the STI in 2021 were: adjusted EBIT margin, working capital, business cash flow and adjusted net profit. The actual 2021 performance in relation to the performance zones that had been set for each of the financial metrics, would result in a bonus of 55.95% of fixed base salary.

The personal metrics were:

- for the CEO
  - launch of the company values including a full implementation programme worldwide
  - review of the company's innovation portfolio
  - redefine targets for mid-term and implement a monitoring dashboard
  - implementation of the net zero carbon emission roadmap including the related reporting
  - positioning of Fugro in the international playing field.
- for the CFO
  - analysis of Fugro's current financial position and global finance function
  - development of the roadmap for Fugro's financial planning towards the mid-term
  - define Fugro's enterprise resource planning (ERP) system setup and implement kick-off.

In evaluating performance on these personal metrics, the remuneration committee concluded that both members fully delivered on their metrics. However, the organisation did not fully deliver upon the HSSE targets and therefore, in line with the bonus plan for management, the remuneration committee decided to adjust the STI for the CEO and CFO by reducing the individual performance by 66.5%. This leads to a pay-out on the personal metrics of 11.09% of fixed base salary. The total performance regarding the financial and personal targets results in a bonus of 67.04% of fixed base salary.

Contrary to earlier expectations, the pandemic continued to impact Fugro's operations throughout the year, in particular in Asia Pacific and the Middle East. In light of the challenging market dynamics and related operational hurdles, management has shown a strong performance in driving the bottom-line results closer to the mid-term targets. Fugro is on its Path to Profitable Growth strategy, with good management of cash flow including working capital. Additionally, several important transformation targets were met, supporting future growth and further performance improvement of the company. This resulted in a target bonus for the members of the Board of Management of 67.04% of fixed base salary. On 17 February 2022, the Supervisory Board discussed this proposal and agreed with it.

Performance Board of Management on short-term incentive targets 2021

	Weight	Performance zones			Result 2021	Bonus as % of base salary
		Threshold	At target	Excellent		
Adjusted EBIT margin	35%	3%	4.5%	7%	4.3%	20.22%
Working capital % of 4 times Q4 revenue	15%	12%	11%	9%	9.7%	14.33%
Business cash flow in EUR million	15%	10	25	50	26.1	10.29%
Adjusted net profit in EUR million	10%	10	25	50	63.0	11.10%
Personal targets	25%		On individual basis			11.09%
Total						**67.04%**

Long-term incentive

As of 2014, the long-term incentive (LTI) scheme consists of a mix of conditional performance shares and performance options. These have been granted per 31 December 2014, 2015 and 2016. As of 2017, the form of conditional grants has been changed – in line with market practice – from a mix of performance shares and performance options to conditional grants in the form of performance shares only. Furthermore, the moment on which LTI grants are made was shifted to the open period immediately following the publication of the annual results, instead of as per 31 December. As a result, the grants at the end of 2017 were shifted to 1 March 2018. These changes as of 2017 have been approved by the AGM in 2017.

Vesting of 2019 performance shares

On 25 February 2022, the performance shares which were granted on 26 February 2019 to the Board of Management and other senior management, will vest. On TSR, Fugro ended at the 8th position in the ranking of the peer group, resulting in 0% vesting. ROCE came out above the threshold, which resulted in 167.5% vesting. The strategic target was related to the extent in which that revenue growth in Fugro's strategic growth markets wind, infrastructure and water in the period 2019-2021 exceeded GDP growth. GDP growth was the target level, where Fugro scored just below the maximum target, which resulted in an 151.5% vesting. Taking into account the relative weight of the three criteria, the total vesting over the period 2019–2021 amounted to 100.7%.

Long term incentives

	M.R.F. Heine	P.A.H. Verhagen	B.P.E. Geelen
Performance shares			
Outstanding on 31 December 2020	74,000	60,000	0
Not Vested on 1 March 2021 as a result of partly achieving targets	(4,800)	(6,000)	–
Vested on 1 March 2021 as a result of partly achieving targets, locked for 2 years	(11,200)	(14,000)	–
Granted on 26 February 2021	82,500	0	56,250[1]
Outstanding on 31 December 2021	140,500	40,000	56,250
Performance options			
Outstanding on 31 December 2020	4,219	4,219	
Lapse due to end of employment per 30 April 2021	–	(4,219)	
Outstanding on 31 December 2021	4,219	0	

1 Performance shares Barbara Geelen were granted at appointment on 12 May 2021.

Shares and options

	M.R.F. Heine[1]	P.A.H. Verhagen	B.P.E. Geelen
Number of shares			
31 December 2020	26,684	32,378	0
31 December 2021	47,884	NA	20,000
30 April 2021		46,378	
Number of options			
31 December 2021	4,219	0	0

1 Including 3,125 restricted shares vested in 2021 with a lock-up period of 2 years. These restricted shares were granted per 1 March 2018 as bonus for the 2017 performance (approved by the AGM in 2018).

Calculation of vesting of 2019 performance shares

	Weight	Result	Vesting
TSR	37.5%	0%	0%
ROCE	37.5%	167,5%	62.8%
Strategic target	25%	151.5%	37.9%
Total	**100%**		**100.7%**

2019 Performance shares

	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard
Grant March 2019	29,000	20,000	16,000
Vested per February 2022	29,203	15,644[1]	7,162[2]

[1] Pro rated due to end of service per 30 April 2021.
[2] Pro rated due to end of service per 30 April 2020.

Total remuneration Board of Management in 2020–2021

The table below gives an overview of the remuneration of the Board of Management in 2020 and 2021. In this table the LTI incentive refers to the IFRS 2 expense as included in the financial statements.

Total remuneration Board of Management in 2020–2021

	% of total in 2021	M.R.F. Heine		% of total in 2021	P.A.H. Verhagen		B.P.E. Geelen	
		2021	2020		2021	2020	2021	2020
Fixed base salary[1]	32.0%	660,000	616,000	35.7%	166,668	466,670	333,333	NA
Short-term incentive[2]	21.5%	442,464	247,500	0%		187,500	223,467	NA
Pension costs including disability insurance and related costs	1.8%	36,303	34,800	2.8%	12,872	37,073	24,202	NA
Pension compensation	3.1%	65,211	63,844	5.8%	27,034	80,270	43,690	NA
Severance	0%							
Long-term incentive[2]	41.6%	857,166	381,593	55.7%	260,205	286,141	100,814	NA
Total	**100%**	**2,061,144**	**1,343,737**	**100%**	**466,779**	**1,057,654**	**725,507**	**NA**

[1] STI 2021 is related to 2021 performance, paid in 2021; STI 2020 is related to 2020 performance, paid in 2021.
[2] The LTI incentive refers to the IFRS 2 expense as included in the financial statements. The vesting value of the LTI (11,200 shares) in 2021 for Mark Heine amounted to EUR 98,336.

Other benefits
The additional benefits, i.e. company car and health and accident insurance, remained unchanged in 2021.

INTERNAL PAY RATIO AND 5-YEAR ANALYSIS

Pay ratios
In designing the remuneration policy, the pay ratios within Fugro are taken into consideration. An external consultant assisted in developing an approach to review pay ratios and, more specifically, the pay ratio between the CEO and the average of the employees for the relevant year. Based on the value of the actual long-term incentive awarded to the CEO in 2021 and the STI pay-out for 2021, the ratio amounted to 32 (2020: 21), implying that the CEO pay was 32 times the average pay within the organisation. The average pay takes into account all employee costs, i.e. salaries, variable pay, pensions and other benefits. Based on the expected value of the CEO's long-term incentive at target vesting, the pay ratio would have been 29 (2020: 25). The remuneration committee considers these pay ratios acceptable, also in view of market practices for companies comparable to Fugro.

5-year analysis
Due to Fugro's business environment and results, salary increases for all employees in 2017 were limited. In 2018, Fugro adjusted salaries at slightly below of market movement and in 2019 had a regular salary review. In 2020 salary review was cancelled and in 2021 limited due to the pandemic. The base salary of the Board of Management was unchanged during their four year appointment and changed only as a result of the re-appointment in 2018 of Paul Verhagen and the appointment of Mark Heine as CEO in 2018. Due to the exceptional circumstances in relation to the pandemic, Fugro limited salary increases globally. The Executive Leadership Team took a voluntary 10% pay-cut in 2020 that was restored per January 1, 2021. The table below shows the overall remuneration for five years compared to personnel expenses and company performance.

Five year remuneration Board of Management compared to company performance[1]

		2021	2020	2019	2018	2017
M.R.F. Heine[2]	Remuneration	1,203,979	962,144	1,076,280	760,011	628,123
	Remuneration Including LTI (IFRS)	2,061,144	1,343,737	1,458,821	1,021,061	628,123
	% change	53%	(8%)	43%	63%	
	Remuneration Including LTI (vesting)	1,302,315	997,710	1,076280	760,011	628,123
	% change	31%	(7%)	42%	21%	
P.A.H. Verhagen[3]	Remuneration	206,575	771,514	857,345	765,067	659,968
	Including LTI (IFRS)	466,779	1,057,655	1,224,144	1,054,035	659,968
B.P.E. Geelen[4]	Remuneration	624,693				
	Including LTI (IFRS)	725,507				
Adjusted EBITDA	Actual	176	162	184.9	120.4	100.8
Personnel expenses per FTE[5]	Actual	64,383	64,820	66,342	60,961	62681
	% change	(1%)	(2%)	9%	(3%)	(5%)

1 Remuneration includes base salary, short term incentive, long term incentive, pension and pension contribution.
2 Appointed CEO in October 2018.
3 Reappointed CFO at AGM 2018.
4 Appointed CFO at AGM 2021.
5 Personnel expenses include all salary costs, bonus, LTI plans, social security and retirement contributions.

TERMS OF APPOINTMENT OF THE MEMBERS OF THE BOARD OF MANAGEMENT

When members of the Board of Management are nominated for (re)appointment, the nomination is for a maximum period of four years. Members of the Board of Management deliver their services under a management services contract.

For termination of contract, a three months' notice period is applicable for both Fugro and the members of the Board of Management. The current appointment of Mark Heine (CEO) expires at the AGM 2023.

The Supervisory Board announced in January 2021 that Paul Verhagen (CFO) had decided to leave the company. On 12 May 2021 Barbara Geelen was appointed as the new CFO.

Severance pay

Severance payment for members of the Board of Management is limited to one year's fixed base salary and is in principle applicable in the event of termination or annulment of the management services agreement, unless this is for cause. No severance payment will apply if the agreement is terminated at the initiative of the member of the Board of Management. Severance payment is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/ services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to an important reorganisation or to a major change of policy.

In 2021, no severance payments were committed to (former) members of the Board of Management.

REMUNERATION BOARD OF MANAGEMENT PER 2022

The remuneration policy was evaluated by the remuneration committee at the beginning of 2020 and adjusted based on the Shareholders' Rights Directive which was implemented into Dutch law per 1 December 2019. The remuneration committee concluded that the policy still supports Fugro's strategy and company objectives. It is also considered to be well aligned with the external environment in which the company operates as well as with all applicable rules, regulations and best practices. The committee is aware of the public debate surrounding the topic of remuneration, including the increasing relevance and importance of ESG performance, internal pay differentials, and it strives for broad stakeholder support.

In line with the Shareholders' Rights Directive, the remuneration policy for the Board of Management, was submitted for shareholder approval on 30 April 2020 and adopted accordingly. The remuneration committee will regularly evaluate remuneration of the Board of Management to check on market conformity. The remuneration of the Board of Management in 2022 will be based on the remuneration policy as adopted by the AGM in 2020.

The metrics that will be used for the financial targets and their relative weight for the short-term incentive plan 2022 are as follows:

- Adjusted EBIT margin, weight 35%
- Net working capital as % of revenue, weight 20%
- Free cash flow, weight 20%

REMUNERATION SUPERVISORY BOARD

Remuneration policy for the Supervisory Board

On the basis of the revised Shareholders' Rights Directive, the remuneration policy for the Supervisory Board was adopted by the AGM of 2020.
The Supervisory Board draws up the Supervisory Board remuneration policy based on advice from its remuneration committee. The remuneration policy will be evaluated regularly and will be put forward for adoption by the AGM at least every four years.

The Supervisory Board remuneration policy is geared to attract and retain members that contribute to the desired composition with regard to expertise, experience, diversity and independence, as set out in the profile of the Supervisory Board. The policy aims to reward Supervisory Board members for the time spent and the responsibilities of their role, including but not limited to the responsibilities imposed by the Dutch Civil Code, Dutch Corporate Governance Code and the articles of association.

The remuneration for Supervisory Board members consists of the following elements:

- a fixed remuneration and a committee fee, which varies for the chair, vice-chair and members, to reflect the time spent and the responsibilities of the role
- an attendance allowance per meeting held outside the country of residence, to compensate for additional time spent to attend meetings
- a reimbursement for actual costs in the performance of the duties for Fugro.

Committee impact and responsibility is deemed to be comparable, hence no difference in committee fees. For remuneration purposes, the remuneration committee and the nomination committee are considered a combined committee.

The remuneration committee uses external benchmark information to assess market comparability of the remuneration. Remuneration levels are aimed at the median of Dutch listed companies with a two-tier board structure comparable in size and scope. For the past 6 years the remuneration level did not change.

Remuneration Supervisory Board

Fixed remuneration per year	▪ Chair EUR 70,000 ▪ Vice-chair EUR 55,000 ▪ Member EUR 50,000
Committee fee per year	▪ Chair EUR 10,000 ▪ Member EUR 8,000
Attendance allowance for meetings outside country of residence	▪ EUR 5,000 per meeting
Expenses	▪ Reimbursement of actual incurred costs

The remuneration is not dependent on the results of Fugro. Members of the Supervisory Board will not be awarded remuneration in the form of shares and/or rights to shares. In addition, Fugro does not grant loans, advance payments, guarantees, shares or rights to shares.

In exceptional circumstances the Supervisory Board may decide to temporarily deviate from its remuneration policy based on a proposal of its remuneration committee. The derogations can concern increasing remuneration and/or committee fees in case a significant increase in time investment by its members is necessary to serve the long-term interests and sustainability of the company as a whole, or to assure its viability, e.g. in case someone is asked to act as delegated member of the Supervisory Board. In such a case the additional remuneration will be EUR 1,500 per half-day.

Remuneration Supervisory Board 2021

(x EUR)	Fixed fee	Membership committee	Attendance allowance	Total
H.L.J. Noy (chairman through AGM 2021)	26,250	3,750		30,000
Sj.S. Vollebregt (chairman per AGM 2021)	62,197	9,218		71,415
P.H.M. Hofsté (vice-chair per May 2020)	55,000	10,000		65,000
A.J. Campo	50,000	8,000	15,000	73,000
R. Mobed	50,000	8,000	10,000	68,000
A.H. Montijn	50,000	10,000		60,000
M.J.C. de Jong (per May 2021)	33,333	5,333		38,667
D.J. Wall (stepped down AGM 2021)	16,667	2,667		19,333

Ownership Fugro shares (per December 2021)

Sj.S. Vollebregt	20,000
R. Mobed	6,245
M.J.C. de Jong	6,900

Leidschendam, 25 February 2022

On behalf of the remuneration committee
Anja Montijn
Chair

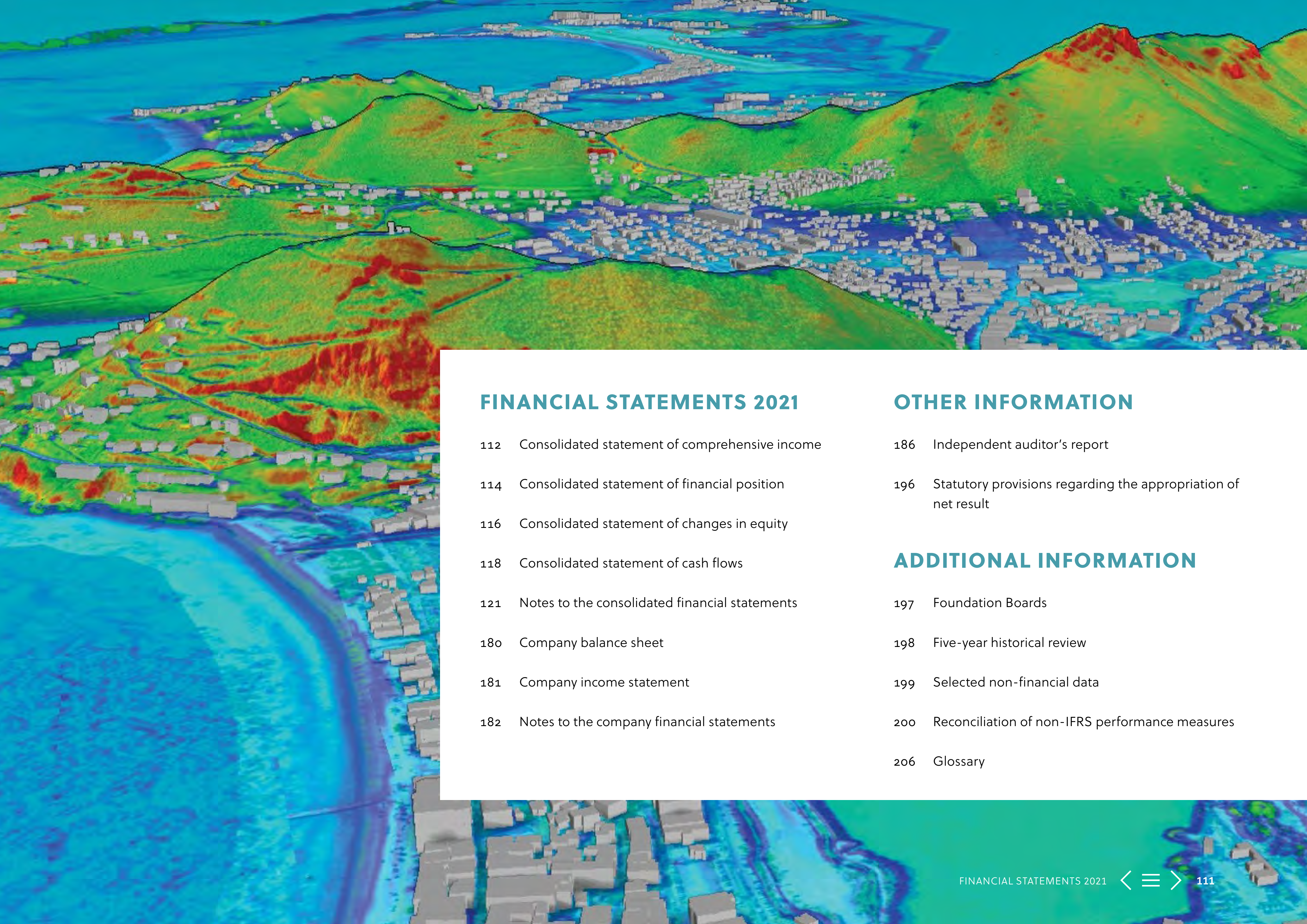
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

CLIMATE CHANGE ADAPTATION

Solutions for flood protection

With the changing climate and rising water levels, affecting urban areas and critical infrastructure, water management and flood protection are key and subject to new safety standards. The 19.5 km dike between Tiel and Waardenburg lies along the river Waal, a major waterway in the Netherlands. In the past, various bends and meanders were cut off by the river and, as a result, at many locations, the dike no longer lies on the original banks. The dike needs to be reinforced to meet new safety standards, which is a complex task as the old cut-offs, sometimes close together, make for variable soil conditions below the dike's base.

On behalf of consortium Mekante Diek, Fugro's scope of work in this multi-year project includes a wide range of consultancy and design services, including specialist soil investigation and laboratory testing, the construction and management of an integrated building information model, and monitoring of the environment and quality control of the groundwork during the construction. The project is a clear example of Fugro's flood defence expertise, aimed at mitigating ground and flood risks in the design and execution phase of the project.



FINANCIAL STATEMENTS 2021

OTHER INFORMATION

ADDITIONAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

Notes	(EUR x 1,000)	2021	2020
	Continuing operations		
5, 7	Revenue	1,461,725	1,386,303
8	Third party costs	(585,258)	(520,607)
	Net revenue own services[1]	876,467	865,696
9	Other income	20,045	27,485
10	Personnel expenses	(577,936)	(585,011)
17, 18	Depreciation	(112,104)	(111,850)
19	Amortisation	(557)	(1,898)
13	Impairments	(619)	(5,858)
14	Other expenses	(145,035)	(168,792)
	Results from operating activities (EBIT[1])	**60,261**	**19,772**
	Finance income	19,826	2,207
	Finance expenses	(38,090)	(76,188)
15	**Net finance income/(expenses)**	**(18,264)**	**(73,981)**
20	Share of profit/(loss) of equity-accounted investees (net of income tax)	17,476	7,448
	Profit/(loss) before income tax	**59,473**	**(46,761)**
16	Income tax gain/(expense)	3,049	(25,189)
	Profit/(loss) for the period from continuing operations	**62,522**	**(71,950)**
6	Profit/(loss) for the period from discontinued operations	11,487	(99,790)
	Profit/(loss) for the period	**74,009**	**(171,740)**
	Attributable to:		
	Owners of the company (net result)	71,123	(173,824)
27	Non-controlling interests	2,886	2,084
26	**Earnings per share (euro)**		
	Basic earnings per share	0.70	(2.85)
	Basic earnings per share from continuing operations	0.59	(1.21)
	Diluted earnings per share	0.70	(2.85)
	Diluted earnings per share from continuing operations	0.59	(1.21)

[1] Non-IFRS performance measure. Reference is made to the reconciliation of non-IFRS performance measures and glossary.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December

Notes	(EUR x 1,000)	2021	2020
	Profit/(loss) for the period	74,009	(171,740)
29, 16	Defined benefit plan actuarial gains/(losses)	31,601	(8,240)
	Total of items that will not be reclassified to profit or loss	**31,601**	**(8,240)**
15	Foreign currency translation differences of foreign operations	38,968	(45,817)
15	Foreign currency translation differences of equity-accounted investees	3,295	4,352
15	Net change in fair value of hedge of net investment in foreign operations	–	5,361
	Total of items that will be reclassified subsequently to profit or loss	**42,263**	**(36,104)**
	Other comprehensive income/(loss) for the period	**73,864**	**(44,344)**
	Total comprehensive income/(loss) for the period	**147,873**	**(216,084)**
	Attributable to:		
	Owners of the company	144,194	(217,325)
	Non-controlling interests	3,679	1,241
	Total comprehensive income attributable to owners of the company arises from:		
	Continuing operations	132,707	(122,690)
	Discontinued operations	11,487	(94,635)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

Notes	(EUR x 1,000)	2021	2020
	ASSETS		
17	Property, plant and equipment	535,160	523,043
18	Right-of-use assets	143,421	135,007
19	Intangible assets including goodwill	289,839	277,291
20	Investments in equity-accounted investees	46,366	36,214
21	Other investments	63,095	47,417
16	Deferred tax assets	48,989	35,618
	Total non-current assets	**1,126,870**	**1,054,590**
22	Inventories	29,098	27,615
23	Trade and other receivables	512,820	406,331
16	Current tax assets	10,881	11,542
24	Cash and cash equivalents	148,956	183,462
		701,755	**628,950**
6	Assets classified as held for sale	9,712	17,504
	Total current assets	**711,467**	**646,454**
	Total assets	**1,838,337**	**1,701,044**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December

Notes	(EUR x 1,000)	2021	2020
	EQUITY		
	Total equity attributable to owners of the company	851,203	702,070
27	Non-controlling interests	10,361	9,580
25	**Total equity**	**861,564**	**711,650**
	LIABILITIES		
28	Loans and borrowings	199,178	286,221
18	Lease liabilities	117,147	106,566
29	Employee benefits	48,174	72,498
30	Provisions	15,125	14,876
16	Deferred tax liabilities	1,933	3,517
	Total non-current liabilities	**381,557**	**483,678**
24	Bank overdraft	1,824	2,336
28	Loans and borrowings	93,241	58,021
18	Lease liabilities	30,277	26,126
31	Trade and other payables	383,007	322,247
30	Provisions	7,723	10,418
16	Current tax liabilities	31,459	26,440
	Other taxes and social security charges	47,685	46,642
		595,216	**492,230**
6	Liabilities classified as held for sale	–	13,486
	Total current liabilities	**595,216**	**505,716**
	Total liabilities	**976,773**	**989,394**
	Total equity and liabilities	**1,838,337**	**1,701,044**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes (EUR x 1,000)

Notes		Share capital	Share premium	Translation reserve	Reserve for own shares	Equity component of conver-tible bonds	Retained earnings	Unappro-priated result	Total	Non-controlling interest	Total equity
	Balance at 1 January 2021	10,319	757,336	(136,494)	(158,496)	19,802	383,427	(173,824)	702,070	9,580	711,650
	Profit or (loss)	–	–	–	–	–	–	71,123	71,123	2,886	74,009
15,29	Other comprehensive income	–	–	41,470	–	–	31,601	–	73,071	793	73,864
	Total comprehensive income/(loss) for the period	**–**	**–**	**41,470**	**–**	**–**	**31,601**	**71,123**	**144,194**	**3,679**	**147,873**
25.1	Change in nominal value of ordinary shares	(5,159)	5,159	–	–	–	–	–	–	–	–
12	Share-based payments	–	–	–	–	–	4,939	–	4,939	–	4,939
	Delivery of treasury shares for share-based payment plans	–	–	–	9,209	–	(9,209)	–	–	–	–
25.4	Transfer of equity component of convertible bonds to retained earnings upon repayment bonds	–	–	–	–	(7,971)	7,971	–	–	–	–
	Addition to/(reduction of) reserves	–	–	–	–	–	(173,824)	173,824	–	–	–
27	Transactions with non-controlling interests	–	–	–	–	–	–	–	–	–	–
27	Dividends to shareholders	–	–	–	–	–	–	–	–	(2,898)	(2,898)
	Total contributions by and distributions to owners	**(5,159)**	**5,159**	**–**	**9,209**	**(7,971)**	**(170,123)**	**173,824**	**4,939**	**(2,898)**	**2,041**
	Balance at 31 December 2021	**5,160**	**762,495**	**(95,024)**	**(149,287)**	**11,831**	**244,905**	**71,123**	**851,203**	**10,361**	**861,564**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Notes	(EUR x 1,000)	Share capital	Share premium	Translation reserve	Reserve for own shares	Equity component of convertible bonds	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
	Balance at 1 January 2020	**4,228**	**431,227**	**(101,233)**	**(160,732)**	**38,022**	**494,237**	**(108,492)**	**597,257**	**10,630**	**607,887**
	Profit or (loss)	–	–	–	–	–	–	(173,824)	(173,824)	2,084	(171,740)
15,29	Other comprehensive income	–	–	(35,261)	–	–	(8,240)	–	(43,501)	(843)	(44,344)
	Total comprehensive income/(loss) for the period	**–**	**–**	**(35,261)**	**–**	**–**	**(8,240)**	**(173,824)**	**(217,325)**	**1,241**	**(216,084)**
25.1	Issue of ordinary shares	6,091	326,109	–	–	–	(13,237)	–	318,963	–	318,963
12	Share-based payments	–	–	–	–	–	4,369	–	4,369	–	4,369
	Delivery of treasury shares for share-based payment plans	–	–	–	2,236	–	(2,236)	–	–	–	–
25.4	Repurchase convertible bonds	–	–	–	–	(718)	–	–	(718)	–	(718)
	Change in tax rate	–	–	–	–	(476)	–	–	(476)	–	(476)
25.4	Transfer of equity component of convertible bonds to retained earnings upon repurchase bonds	–	–	–	–	(17,026)	17,026	–	–	–	–
	Addition to/(reduction of) reserves	–	–	–	–	–	(108,492)	108,492	–	–	–
27	Transactions with non-controlling interests	–	–	–	–	–	–	–	–	736	736
27	Dividends to shareholders	–	–	–	–	–	–	–	–	(3,027)	(3,027)
	Total contributions by and distributions to owners	**6,091**	**326,109**	**–**	**2,236**	**(18,220)**	**(102,570)**	**108,492**	**322,138**	**(2,291)**	**319,847**
	Balance at 31 December 2020	**10,319**	**757,336**	**(136,494)**	**(158,496)**	**19,802**	**383,427**	**(173,824)**	**702,070**	**9,580**	**711,650**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

Notes	(EUR x 1,000)	2021	2020
	Continuing operations		
	Cash flows from operating activities		
	Profit/(loss) for the period	62,522	(71,950)
	Adjustments for:		
17, 18, 19	Depreciation and amortisation	112,661	113,748
13	Impairments	619	5,858
20	Share of (profit)/loss of equity-accounted investees (net of income tax)	(17,476)	(7,448)
	Net gain on sale of property, plant and equipment	(6,893)	(5,949)
12	Equity-settled share-based payments	4,939	4,369
	Change in provisions and employee benefits	(19,305)	(6,802)
16	Income tax gain/(expense)	(3,049)	25,189
	Income tax paid	(5,985)	(10,812)
15	Finance income and expense	18,264	73,981
	Interest paid	(27,099)	(33,877)
	Loss on divestment of subsidiaries	26	–
	Operating cash flows before changes in working capital[1]	**119,224**	**86,307**
	Decrease/(increase) in working capital:	(28,023)	53,483
	▪ Decrease/(increase) in inventories	(1,014)	935
	▪ Decrease/(increase) in trade and other receivables	(44,262)	37,789
	▪ Increase/(decrease) in trade and other payables	17,253	14,759
	Net cash generated from operating activities	**91,201**	**139,790**

[1] Non-IFRS performance measure. Reference is made to the reconciliation of non-IFRS performance measures and glossary.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

Notes	(EUR x 1,000)	2021	2020
	Cash flows from investing activities		
17	Capital expenditures on property, plant and equipment	(77,799)	(81,211)
19	Acquisition of and other additions to intangible assets	(2,366)	(932)
17	Proceeds from sale of property, plant and equipment	11,513	12,886
	Disposal of intangible assets	–	71
	Proceeds from sale of financial assets	324	–
20	Dividends received	5,133	55,882
	Acquisitions, net of cash acquired	–	(4,403)
21	Additions to other investments	(1,851)	(16,686)
	Net cash (used in)/from investing activities	**(65,046)**	**(34,393)**
	Cash flows from operating activities after investing activities[1]	**26,155**	**105,397**
	Cash flows from financing activities		
25	Proceeds from the issue of ordinary shares	–	332,200
25	Transaction costs on issue of ordinary shares	–	(13,237)
28	Proceeds from the issue of long-term loans	55,132	–
28	Transaction costs on long-term loans	–	(13,433)
28	Repayment of borrowings	(99,682)	(376,804)
27	Dividends paid	(2,841)	(3,027)
18	Payments of lease liability	(25,599)	(23,560)
	Net cash from/(used in) financing activities	**(72,990)**	**(97,861)**
	Net cash provided by (used for) continuing operations	**(46,835)**	**7,536**

[1] Non-IFRS performance measure. Reference is made to the reconciliation of non-IFRS performance measures and glossary.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

Notes	(EUR x 1,000)	2021	2020
	Discontinued operations		
	Cash flows from operating activities	(33)	(18,294)
	Cash flows from investing activities	13,360	1,295
	Cash flows from financing activities	(13,327)	14,036
6	**Net cash provided by (used for) discontinued operations**	**–**	**(2,963)**
	Total net cash provided by (used for) operations	**(46,835)**	**4,573**
	Effect of exchange rate fluctuations on cash held	12,841	(25,214)
	Cash and cash equivalents at 1 January	181,126	201,767
	Cash and cash equivalents at 31 December	**147,132**	**181,126**
	Presentation in the statement of financial position		
24	Cash and cash equivalents	148,956	183,462
24	Bank overdraft	(1,824)	(2,336)

The accompanying notes are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Fugro N.V., hereinafter to be referred to as 'Fugro' or 'the company', has its corporate seat in the Netherlands. The address of the company's principal office is Veurse Achterweg 10, 2264 SG, Leidschendam, The Netherlands. The consolidated financial statements of Fugro as at and for the year ended 31 December 2021 include Fugro and its subsidiaries (together referred to as the 'Group') and the Group's interests in equity-accounted investees.
The financial statements are presented in EUR x 1,000, unless stated otherwise. The Euro is the presentation currency of the company.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Netherlands Civil Code.

On 25 February 2022, the Board of Management and Supervisory Board authorised the financial statements for issue. The financial statements will be submitted for adoption to the annual general meeting which takes place on 22 April 2022.

The financial statements have been prepared on the measurement basis of historical cost, except for the following assets and liabilities that are stated at their fair value: derivative financial instruments, equity securities and plan assets associated with defined benefit plans. For more detailed information on the measurement basis, reference is made to the relevant notes to the consolidated financial statements.

Estimates, judgements and uncertainties

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reported amounts are based on factors which by default are associated with uncertainties. Actual results may therefore differ materially from these estimates. The notes dealing with the most significant estimates, judgements and uncertainties are as follows:

Estimates, judgements and uncertainties with respect to	Note
Impairment of non-financial assets (property, plant and equipment, right-of-use assets and intangible assets including goodwill)	13
Impairment of financial assets (trade receivables, unbilled revenue on (completed) projects, and other receivables)	23
The Covid-19 pandemic and implications for the financial statements	9, 19 and 32
Leases	18
Deferred tax	16
Employee benefits	29
Provisions	30

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies have been included in the relevant notes to the consolidated financial statements. Certain new accounting standards and interpretations have been published that are not yet effective for these consolidated financial statements and have not been early adopted by the Group. The impact of these new standards and interpretations are either not expected to be material for Fugro or not applicable to Fugro. Several amendments and interpretations apply for the first time as of 1 January 2021, but these do not have a material impact on the consolidated financial statements of the Group.

4 OTHER ACCOUNTING POLICIES

Statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method.
Cash flows in foreign currencies are converted at the exchange rate at the dates of the transactions. Currency exchange differences on cash held are presented separately. Payments and receipts of corporate taxes are included as cash flow from operating activities and interest paid is shown as cash flow from operating activities. The line item interest paid includes cash payments for the interest portion of lease liabilities. Cash flows as a result from acquisition/divestment of financial interests in subsidiaries and equity-accounted investees are included as cash flow from investing activities, taking into account the available cash in these interests. Dividends paid are part of the cash flow from financing activities.

Basis of consolidation

Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. In assessing control, the Group takes into consideration potential voting rights, if the rights are substantive. Non-controlling interests in the acquiree are measured at the proportionate share of the acquiree's identifiable net assets.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, it is accounted for as an equity-accounted investee or as an equity security depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no objective evidence of impairment conditions.

Foreign currency

Foreign currency transactions and translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at foreign exchange rates effective at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity-accounted investees, a financial liability designated as a hedge of the net investment in a foreign operation (see below) that is effective, or qualifying cash flow hedges (insofar applicable), which are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at foreign exchange rates effective at the reporting date. The income and expenses of foreign operations are translated to EUR at exchange rates effective at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve for foreign operations (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount in the translation reserve is reattributed to non-controlling interests. If the Group disposes of only part of its investment in an equity-accounted investee that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount in the translation reserve is reclassified to profit or loss.

If the settlement of a monetary item, receivable from or payable to a foreign operation, is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such monetary items are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

Previous net investment hedge of foreign operations

Prior to the refinancing completed in December 2020, the Group hedged the foreign currency exposure in USD for net investment in foreign operations in the United States with the USD part of the incumbent revolving credit facility as hedging instruments. Foreign currency differences arising on the (re-)translation of a financial liability designated as a hedge of a net investment in a foreign operation were recognised in other comprehensive income to the extent that the hedge was effective, and was presented and accumulated within equity in the translation reserve. To the extent that the hedge was ineffective, such differences were recognised in profit or loss.

After the refinancing in December 2020, the previous USD revolving credit facility was redeemed. At that time, Fugro discontinued hedge accounting for the net investment in foreign operations. Fugro ceased to recognise any foreign currency differences on the designated hedging instruments in other comprehensive income as part of the foreign currency translation reserve from the date of discontinuation. The cumulative foreign currency differences on the hedging instrument relating to the effective portion of the hedge that was accumulated in the foreign currency translation reserve in other comprehensive income remains there, until the hedged net investment is disposed of. Upon disposal, the translation reserve is transferred to profit or loss.

Derivative financial instruments and hedge accounting

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss. The Group does not engage in material hedging transactions with derivatives. Accordingly, consistent with prior year, there are no qualifying fair value hedge or cash flow hedge relationships as of 31 December 2021. The Group does not have separately accounted embedded derivative financial liabilities. The Group does not have derivatives embedded within a hybrid contract containing a financial asset host.

5 SEGMENT REPORTING

Fugro has four integrated regions: Europe-Africa (E-A), Americas (AM), Asia Pacific (APAC) and Middle East & India (MEI). The organisational and reporting structure consists of these four regions. Within the regions, the following business line structure exists: Marine Site Characterisation (MSC), Marine Asset Integrity (MAI), Land Site Characterisation (LSC) and Land Asset Integrity (LAI).

The operating results of the four regions are directly reported to and reviewed by the Board of Management, being the Chief Operating Decision Maker. These operating segments are therefore also reportable segments. In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of operating companies. The allocation of segment assets is based on the geographical location of the operating company using the assets ('region of origin'). Information regarding the results of each reportable segment is included below. Performance is measured based on reported result from operating activities before interest and taxation (EBIT) as included in the internal management reports that are reviewed by the Board of Management. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Fugro allocates all other corporate expenses and finance income to the reportable segment profit (or loss) before income tax of the respective operating segments pro-rata based on net revenue. Assets that are used by more than one operating segment and liabilities that relate to more operating segments are pro-rata allocated based on net revenues to the respective reporting segments. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

The E-A, AM, APAC, MEI operating segments generate revenues from:

- Marine environment: The determination of soil composition via cone penetration testing or the acquisition of soil samples and related laboratory testing; and the mapping of seabed and geological features and hazards below using non-invasive techniques including the related interpretation and visualisation. Its services also include geo consulting, general purpose navigation charts and environmental, meteorological & oceanographic measurement services. In addition, the activities consist of positioning signals and services, construction support, monitoring and forecasting services, remote systems technology, and inspection, repair and maintenance services (IRM).

- Land environment: The determination of soil characteristics via cone penetration testing and/or the acquisition of soil samples and related laboratory testing. These services are offered both onshore and in near shore environments. In addition, the activities consist of material testing and geo-consulting services as well as asset integrity solutions (monitoring, analysis, modelling) for clients in the electrical power business, railroads, roads and infrastructure.

Operating segments

(EUR x 1,000)	E-A		AM		APAC		MEI		Eliminations		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Segment revenue	683,565	647,745	358,559	358,852	324,000	320,390	157,043	168,529	–	–	1,523,167	1,495,516
Of which inter-segment revenue	(25,938)	(52,352)	(3,067)	(18,630)	(16,881)	(29,219)	(15,556)	(9,012)	–	–	(61,442)	(109,213)
Revenue from external customers	**657,627**	**595,393**	**355,492**	**340,222**	**307,119**	**291,171**	**141,487**	**159,517**	**–**	**–**	**1,461,725**	**1,386,303**
Segment result	115,227	89,699	25,412	12,299	26,134	22,433	6,768	14,947	–	–	173,541	139,378
Depreciation	(53,965)	(53,527)	(23,695)	(23,412)	(24,804)	(22,977)	(9,640)	(11,934)	–	–	(112,104)	(111,850)
Amortisation	(183)	(554)	(195)	(856)	(178)	(373)	(1)	(115)	–	–	(557)	(1,898)
Impairments	370	(361)	128	(985)	(1,117)	(2,608)	–	(1,904)	–	–	(619)	(5,858)
Result from operating activities (EBIT)	**61,449**	**35,257**	**1,650**	**(12,954)**	**35**	**(3,525)**	**(2,873)**	**994**	**–**	**–**	**60,261**	**19,772**
EBIT in % of revenue	9.3%	5.9%	0.5%	(3.8%)	0.0%	(1.2%)	(2.0%)	0.6%	–	–	4.1%	1.4%
Finance income	20,785	11,571	7,801	6,157	9,882	6,604	3,387	3,353	(22,029)	(25,478)	19,826	2,207
Finance expense	(28,928)	(52,837)	(10,036)	(15,455)	(16,256)	(27,269)	(4,899)	(6,105)	22,029	25,478	(38,090)	(76,188)
Share of profit/(loss) of equity-accounted investees	221	(4,367)	–	–	13,094	10,480	4,161	1,335	–	–	17,476	7,448
Reportable segment profit/(loss) before income tax	**53,527**	**(10,376)**	**(585)**	**(22,252)**	**6,755**	**(13,710)**	**(224)**	**(423)**	**–**	**–**	**59,473**	**(46,761)**
Income tax	(1,059)	(2,673)	2,667	(19,956)	1,163	1,043	278	(3,603)	–	–	3,049	(25,189)
Profit/(loss) for the period from continuing operations	**52,468**	**(13,049)**	**2,082**	**(42,208)**	**7,918**	**(12,667)**	**54**	**(4,026)**	**–**	**–**	**62,522**	**(71,950)**
Capital employed	469,749	403,985	219,349	198,658	189,259	155,128	128,494	116,995	–	–	1,006,851	874,766
Non-current assets	579,704	556,924	176,257	173,840	242,377	205,789	128,532	118,037	–	–	1,126,870	1,054,590
Capital expenditure property, plant and equipment	33,893	36,506	15,351	18,724	23,634	19,046	6,805	6,935	–	–	79,683	81,211
Capital expenditure E&E, software and other intangible assets	635	720	81	156	1,650	5	–	51	–	–	2,366	932
Trade receivables and unbilled revenue on (completed) contracts	159,260	138,969	113,103	85,043	90,351	68,532	63,323	44,416	–	–	426,037	336,960

6 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair values less costs to sell. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated and any equity-accounted investees are no longer equity-accounted.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

6.1 Discontinued operations

Seabed Geosolutions had been presented as a disposal group held for sale and a discontinued operation since 30 June 2019. On 29 March 2021, Fugro reached a binding agreement with PXGEO Seismic Services Limited to sell certain assets and the related business of its non-core subsidiary Seabed Geosolutions for USD 16 million (EUR 13.4 million) in cash. The USD 16 million cash proceeds are presented as investing activities from discontinued operations in the statement of cash flows. The closing date of this transaction was 28 June 2021. On this date, Fugro derecognised the assets and liabilities that were sold to PXGEO from the statement of financial position. A gain on sale of EUR 1.7 million was recognised as a profit for the period from discontinued operations (refer to the table below).

The net results for 2021 and 2020 of the discontinued operation have been presented on a separate line in the consolidated statement of comprehensive income. The consolidated statement of cash flows for 2021 and 2020 include separate cash flows and cash balances of the discontinued operation. The assets and liabilities of the disposal group were still classified as held for sale in the comparative consolidated statement of financial position as of 31 December 2020 and were derecognised as of 28 June 2021.

The consolidated statement of comprehensive income below presents the discontinued operations on a stand-alone basis:

(EUR x 1,000)	Twelve months ended 31 December 2021	Twelve months ended 31 December 2020
From discontinued operations		
Revenue	43,969	62,774
Third party costs	(18,601)	(50,796)
Other income	4,965	6,083
Personnel expenses	(6,296)	(18,754)
(Impairment)/Reversal of impairment	(2,735)	(74,713)
Other expenses	(12,461)	(19,885)
Results from operating activities (EBIT)	8,841	**(95,291)**
Net financing income/(expenses)	1,002	(3,140)
Share of profit/(loss) of equity-accounted investees (net of income tax)	–	72
Income tax gain/(expenses)	(29)	(1,431)
Gain on sale	1,673	–
Profit/(loss) for the period from discontinued operations	11,487	**(99,790)**
Basic earnings per share from discontinued operations	0.11	(1.64)
Diluted earnings per share from discontinued operations	0.11	(1.64)

An amount of EUR 1.9 million (gain) of cumulative foreign currency translation reserves related to Seabed Geosolutions, was recycled to profit and loss and included in the gain on sale upon disposal. Restructuring costs amounting to EUR 9.4 million were recorded in other expenses.

6.2 Assets held for sale

The 31 December 2020 assets and liabilities held for sale primarily pertained to the Seabed Geosolutions disposal group and were derecognised as of 28 June 2021. The 31 December 2021 assets held for sale (EUR 9.7 million) consist of property, plant and equipment for an amount of EUR 4.3 million and the remaining interest in the Global Marine Group (GMG) associate for EUR 5.4 million.

Property, plant and equipment held for sale pertains to an airplane, a jack-up platform and other aerial vehicles. These assets were presented in the APAC, E-A, and AM operating segments respectively. Due to the advanced stage of negotiations with the respective potential buyers, it is deemed highly probable that these assets will be sold in exchange for cash in 2022. Other than an impairment loss of EUR 1.1 million for the jack-up platform, there were no impairments or reversals of impairments with respect to these assets in 2021.

HC2 Holdings Inc is a third party and the majority owner of the Global Marine Group (GMG). In connection with the highly probable exercise by HC2 of a put option agreement to sell GMG's stake in Huawei Marine Networks Co. Limited, the GMG associate has been classified as held for sale as of 31 December 2021. There were no impairment losses or reversals with respect to GMG in 2021. GMG is presented in the E-A operating segment.

7 REVENUE

Revenue is recognised when control of the promised goods or services is transferred to the Group's customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. Fugro primarily generates revenue from services which are based on geo-intelligence derived by acquiring bespoke data and providing analysis and advisory. Revenue from sales of goods, software licences and subscription income are not a significant category of revenue. Sales within the Group are eliminated and not included in revenue shown.

Revenue is measured based on the consideration contractually agreed with the customer. Common considerations are fixed price, daily rates or rates per (square) kilometre. The transaction price excludes amounts collected on behalf of third parties, such as value-added taxes. It is common for the Group's contracts with customers to include liquidated damages, weather standby fees or discounts that can either increase or decrease the transaction price, leading to the consideration to be variable. Variable considerations are generally constrained and recognised as revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved. The Group estimates variable consideration using either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group's services are typically sold in a bundled package of services which together form a single performance obligation. Control of the single performance obligations is generally transferred to the customer over time. The transfer of control over time is supported mostly by one of the following conditions being met:

- Clauses in the contract that allow the customer to terminate the contract, pay for costs incurred plus a reasonable profit margin and take control of any work in progress. The Group does not create an asset with alternative use to the Group.
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

In limited cases, the Group may also create or enhance an asset that the customer controls as the asset is created or enhanced.

For performance obligations that are satisfied over time, revenue and cost are recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services to be provided. The Group generally determines progress towards completion by measuring the proportion of actual cost incurred for work performed to date, compared to total estimated cost to completion. In the Group's view this best depicts the Group's performance in transferring control of services promised to its customers.

When it becomes probable that the total estimated cost to completion (i.e. incremental costs and an allocation of costs directly related to contract activities) exceed the total consideration for a certain contract, the Group recognises a provision for the lower of the net expected cost of performing under the contract and cost of terminating the contract.

Payment terms for service contracts are usually based on several instalments over the duration of the contract based on pre-set contract milestones. Significant financing components are not prevalent nor material within the Group. When applicable, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it is expected, at contract inception, that the period between when the entity transfers a promised good or service and when the customer pays for the good or service is one year or less.

Generally, the Group does not incur costs to obtain a contract. Up-front fees and pre-production costs are not prevalent in the Group's business.

Contract balances

When revenue recognised to date exceeds the progress billings to the customer, the surplus is accounted for as a contract asset and presented as unbilled revenue. Unbilled revenue is accounted net of any impairment losses. When progress billings exceed the revenue, measured as costs incurred plus profits recognised to date, the balance is accounted for as a contract liability, which is presented as advance instalments to work in progress.

7.1 Disaggregation of revenue from contracts with customers

Revenue by businesses and market segment

		2021			2020	
(EUR x 1,000)	Marine	Land	Total	Marine*	Land*	Total
Oil and gas	542,227	34,181	576,408	573,003	44,219	617,222
Infrastructure	28,845	299,210	328,055	17,870	301,223	319,093
Renewables	321,671	29,844	351,515	278,159	17,006	295,165
Nautical	115,655	3,969	119,624	106,433	2,151	108,584
Other	29,522	56,601	86,123	4,950	41,289	46,239
Total	**1,037,920**	**423,805**	**1,461,725**	**980,415**	**405,888**	**1,386,303**
Of which:						
Site characterisation	612,243	322,525	934,768	586,564	316,552	903,116
Asset integrity	425,677	101,280	526,957	393,851	89,336	483,187

* Restated for the reclassification of nearshore infrastructure services from Land to Marine, following changes in internal management reporting. The reclassification impact is EUR 17.3 million for 2020.

7.2 Performance obligations

The table below presents the transaction price allocated to performance obligations that are (partially) unsatisfied as at 31 December. Certain amounts of variable consideration are not included in the amounts presented below as these are considered to be constrained. The Group applies the practical expedient allowing not to disclose information about remaining performance obligations that have an original expected duration of one year or less. The amounts therefore differ from the backlog.

(EUR x 1,000)	2021	2020*
Within one year	175,014	135,362
More than one year	119,549	114,535
Total	**294,563**	**249,897**

* Restated to reflect an additional EUR 116 million of unsatisfied performance obligations erroneously not captured in 2020.

7.3 Contract balances

The Group has recognised the following assets and liabilities related to contracts with customers:

(EUR x 1,000)	Note	2021	2020
Unbilled revenue on (completed) projects	23	186,002	133,743
Trade receivables	23	240,035	203,217
Advance instalments to work in progress	31	(50,514)	(43,986)

8 THIRD PARTY COSTS

(EUR x 1,000)	2021	2020
Cost of suppliers	491,374	442,212
Lease expenses	75,739	63,703
Other costs	18,145	14,692
Total	**585,258**	**520,607**

Cost of suppliers comprises costs of short-term third-party hire, lease of low-value assets, fuel, demobilisation and mobilisation, consumables and third-party personnel. Also included are costs of maintenance and operational supplies amounting to EUR 26.8 million (2020: EUR 24.5 million) directly related to projects. Lease expenses relate to short-term vessel leases and variable lease payments not included in the measurement of vessel lease liabilities. Other costs mainly relate to subcontracted cost at request of the client which can be recharged to the client directly.

9 OTHER INCOME

Other income consists of income not related to the key business activities of the Group, such as income from the sale of non-monetary assets and/or liabilities, and/or non-recurring income.

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group (partly) for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that (partly) compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(EUR x 1,000)	**2021**	2020
Government grants	8,486	17,664
Gain on sale of property, plant and equipment	7,397	6,061
Sundry income	4,162	3,760
Total	**20,045**	**27,485**

During the financial year 2021, Fugro recognised EUR 3.9 million in connection with Covid-19 related government support in various countries (2020: EUR 14.9 million). Sundry income includes research and developments tax credits received.

10 PERSONNEL EXPENSES

(EUR x 1,000)	**2021**	2020
Wages and salaries	496,405	503,901
Social security contributions	45,319	46,305
Equity-settled share-based payments	4,939	4,369
Expense related to defined contribution plans	29,742	29,116
Expense/(gain) related to defined benefit plans	418	(63)
Increase/(decrease) in liability for long service leave	1,113	1,383
Total	**577,936**	**585,011**

11 EMPLOYEES

The total number of full-time equivalent (FTE) employees as at 31 December and average number for the year is as follows:

	2021			2020		
	Netherlands	**Other countries**	**Total**	**Netherlands**	**Other countries**	**Total**
Technical staff	699	6,352	7,051	768	6,467	7,235
Management and administrative staff	241	1,198	1,439	214	1,275	1,489
Temporary and contract staff	169	343	512	139	286	425
Total number of employees at 31 December	**1,109**	**7,893**	**9,002**	**1,121**	**8,028**	**9,149**
Average number of employees during the year	1,115	7,961	9,076	1,129	8,484	9,613

12 SHARE-BASED PAYMENTS

The following equity-settled share-based payment arrangements exist under the long-term incentive plan:

- performance shares and performance options (Board of Management, Executive Leadership Team and other selected senior employees)
- share options (eligible and selected other employees for grants up to 2021)
- restricted shares (Board of Management, 2018 grant only)
- restricted share units (eligible and selected other selected employees).

The cost of equity-settled share-based payment arrangements is determined by the fair value at the date when the grant is made. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

If awards do not vest, due to non-market conditions and/or service conditions not being met, no expense is recognised. Awards that include a market condition are treated as vested irrespective of whether the market condition is satisfied, provided that all other (non-market) performance conditions and/or service conditions are satisfied.

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as personnel expense, with a corresponding increase in equity, over the vesting period of the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity shares that will ultimately vest. The expense or credit in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense recognised as at respectively the beginning and end of that period.

12.1 Performance shares

Under the long-term incentive plan, the company grants performance shares (and performance options prior to an amendment in 2017) to members of the Board of Management and other selected senior employees. Vesting is subject to continuous employment and performance measurement. The performance period is three years starting on 1 January in the year of the grant.

The maximum number of performance shares that can vest after three years equals 175% of the conditionally granted number of shares (only in case maximum performance is achieved on all criteria). The performance targets and their relative weights for the grants made under the plan are as follows:

Performance targets	2017-2021
TSR	37.5%
ROCE	37.5%
Strategic targets	25.0%

- Total shareholder return (TSR) is defined as share price increase, including reinvested dividends. TSR is measured over a three-year period based on a three-month average period measured immediately prior to the start and end date of the performance period. The relative position within the peer group determines the vesting level.
- Return on capital employed (ROCE) is calculated as net operating profit after tax (NOPAT) over the last twelve months as a percentage of a three-point moving average adjusted capital employed.
- Strategic target achievement is determined by the Supervisory Board in the first quarter of the year following the three-year performance period for the Board of Management and for other employees by the Board of Management.

A summary of performance shares movements and outstanding balance as at 31 December is presented below.

	2021		2020	
	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Performance shares outstanding at 1 January	530,929	17.96	414,588	22.36
Granted during the period	424,500	9.03	192,752	10.07
Forfeited during the period	72,584	21.81	58,485	19.89
Vested during the period	56,121	25.13	17,926	28.66
Performance shares outstanding at 31 December	**826,724**	**12.12**	**530,929**	**17.96**

The grant date fair value of the portion with a TSR market performance condition, a market performance condition, has been derived using a Monte Carlo simulation model. The fair value of the portion with a ROCE or a strategic performance condition is equal to the share price at date of grant adjusted for expected dividends during the vesting period.

The significant inputs into the valuation model are (including the actual historical share prices at the date of grant):

	2021	2020
	Performance Shares	Performance Shares
Share price (in EUR)	8.96 – 9.13	7.72 – 16.82
Volatility (%)	60.9% – 62.7%	40.5% – 53.6%
Dividend yield (%)	0.0%	0.0%
Vesting period (in years)	2.64 – 2.84	2.90 – 3.00
Risk-free interest rate (%)	(0.66)% – (0.70)%	(0.65)% – (0.71)%
Remaining performance period (in years)	2.64 – 2.84	2.75 – 2.84

The expected volatility is based on the annualised historical volatility for a prior to the date of grant corresponding with the remaining performance period, and the dividend yield is estimated based on the historic dividend yield on Fugro shares at the date of grant.

The last time that performance options were granted in connection with the long-term incentive plan was in 2016. The last remaining performance options vested in 2019.
No expense was recognised for performance options in 2021 and 2020. As at 31 December, the following performance options (all granted prior to 2017) were outstanding:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Performance options outstanding at 1 January	30,512	29.10	97,177	29.10
Forfeited during the period	5,719	29.10	66,665	29.10
Exercised during the period	–	–	–	–
Performance options outstanding and exercisable at 31 December	**24,793**	**29.10**	**30,512**	**29.10**

The average remaining term of the performance options outstanding as at 31 December 2021 is 1.0 years (31 December 2020: 2.2 years).

The total expense recognised in 2021 related to performance shares amounted to EUR 3,297,452 (2020: EUR 1,860,510).

12.2 Share options

Fugro's share option scheme allows some assigned Group employees to acquire shares in Fugro. A share option entitles the employee to purchase ordinary shares in Fugro.
The vesting period of the options granted from 2018 is three years starting at the grant date. The maximum contractual option life is six years. The options granted are not subject to any further conditions of vesting, except that the option holder remains employed by Fugro or one of its subsidiaries. A new discretionary restricted share unit plan was introduced in 2021 (see below). As a result, no share options were granted in 2021.

The exercise price for the options granted was determined based on the average closing price of 5 days preceding the grant date.

A summary of movements during the year of options and balances outstanding as at 31 December is presented below:

	2021		2020	
	Number of options	Weighted average exercise price (EUR)	Number of options	Weighted average exercise price (EUR)
Options outstanding at 1 January	1,160,733	22.38	1,281,232	27.35
Forfeited during the period	92,750	21.92	166,799	26.02
Expired during the period	166,405	30.12	249,051	34.52
Options granted during the period	–	–	295,351	13.12
Options outstanding at 31 December	**901,578**	**21.02**	**1,160,733**	**22.38**
Options exercisable at 31 December	**406,188**	**26.59**	**383,418**	**29.58**

The outstanding options have an exercise price ranging from EUR 13.12 to EUR 30.12 as at 31 December 2021. The average remaining term of the options is 2.7 years (2020: 3.3 years).

The fair value of the share options with only service conditions is determined by using a binomial model. The option life is estimated based on the expected behaviour for exercising the options, and the estimate is that the employees will hold the options until the end of the exercise period. Expected volatility is estimated by considering historical share price volatility.

The total expense recognised in 2021 related to share options amounted to EUR 712,577 (2020: EUR 1,604,819).

12.3 Restricted shares

The vesting of the restricted shares is only dependent on continued services during the vesting period. No shares have been granted in 2021.

A summary of restricted share movements and the outstanding balance as at 31 December is presented below.

	2021		2020	
	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Restricted shares outstanding at 1 January	105,334	24.53	109,675	24.82
Granted during the period	–	–	5,134	19.96
Forfeited during the period	1,850	25.43	5,900	25.43
Vested during the period	44,550	25.43	3,575	25.43
Restricted shares outstanding at 31 December	**58,934**	**23.82**	**105,334**	**24.53**

The total expense recognised in 2021 related to restricted shares amounted to EUR 183,956 (2020: EUR 903,140).

12.4 RSU plan

In February 2021, Fugro replaced the discretionary share option plan for eligible and selected other employees with a new discretionary restricted share unit (RSU) plan. A RSU entitles the employee to receive a number of Fugro shares. RSU's vest when an employee remains employed by Fugro or one of its subsidiaries for three years following the grant date. There are no other vesting conditions. The Board of Management and the Supervisory Board decide annually on the granting of RSU's. The grant date fair value of the RSU's is the share price at date of grant adjusted for expected dividends during the vesting period (2021: EUR 9.08).

A summary of RSU movements and the outstanding balance as at 31 December is presented below.

	2021	
	Number of shares	**Weighted average grant date fair value**
RSU's outstanding at 1 January	–	–
Granted during the period	385,032	9.08
Forfeited during the period	10,675	9.08
Vested during the period	–	–
RSU's outstanding at 31 December	**374,357**	**9.08**

The total expense recognised in 2021 related to RSU's amounted to EUR 744,636.

13 IMPAIRMENTS

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Other non-financial assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(EUR x 1,000)	2021	2020
Impairments of non-financial assets	5,144	5,882
Reversals of impairment of non-financial assets	(4,525)	(24)
Net impairment loss	**619**	**5,858**

The EUR 4.5 million reversal of impairment during 2021 mainly pertained to the improved business outlook for a vessel (Fugro Synergy).

14 OTHER EXPENSES

(EUR x 1,000)	2021	2020
Maintenance and operational supplies	8,355	10,260
Indirect operating expenses	22,638	28,082
Occupancy costs	13,587	12,640
Property lease expense	6,581	4,410
Communication and office equipment	40,513	37,156
Impairment of receivables	2,283	3,559
Restructuring costs	1,977	17,581
Research costs	2,773	1,214
Loss on disposal of property, plant and equipment	504	112
Marketing and advertising costs	1,854	2,388
Tax fines and other penalties	–	338
Professional services fees	24,497	26,782
Other	19,473	24,270
Total	**145,035**	**168,792**

Other expenses include training costs, and miscellaneous charges.

15 NET FINANCE (INCOME)/EXPENSES

Net finance income and expenses consist of finance expenses, finance income and foreign currency gains and losses. Finance expenses comprise interest expense on borrowings and lease liabilities, unwinding of the discount on provisions, losses on disposal of equity securities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of equity securities, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the Group's right to receive payment is established, which in the case of quoted shares is normally the ex-dividend date.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(EUR x 1,000)	**2021**	2020
Interest income on loans and receivables	(1,156)	(2,207)
Net foreign exchange gain	(18,670)	–
Finance income	**(19,826)**	**(2,207)**
Interest expense on financial liabilities measured at amortised cost	38,030	45,827
Net change in fair value of financial assets at fair value through profit or loss	60	191
Net foreign exchange loss	–	30,170
Finance expense	**38,090**	**76,188**
Net finance (income)/expenses recognised in profit or loss	**18,264**	**73,981**

The table set below summarises the net finance cost recognised in other comprehensive income and how they are categorised in the statement of changes in equity.

(EUR x 1,000)	**2021**	2020
Recognised in other comprehensive income		
Change net investment hedge of foreign operations	–	5,361
Foreign currency translation differences of foreign operations	40,907	(45,817)
Foreign currency translation differences recycled to profit and loss	(1,939)	–
Foreign currency translation differences of equity-accounted investees	3,295	4,352
Total	**42,263**	**(36,104)**
Recognised in:		
Translation reserve	41,470	(35,261)
Non-controlling interests	793	(843)
Total	**42,263**	**(36,104)**

16 INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill, temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

16.1 Income tax expense/(gain)

Recognised in profit or loss

(EUR x 1,000)	**2021**	**2020**
Current income tax expense/(gain)		
Current year	11,125	13,913
Adjustments for prior years	709	(679)
	11,834	**13,234**
Deferred income tax expense/(gain)		
Origination and reversal of tax losses and temporary differences	4,191	69
Change in tax rate	(7,912)	(1,810)
Recognition of previously unrecognised tax losses and temporary differences	(13,967)	(6,341)
Impairment of deferred tax assets	–	19,805
Liability for undistributed foreign earnings (deferred)	1,529	736
Adjustments for prior years	1,276	(504)
	(14,883)	**11,955**
Total income tax expense/(gain)	**(3,049)**	**25,189**

Reconciliation of effective tax rate

(EUR x 1,000)	2021 %	2021	2020 %	2020
Profit/(loss) for the period from continuing operations		62,522		(71,950)
Income tax expense/(gain)		(3,049)		25,189
Profit/(loss) before income tax		**59,473**		**(46,761)**
Income tax using the weighted domestic average tax rates	33.3	19,805	13.1	(6,134)
Change in tax rate	(13.3)	(7,912)	3.9	(1,810)
Recognition of previously unrecognised tax losses and temporary differences	(23.5)	(13,967)	13.6	(6,341)
Impairment of deferred tax assets	–	–	(42.4)	19,805
Current year tax losses and tax credits not recognised	13.8	8,180	(41.8)	19,560
Non-deductible expenses	12.6	7,512	(14.6)	6,813
Tax exempt income	(13.4)	(7,956)	14.5	(6,803)
Write down of intercompany positions	(21.6)	(12,835)	–	–
Liability for undistributed foreign earnings (deferred)	2.6	1,529	(1.6)	736
Adjustments for prior years (deferred)	2.1	1,276	1.1	(504)
Adjustments for prior years (current)	1.2	709	1.5	(679)
Dividend and other income taxes	1.0	610	(1.2)	546
Total	**(5.1)**	**(3,049)**	**(53.9)**	**25,189**

The weighted domestic average tax rate is computed by multiplying the result before tax of each tax group with the applicable domestic corporate income tax rates, varying from 0% to 35%. The increase of the average tax rate compared to prior year is caused by a significantly different mix of results in the various tax groups. The change in tax rate benefit is mainly (EUR 7.3 million) the effect of the deferred tax rate change in the UK Unity (increase from 19% to 25%). Due to increased profitability mainly in the Netherlands and Germany, carry forward tax losses and temporary differences were recognised for an amount of EUR 11.0 million. In addition, tax losses were utilised for EUR 3.0 million in South Africa, following debt forgiveness of intercompany positions. The items combined are included in the table under Recognition of previously unrecognised tax losses and temporary differences. The write down of intercompany positions benefit (EUR 12.8 million) relates to deductible write downs recognised on intercompany positions with Seabed Geosolutions and Fugro Angola.

Income tax recognised in other comprehensive income and in equity

(EUR x 1,000)	2021			2020		
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Defined benefit plan actuarial gains (losses)	38,001	(6,400)	31,601	(10,816)	2,576	(8,240)
Net change in hedge of foreign operations	–	373	373	6,750	(1,389)	5,361
Share-based payment transactions	4,939	–	4,939	4,369	–	4,369
Costs related to issue of new shares	–	3,576	3,576	–	–	–
Subordinated unsecured convertible bonds	–	(51)	(51)	–	(476)	(476)
Transactions with non-controlling interests	–	–	–	736	–	736
Foreign currency translation differences of foreign operations and equity-accounted investees	35,791	2,574	38,365	(38,965)	(2,500)	(41,465)
Total	**78,731**	**72**	**78,803**	**(37,926)**	**(1,789)**	**(39,715)**

16.2 Current tax assets and liabilities

The net current tax liability of EUR 20,578 thousand (2020: EUR 14,899 thousand liability) represents the balance of current tax assets and liabilities in respect of current and prior periods less advance tax payments.

16.3 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

(EUR x 1,000)	Assets		Liabilities	
	2021	**2020**	**2021**	**2020**
Property, plant and equipment	28,092	18,296	(10,788)	(7,256)
Intangible assets	127	180	(2,155)	(1,354)
Subordinated unsecured convertible bonds	–	–	(1,650)	(3,607)
Leases	16,446	13,947	(15,346)	(13,760)
Employee benefits	4,321	6,870	(3,869)	(15)
Provisions	4,967	5,238	(5,313)	(2,542)
Tax loss carry-forwards	32,011	19,970	–	–
Other items	4,080	1,325	(3,867)	(5,191)
Deferred tax assets/(liabilities)	**90,044**	**65,826**	**(42,988)**	**(33,725)**
Set-off of tax components	(41,055)	(30,208)	41,055	30,208
Reflected in the statement of financial position as follows	**48,989**	**35,618**	**(1,933)**	**(3,517)**

The recognised deferred tax assets are dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The recognised amounts relate to tax groups that are profitable or are expected to be profitable in the foreseeable future.

Movement in temporary differences during the year

(EUR x 1,000)	Balance 1 January 2021	Recognised in profit or loss	Recognised in other comprehen-sive income	Recognised directly in equity	Balance 31 December 2021
Property, plant and equipment	11,040	6,264	–	–	17,304
Intangible assets	(1,174)	(854)	–	–	(2,028)
Subordinated unsecured convertible bonds	(3,607)	2,008	–	(51)	(1,650)
Leases	187	913	–	–	1,100
Employee benefits	6,855	(3)	(6,400)	–	452
Provisions	2,696	(3,042)	–	–	(346)
Tax loss carry-forward	19,970	12,041	–	–	32,011
Other items	(3,866)	130	3,949	–	213
Exchange differences	–	(2,574)	2,574	–	–
Total	**32,101**	**14,883**	**123**	**(51)**	**47,056**

(EUR x 1,000)	Balance 1 January 2020	Acquired in business combina-tions	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Balance 31 December 2020
Property, plant and equipment	4,931	(501)	6,610	–	–	11,040
Intangible assets	(929)	–	(245)	–	–	(1,174)
Subordinated unsecured convertible bonds	(5,464)	–	2,333	–	(476)	(3,607)
Long term loans	–	–	1,389	(1,389)	–	–
Leases	128	–	59	–	–	187
Employee benefits	6,423	–	(2,144)	2,576	–	6,855
Provisions	3,163	–	(467)	–	–	2,696
Tax loss carry-forward	42,667	–	(22,697)	–	–	19,970
Other items	(2,279)	–	(1,587)	–	–	(3,866)
Exchange differences	–	–	2,500	(2,500)	–	–
Total	**48,640**	**(501)**	**(14,249)***	**(1,313)**	**(476)**	**32,101**

* Includes EUR 2,294 thousand recognised in profit & loss of discontinued operations.

16.4 Unrecognised deferred tax assets and liabilities

Deferred tax has not been recognised in respect of the following items:

Unrecognised deferred tax assets

(EUR x 1,000)	2021	2020
Tax credits	10,476	10,153
Deductible temporary differences	15,123	30,412
Tax losses	260,089	243,933
Total	**285,688**	**284,498**

Unrecognised deferred tax assets relate to tax units previously suffering losses for which it is currently not probable that future taxable profit will be available to offset these losses, taking into account fiscal restrictions on the utilisation of loss compensation.

The deductible temporary differences and capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items, because it is not probable that future taxable profit will be available against which the Group can utilise these benefits. Unrecognised tax assets changed over the period as follows:

Unrecognised deferred tax assets

(EUR x 1,000)	2021	2020
As at 1 January	284,498	246,248
Movements during the period:		
Additional unrecognised losses and temporary differences	8,180	64,196
Recognition of previously unrecognised tax losses and temporary differences (profit or loss)	(13,967)	(6,341)
Recognition of previously unrecognised tax losses and temporary differences (equity)	(5,730)	4,073
Effect of change in tax rates	963	2,058
Exchange rate differences	14,911	(22,162)
Expiration of tax losses	(162)	(2,097)
Change from reassessment	(107)	(1,477)
Acquisitions and divestments	(2,898)	–
As at 31 December	**285,688**	**284,498**

Of the total recognised and unrecognised deferred tax assets in respect of tax losses carried forward an amount of EUR 12,286 thousand expires in periods varying from one to five years. An amount of EUR 1,272 thousand expires between five and ten years, an amount of EUR 68,162 thousand expires between ten and twenty years and an amount of EUR 210,380 thousand can be offset indefinitely. Based on forecasted results per tax jurisdiction, management considered it probable that sufficient future taxable profit will be generated to utilise recognised deferred tax assets depending on taxable profits in excess of the profits arising from the reversal of existing temporary differences.

Temporary differences relating to investments in subsidiaries

At 31 December 2021 a deferred tax liability of EUR 1,674 thousand relating to investments in subsidiaries has been recognised (2020: EUR 436 thousand). No deferred tax liability is recognised in case Fugro controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future due to permanent reinvestments. The aggregate amount of temporary differences for which these deferred tax liabilities have been recognised is EUR 20,471 thousand (2020: EUR 8,711 thousand).

In some of the countries where the Group operates, local tax laws provide that gains on disposal of certain assets are tax exempt, provided that the gains are not distributed. The company does not intend to distribute such gains; therefore no tax liabilities are recognised in this respect.

17 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property, plant and equipment that is being constructed or developed for future use is classified as property, plant and equipment under construction and stated at cost until construction or development is complete, at which time it is reclassified as land and buildings, plant and equipment, vessels (including jack-ups) or other property, plant and equipment. Property, plant and equipment is recognised from the point in time when the Group obtains control. Any (pre-)payments made before that point in time are classified as other long-term asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within 'other income' or 'other expenses' in profit or loss.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative period of significant items of property, plant and equipment are as follows:

Category	**Years**
Land	Infinite
Buildings	20 – 40
Plant and equipment	3 – 10
Vessels	2 – 25
Other	1 – 5

The carrying amounts of the Group's non-financial assets other than assets arising from employee benefits and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one cash-generating unit. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash generating units to which the corporate asset is allocated.

Impairment losses recognised in prior periods are reviewed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(EUR x 1,000)						**2021**
	Land and buildings	**Plant and equipment**	**Vessels**	**Fixed assets under construction**	**Other**	**Total**
Balance at 1 January 2021						
Cost	180,613	896,854	761,749	22,588	133,448	1,995,252
Accumulated depreciation and impairment	(86,874)	(807,391)	(452,613)	–	(125,331)	(1,472,209)
Carrying amount	**93,739**	**89,463**	**309,136**	**22,588**	**8,117**	**523,043**
Change in carrying amount:						
Investments	376	25,631	7,816	40,420	5,440	79,683
Transfers from fixed assets under construction	1,631	11,664	1,678	(16,011)	1,038	–
Depreciation	(4,890)	(39,089)	(36,313)	–	(4,772)	(85,064)
Impairment (loss)/reversal	(185)	(1,185)	3,344	–	–	1,974
Disposals	(2,046)	(526)	(1,804)	(166)	(78)	(4,620)
Effects of movement in foreign exchange rates	3,960	3,413	12,904	1,885	478	22,640
Transfers from/(to) assets classified as held for sale	–	(1,075)	(1,417)	–	(4)	(2,496)
Total changes	**(1,154)**	**(1,167)**	**(13,792)**	**26,128**	**2,102**	**12,117**
Balance at 31 December 2021						
Cost	184,982	908,634	760,750	48,743	141,568	2,044,677
Accumulated depreciation and impairment	(92,397)	(820,338)	(465,406)	(27)	(131,349)	(1,509,517)
Carrying amount	**92,585**	**88,296**	**295,344**	**48,716**	**10,219**	**535,160**

The transfer to assets classified as held for sale in plant and equipment relates to aerial vehicles in the Americas region. The transfer to assets classified as held for sale in vessels relates to a jack-up platform in the Europe-Africa region. Refer to note 6.2 for more details.

(EUR x 1,000) **2020**

	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Balance at 1 January 2020						
Cost	194,092	903,631	766,401	30,654	182,940	2,077,718
Accumulated depreciation and impairment	(88,619)	(814,887)	(435,754)	–	(174,167)	(1,513,427)
Carrying amount	**105,473**	**88,744**	**330,647**	**30,654**	**8,773**	**564,291**
Change in carrying amount:						
Investments	2,071	28,853	14,333	32,803	3,151	81,211
Acquisition through business combination	2,117	600	–	–	228	2,945
Transfers from fixed assets under construction	484	18,663	15,078	(34,911)	686	–
Depreciation	(5,242)	(39,720)	(34,312)	–	(4,966)	(84,240)
Impairment (loss)/reversal	(2,490)	(914)	(1,804)	–	–	(5,208)
Disposals	(2,048)	(866)	(149)	(3,379)	(495)	(6,937)
Effects of movement in foreign exchange rates	(5,693)	(2,910)	(22,817)	(2,579)	(636)	(34,635)
Transfer between asset classes	–	(1,376)	–	–	1,376	–
Reclassification adjustment	(933)	–	–	–	–	(933)
Transfers from/(to) assets classified as held for sale	–	(1,611)	8,160	–	–	6,549
Total changes	**(11,734)**	**719**	**(21,511)**	**(8,066)**	**(656)**	**(41,248)**
Balance at 31 December 2020						
Cost	180,613	896,854	761,749	22,588	133,448	1,995,252
Accumulated depreciation and impairment	(86,874)	(807,391)	(452,613)	–	(125,331)	(1,472,209)
Carrying amount	**93,739**	**89,463**	**309,136**	**22,588**	**8,117**	**523,043**

18 LEASES

Accounting policies Fugro as lessee

Definition of a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. However, for leases of property and equipment, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Recognition and measurement

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The Group applies the short-term lease recognition exemption to its short term leases of vessels, property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The discount rate is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index, initially measured using the index as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from a change in an index or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee. In these cases, the lease liability is remeasured by discounting the revised lease payments by using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- the Group changes its assessment of whether it will exercise a purchase, extension or termination option. In this case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- a lease contract is modified and the lease modification is not accounted for as a separate lease. In this case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease payments are allocated between the liability and finance expenses (interest costs). The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Accounting policies Fugro as lessor
The Group does not act as lessor. Accordingly, no accounting policies for lessors are applicable.

The Group's lease portfolio consists of vessels, property and equipment.

Vessels
The Group leases vessels to perform site characterisation and asset integrity services for clients. Leased vessels generally offer more flexibility than the Group's owned vessels. The non-cancellable periods of these leases vary from 3 to 9 years. The Group has options to extend, terminate or purchase certain vessel leases. These options facilitate the Group's asset portfolio management to market conditions. Periods covered by extension options and termination options are generally not reflected in the lease term, due to the reasonably certain threshold. Purchase options are not reasonably certain to be exercised. The operational and financial effects of such options are therefore not significant. The lease payments generally include a fixed component (e.g. a fixed day rate). In addition, a variable component based on actual vessel utilisation generally applies. These variable lease payments based on the utilisation of vessels are common in the industry. The Group typically guarantees a minimum utilisation rate (e.g. a minimum number of charter days per annum at a predetermined day rate), which is reflected in the lease liability. Residual value guarantees are not prevalent in vessel leases. The sensitivity of reported information to the aforementioned variables (e.g. future variable lease payments) is low.

Property
The Group has more than 200 property leases, which consist of land and buildings (e.g. offices, laboratory facilities, warehouses and housing). The lease terms vary from 2 to 19 years. Land leases have longer durations than buildings. Some leases contain options to extend or terminate certain property leases. Periods covered by extension options and termination options are reflected in the lease term, depending on whether the reasonably certain threshold is satisfied. In making this judgement, the Group considers favourable terms compared to market rates, termination costs (e.g. relocation and negotiation costs), lack of suitable alternatives and other facts and circumstances. Significant leasehold improvements are rare. The reasonably certain threshold for extension and termination options is generally not satisfied. Fixed lease payments are generally subject to periodic adjustment to market rentals by means of a retail price index and/or in-substance fixed annual rent escalations. The relative magnitude of these adjustments compared to the fixed lease payments is not significant. The potential future lease payments not included in the measurement of lease liabilities and the prevalence of the exercise of options is not significant. Property leases do not include material residual value guarantees.
The sensitivity of reported information to the aforementioned variables (e.g. future variable lease payments) is low.

Some leases of office buildings contain extension options exercisable by the Group which provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The prevalence of the exercise of options that were not included in the measurement of lease liabilities is low.

Equipment
The Group has more than 450 equipment leases, comprising vehicles, IT equipment (data storage, copiers, printers, scanners, servers etc.), telecom (telecom, radio and satellite devices), aerial vehicles, drilling equipment, compressors, subsea equipment and cranes. The average lease term is 2 years. Although these leases may contain renewal options, the Group has determined that it is not reasonably certain to exercise these options. The lease payments are generally fixed in nature.

Right-of-use assets

(EUR x 1,000)	Vessels	Property	Equipment	Total
Balance at 1 January 2021	62,637	68,901	3,469	135,007
Balance at 31 December 2021	71,026	67,254	5,141	143,421
Balance at 1 January 2020	77,400	78,653	4,426	160,479
Balance at 31 December 2020	62,637	68,901	3,469	135,007

(EUR x 1,000)	Depreciation 2021	Additions 2021	Depreciation 2020	Additions 2020
Vessels	12,416	7,354	11,060	–
Property	12,299	10,898	14,322	9,128
Equipment	2,325	3,072	2,228	2,039
Total	**27,040**	**21,324**	**27,610**	**11,167**

Lease liabilities

(EUR x 1,000)	**2021**	2020*
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	30,631	27,330
One to five years	92,257	82,391
More than five years	63,338	75,261
Total undiscounted lease liabilities at 31 December	**186,226**	**184,982**

* Restated to include the finance lease erroneously not included in the prior year in the total contractual undiscounted cash flows. There is no impact on the primary statements.

(EUR x 1,000)	**2021**	2020
Discounted lease liabilities included in the statement of financial position at 31 December		
Current	30,277	26,126
Non-current	117,147	106,566
Total discounted lease liabilities in the statement of financial position at 31 December	**147,424**	**132,692**

Amounts recognised in profit and loss

(EUR x 1,000)	**2021**	2020
Interest on lease liabilities	5,581	9,342
Variable lease payments not included in the measurement of lease liabilities	6,212	65
Low-value asset expense	10,128	2,865
Expenses relating to short-term leases	99,635	88,130

Amounts recognised in the statement of cash flows

(EUR x 1,000)	**2021**	2020
Total cash outflow for leases	**31,180**	**32,902**

Fugro does not act as lessor.

19 INTANGIBLE ASSETS INCLUDING GOODWILL

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested for impairment annually and when there is an indication for impairment. The measurement date of the annual goodwill impairment test is 30 September. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Fugro incurs exploration and evaluation (E&E) costs in Australian areas of interest in cooperation with Finder Exploration Pty Ltd (Finder), Theia Energy Pty Ltd (Theia) and Finder related parties. These assets are considered non-core business. Fugro capitalises these costs as E&E assets. E&E assets are classified as intangible assets, as they typically relate to drilling permits. A regular review of each area of interest is undertaken to determine the appropriateness of continuing to carry forward costs in relation to that area. Capitalised costs are only carried forward to the extent that they are expected to be recovered. Accordingly, E&E assets are not amortised, but assessed for impairment indications.

Research expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Software and other intangible assets acquired or developed by the Group and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are annually tested for impairment or when there is an indication for impairment. Other intangible assets and software are amortised from the date they are available for their intended use. The estimated useful life of software and other capitalised development costs is, in general, five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or group of cash-generating units) on a pro rata basis.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated, are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are reviewed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(EUR x 1,000)					2021					2020
	Goodwill	E&E (Finder/ Theia)	Software	Other	Total	Goodwill	E&E (Finder/ Theia)	Software	Other	Total
Balance at 1 January 2021										
Cost	560,467	35,621	22,514	31,874	650,476	588,751	35,102	18,534	31,251	673,638
Accumulated amortisation and impairment	(302,818)	(18,467)	(22,237)	(29,663)	(373,185)	(320,728)	(18,514)	(17,358)	(28,407)	(385,007)
Carrying amount	**257,649**	**17,154**	**277**	**2,211**	**277,291**	**268,023**	**16,588**	**1,176**	**2,844**	**288,631**
Change in carrying amount:										
Purchase of intangible assets	–	–	22	696	718	416	–	62	322	800
Other additions	–	1,648	–	–	1,648	–	548	–	–	548
Amortisation	–	–	(90)	(467)	(557)	–	–	(1,052)	(846)	(1,898)
Impairment	–	(1,662)	–	–	(1,662)	–	–	–	–	–
Disposals	–	–	(120)	(9)	(129)	–	–	(22)	(49)	(71)
Effect of movements in foreign exchange rates	11,867	553	9	101	12,530	(10,790)	18	(11)	(66)	(10,849)
Transfers from/(to) assets classified as held for sale	–	–	–	–	–	–	–	124	6	130
Total changes	**11,867**	**539**	**(179)**	**321**	**12,548**	**(10,374)**	**566**	**(899)**	**(633)**	**(11,340)**
Balance at 31 December										
Cost	587,188	38,459	17,007	25,964	668,618	560,467	35,621	22,514	31,874	650,476
Accumulated amortisation and impairment	(317,672)	(20,766)	(16,909)	(23,432)	(378,779)	(302,818)	(18,467)	(22,237)	(29,663)	(373,185)
Carrying amount	**269,516**	**17,693**	**98**	**2,532**	**289,839**	**257,649**	**17,154**	**277**	**2,211**	**277,291**

Impairment testing for cash-generating units containing goodwill
For the purpose of goodwill impairment testing, Fugro allocates goodwill to the following four cash-generating units (CGUs): Europe-Africa, Americas, Asia Pacific and Middle East & India. These CGUs represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, they are consistent with the group's operating segments.

The recoverable amounts of the cash-generating units have been determined based on value in use calculations. Value in use was determined by discounting the expected future cash flows from the continuing use of the CGU's. The calculation of the value in use was based on the following key assumptions:

- Cash flows in the first year of the forecast are based on management's approved financial budget. For all CGU's, the 2022 projections factor in, amongst others, already signed contracts, expected win rates on contracts out for bid, expected crew and vessel utilisation rates and/or industry developments. Cash flows for the CGU's beyond one year are extrapolated using an estimated growth rate based on expected market developments, taking into account strategic plans of the company and current market conditions such as Covid-19 and the reduced spending by oil and gas clients.
- Cash flows for the CGU's beyond five years are extrapolated using an estimated long-term growth rate of 0.0% (2020: 1.5%). For the CGU's the growth rates are based on an analysis of the long-term market price trends in the oil and gas industry adjusted for actual experience.
- The pre-tax discount rate used to discount the pre-tax cash flows for impairment testing purposes is determined through an iterative calculation using the projected post-tax cash flows, expected tax rate for the respective cash generating units and a post-tax discount rate for the Group.

The capitalised goodwill was allocated to the following CGUs as at 31 December 2021:

(EUR x 1,000)	**2021**	2020
Europe-Africa	118,980	113,741
Americas	69,774	66,702
Asia Pacific	29,415	28,120
Middle East & India	51,347	49,086
Total	**269,516**	**257,649**

The key assumptions used in the annual goodwill impairment test at the 30 September measurement date were as follows:

	Growth rate first year		**Growth rate long-term**		**Pre-tax discount rate**		**Long-term EBIT margin %**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Europe-Africa	9.3%	0.0%	0.0%	1.5%	9.9%	13.3%	10.1%	8.1%
Americas	5.1%	2.2%	0.0%	1.5%	9.8%	12.9%	7.3%	8.4%
Asia Pacific	(1.9%)	0.7%	0.0%	1.5%	9.5%	13.3%	6.0%	6.2%
Middle East & India	28.6%	2.7%	0.0%	1.5%	10.9%	13.3%	9.1%	8.7%

The decrease in discount rate from 2020 to 2021 is mainly driven by a lower equity market risk premium and risk-free rate.

The goodwill sensitivity analysis of each CGU as at the measurement date was as follows:

(EUR x 1,000)		Change required in each key assumption for headroom to equal zero			
	Headroom	**Growth rate first year**	**Growth rate long-term**	**Pre-tax discount rate**	**Long-term EBIT margin %**
Europe-Africa	440,909	(29.6%)	(11.8%)	8.2%	(12.4%)
Americas	76,467	(16.2%)	(3.0%)	2.7%	(2.8%)
Asia Pacific	53,446	(9.2%)	(3.2%)	2.7%	(3.4%)
Middle East & India	47,772	(21.3%)	(4.7%)	3.8%	(11.2%)
Total	**618,594**				

Total headroom increased significantly from EUR 304 million in 2020 to EUR 619 million in 2021. The changes beyond those in the above table to assumptions used in the goodwill impairment test would, in isolation, lead to an impairment loss being recognised.

Exploration and evaluation (E&E)

E&E expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established by the parties involved. These estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of comprehensive income. For the year ended 31 December 2021, this resulted in an impairment charge of EUR 1,662 thousand (2020: EUR nil).

20 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

The Group's interests in equity-accounted investees comprise interests in joint ventures and associates. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights.

Investments in equity-accounted investees are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables that form part of the entity's net investment, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. The carrying amount of equity-accounted investments is tested for impairment.

Fugro has a call option to acquire the remaining shares of Sea-Kit International Limited (an individually immaterial associate) from its joint venture partner between 13 February 2024 and 30 June 2024 (which period may be deferred by one year by the joint venture partner). The exercise price is the estimated fair value at that point in time. The joint venture partner has a put option to sell the remaining shares to Fugro under substantially the same conditions as the call option which is capped at a fixed amount.

The aggregate carrying amount of the equity-accounted investees of EUR 46,366 thousand as at 31 December 2021 (31 December 2020: EUR 36,214 thousand), consists fully of joint ventures (2020: joint ventures for EUR 31,206 thousand and associates for EUR 5,008 thousand). As of 31 December 2021, the Global Marine Group associate (EUR 5,445 thousand) was presented as held for sale (reference is made to note 6.2).

The Group's share of profit from continuing operations from its joint ventures amounted to EUR 16,060 thousand in 2021 (2020: EUR 11,380 thousand profit). A profit of EUR 3,571 thousand was reported as other comprehensive income from its joint ventures in 2021 relating to foreign currency exchange differences (2020: EUR 1,861 thousand loss). In 2021, the Group received dividends of EUR 4,440 thousand (2020: 5,376 thousand) from its joint ventures.

The Group's share of profit from continuing operations and of other comprehensive income from associates in 2021 amounts to a profit of EUR 1,416 thousand (2020: 3,932 thousand loss) and a loss of EUR 286 thousand (2020: 6,232 thousand gain) respectively. The other comprehensive income from Fugro's associates mainly relates to foreign currency exchange differences. In 2021, the Group received dividends of EUR 693 thousand (2020: 50,506 thousand) from its associates.

None of the group's equity-accounted investees are publicly listed entities and consequently they do not have published price quotations. The group has no significant commitments to its joint ventures and associates.

21 OTHER INVESTMENTS

Equity securities, long-term loans, deposits and other long-term assets are financial assets. The Group does not have material derivative financial assets.
The aforementioned financial assets are classified at initial recognition, and subsequently measured at amortised cost or fair value through profit and loss. These measurement categories are specified in the table below. The classification at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Subsequent measurement is at amortised cost using the effective interest method and is subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. Dividends on equity investments are also recognised as net finance income in the statement of comprehensive income when the right of payment has been established. The Group derecognises a financial asset when the rights to receive cash flows from the asset have expired, or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (insofar applicable).

ECLs are recognised in two stages. 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 that are possible within the next 12-months (a 12-month ECL). The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. 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 (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements (insofar applicable) held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. 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.

(EUR x 1,000)	Measurement Category	2021	2020
Equity securities	Fair value through profit and loss	1,096	1,414
Long-term loans	Amortised cost	4,500	4,500
Deposits	Amortised cost	32,086	26,924
Net defined benefit asset	Present value	22,796	10,809
Other long-term assets	Nominal value	2,617	3,770
Balance at 31 December		**63,095**	**47,417**

Equity securities are investments in third party entities in whose activities the Group holds a non-controlling interest and has no control, joint control or significant influence. The Group received no dividends from its equity securities in 2021 (2020: nil).

Long-term loans mainly comprise a loan due from Wavewalker B.V. for the carrying amount of EUR 4.5 million (31 December 2020: EUR 4.5 million). The loan has to be fully repaid before 30 April 2027.

The net defined benefit asset comprises of a surplus on a UK pension plan as per 31 December 2021 (refer to note 29 Employee Benefits).

Deposits pertain to the lease of two geotechnical vessels and other long-term deposits.

22 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

In 2021, EUR 29,261 thousand (2020: EUR 31,586 thousand) of inventories was recognised as an expense.

23 TRADE AND OTHER RECEIVABLES

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient when it is expected, at contract inception, that the period between when the Group transfers the promised goods or services and when the customers pays for this good or service is one year or less, are measured at the transaction price determined under IFRS 15. Other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less, any impairment losses.

Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date (a contract asset). It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. Generally, unbilled revenue on (completed) projects is invoiced to customers in the period following the execution of work. Subsequently, trade receivables are paid by customers in accordance with their respective payment term. The contracts in progress for which this amount exceeds progress billings are presented as unbilled revenue on (completed) projects. The contracts in progress for which progress billing exceeds costs incurred plus profits recognised to date less progress billings and recognised losses are presented as advance instalments to work in progress.

The Group applies the Expected Credit Loss (ECL) model. For trade receivables and unbilled revenue on (completed) contracts, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group does not have material trade receivables or unbilled revenue on (completed) contracts that contain a significant financing component. The Group has no significant lease arrangements in which it is a lessor. A trade receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

(EUR x 1,000)	2021	2020
Trade receivables	240,035	203,217
Unbilled revenue on (completed) projects	186,002	133,743
Prepayments	29,716	27,975
VAT and other tax receivables	17,927	11,667
Other receivables	39,140	29,729
Balance at 31 December	**512,820**	**406,331**

Trade receivables are shown net of impairment losses (see below) arising from identified doubtful receivables from customers as well as expected credit losses. Other receivables include short-term deposits and current portion of long-term receivables.

Impairment losses

Trade receivables were impaired taking into account the financial position of the debtors, the days outstanding, the expected outcome of negotiations and legal proceedings against debtors and probabilities of default. Unbilled revenue on (completed) projects does not include (material) impairment losses which is similar to previous year. The ageing of trade receivables and unbilled revenue on (completed) contracts at the reporting date is as follows:

(EUR x 1,000) **2021**

	Status	Estimated total gross carrying amount at default	Expected credit loss	Expected credit loss rate %
From 0 to 30 days	Fully performing	353,829	95	0.03
From 31 to 60 days	Past due but not (materially) impaired	34,286	998	2.91
From 61 to 90 days	Past due but not (materially) impaired	8,968	552	6.16
Over 90 days	Past due and (materially) impaired	35,281	13,711	38.86
Retentions and special items		9,111	82	0.90
Balance at 31 December		**441,475**	**15,438**	

(EUR x 1,000) **2020**

	Status	Estimated total gross carrying amount at default	Expected credit loss	Expected credit loss rate %
From 0 to 30 days	Fully performing	264,661	387	0.15
From 31 to 60 days	Past due but not (materially) impaired	31,838	539	1.69
From 61 to 90 days	Past due but not (materially) impaired	9,359	187	2.00
Over 90 days	Past due and (materially) impaired	39,948	15,722	39.36
Retentions and special items		7,989	–	–
Balance at 31 December		**353,795**	**16,835**	

Quantitative and qualitative information about amounts arising from expected credit losses

The movement in the allowance for impairment in respect of trade receivables and unbilled revenue on (completed) contracts during the year was as follows:

(EUR x 1,000)	2021	2020
Balance at 1 January	16,835	17,398
Acquisitions through business combinations	–	16
Impairment loss recognised	4,144	5,172
Impairment loss reversed	(1,861)	(1,613)
Write-off	(4,767)	(2,366)
Effect of movements in exchange rates	1, 087	(1,772)
Balance at 31 December	**15,438**	**16,835**

The allowance account with respect to trade receivables and unbilled revenue on (completed) contracts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off directly against the allowance. The changes in the aforementioned balances contributed to changes in the loss allowance. Consistent with prior year, there are no material trade receivables which were written off during 2021 and which are still subject to enforcement activity.

24 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and call deposits. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Bank overdrafts are shown within the current liabilities in the consolidated statement of financial position.

(EUR x 1,000)	2021	2020
Cash and cash equivalents	148,956	183,462
Bank overdraft	(1,824)	(2,336)
Cash and cash equivalents in the consolidated statement of cash flows	**147,132**	**181,126**

The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include EUR 8.8 million (31 December 2020: EUR 9.3 million) of Angolan kwanza's and EUR 6.8 million (31 December 2020: EUR 6.7 million) of Nigerian Naira where exchange controls apply (these balances are considered trapped cash). These trapped cash balances are not available for general use by other entities within the group.

25 TOTAL EQUITY

Share capital is classified as equity. The term 'shares' as used in the financial statements pertain to ordinary shares and preference shares of Fugro N.V. Ordinary shares of Fugro N.V. are listed and traded on the Euronext Amsterdam stock exchange.
The surplus paid by shareholders above the nominal value of shares is recognised as share premium. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Fugro purchases and sells own shares in relation to the long term incentive plans. Own shares which have been repurchased are held in treasury and are deducted from and presented within equity in a separate 'reserve for own shares' on a cost basis. Own shares are recorded at cost, representing the market price paid on the acquisition date. When reissued under the long term incentive plan, shares are removed from the reserve for own shares on a first-in, first-out (FIFO) basis. The difference between the cost and the cash received is recorded in retained earnings.

Dividends are recognised as a liability in the period in which they are declared.

25.1 Share capital and share premium

On 9 February 2021, the articles of association of Fugro were amended, consisting of the reduction of the nominal value of the issued ordinary shares from EUR 0.10 to EUR 0.05. This reduced the total issued share capital from EUR 10,319,036.60 to EUR 5,159,518.30. As a result of this reduction of issued share capital, the amount of EUR 5,159,518.30 was added to the share premium reserve. The authorised share capital was also reduced by this amendment from EUR 30,000,000 to EUR 16,000,000, by reducing the authorised number of ordinary shares from 210,000,000 to 140,000,000. On 27 May 2021, the articles of association of Fugro were amended by increasing the number of ordinary and preference shares. As a result, the authorised share capital increased from EUR 16,000,000 to EUR 20,000,000, by increasing the authorised number of ordinary shares from 140,000,000 to 180,000,000.

On 28 May 2021, the listing of 103,190,366 ordinary shares on Euronext Amsterdam took place in the context of the termination of the certification of 102,654,886 ordinary shares held by the Fugro Foundation Trust Office. As a result 102,654,886 certificates listed and admitted to trading on Euronext Amsterdam ceased to exist and the ordinary shares underlying the certificates were delivered by the Fugro Foundation Trust Office to the holders of the certificates. The listing also comprised 535,480 ordinary shares held by persons other than the Fugro Foundation Trust Office. These persons held their ordinary shares directly on the company's shareholders' register. All of the 103,190,366 ordinary shares were listed and admitted to trading on Euronext Amsterdam. The company did not receive any proceeds from the listing and the ownership or voting interest in the company was not diluted. The conversion was the final step of the 2020 refinancing, abolishing the certification of the Fugro ordinary shares followed by the dissolution of the Fugro Foundation Trust Office in February 2022.

The issued and authorised shares are as follows:

(Numbers of shares)	**Ordinary shares**		**Preference shares**	
	2021	2020	**2021**	2020
In issue at 1 January	103,190,366	42,286,262	–	–
Issued for cash	–	60,904,104	–	–
In issue at 31 December – fully paid	**103,190,366**	103,190,366	**–**	–
Authorised at 31 December – nominal value ordinary shares EUR 0.05 and nominal value preference shares EUR 0.05 in 2021 (EUR 0.10 and EUR 0.05 in 2020 respectively)	180,000,000	210,000,000	220,000,000	180,000,000

Consistent with last year, there are no shares issued but not fully paid. On 31 December 2021, the authorised share capital amounts to EUR 20 million (2020: EUR 30 million), consisting of ordinary shares and various types of preference shares. On 31 December 2021, the issued share capital amounted to EUR 5.2 million (2020: 10.3 million).

Ordinary shares

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company. All rights attached to the company's shares held by the Group are suspended until those shares are transferred to a party outside the Group.

Preference shares

No preference shares have been issued. The call option agreements that provided Foundation Continuity Fugro with a right to exercise a call option on preference shares in relation to Fugro's Curacao based subsidiaries had been terminated in 2020. Following the completion of the refinancing in 2020 and in connection with the removal of protective measures, the Foundation Continuity Fugro was dissolved on 15 February 2021.

25.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The translation reserve also includes the translation of liabilities that hedge the company's net investment in a foreign subsidiary (prior to the discontinuance of net investment hedging in December 2020 as explained in note 4).

25.3 Reserve for own shares

Fugro has not purchased own shares to cover its long term incentive plan in 2021 (2020: nil). In 2021, 94,124 shares were used (2020: 45,703 pre-share consolidation). As per 31 December 2021, Fugro holds 1,683,748 own shares (2020: 1,777,872) with respect to the long term incentive plan and subordinated unsecured convertible bonds. This was 1.6% of the issued capital (2020: 1.7%).

25.4 Subordinated unsecured convertible bonds-equity component

The equity component of the subordinated unsecured convertible bonds as presented in the consolidated statement of changes in equity is summarised as follows:

(EUR x 1,000)	Equity component
Total equity component of convertible bonds as at 1 January 2020	38,022
Allocation of repurchase price of convertible bonds to equity component	(718)
Transfer of remaining equity component of convertible bonds to retained earnings upon repurchase of bonds	(17,026)
Change in tax rate	(476)
Total equity component of convertible bonds as at 31 December 2020	**19,802**
Transfer of remaining equity component of convertible bonds to retained earnings upon redemption of bonds	(7,971)
Change in tax rate	–
Total equity component of convertible bonds as at 31 December 2021	**11,831**

The portion of the equity component pertaining to the convertible bonds redeemed was transferred to retained earnings. Refer to note 28.4 Subordinated unsecured convertible bonds for further information.

25.5 Unappropriated result

No dividend is proposed to be paid-out for 2021. Refer to note 32 Financial risk management for dividend restrictions.

26 BASIC AND DILUTED EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent adjusted for the effect of dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding 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. Fugro considers the following four categories of potential ordinary shares: convertible bonds, share options, restricted share units and performance shares.

26.1 Basic EPS

The calculation of basic EPS has been based on the following profit (loss) attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

(EUR x 1,000)	2021			2020		
	Continuing operations	Discon-tinued operations	Total	Continuing operations	Discon-tinued operations	Total
Net income (loss) attributable to equity holders of the parent (euro)	59,636	11,487	71,123	(74,034)	(99,790)	(173,824)
Reconciling items numerator basic EPS	–	–	–	–	–	–
Profit (loss) attributable to ordinary shareholders (basic)	59,636	11,487	71,123	(74,034)	(99,790)	(173,824)

(Number of shares)	2021	2020
Outstanding number of ordinary shares at 1 January	101,412,494	40,485,539
Effect of delivery of treasury shares for share-based payment plans	79,167	–
Effect of shares issued during the year	–	20,461,761
Weighted average number of ordinary shares at 31 December (basic)	**101,491,661**	**60,947,300**

26.2 Diluted EPS

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

	2021			2020		
(EUR x 1,000)	Continuing operations	Discon-tinued operations	Total	Continuing operations	Discon-tinued operations	Total
Profit (loss) attributable to ordinary shareholders (basic)	59,636	11,487	71,123	(74,034)	(99,790)	(173,824)
Effects of dilutive potential ordinary shares	–	–	–	–	–	–
Profit (loss) attributable to ordinary shareholders (diluted)	**59,636**	**11,487**	**71,123**	**(74,034)**	**(99,790)**	**(173,824)**

(Number of shares)	2021	2020
Weighted average number of ordinary shares (basic)	101,491,661	60,947,300
Effects of conversion of convertible bonds	–	–
Effects of share options on issue	–	–
Effects of restricted shares on issue	88,640	–
Effects of performance shares on issue	197,692	–
Weighted average number of ordinary shares at 31 December (diluted)	**101,777,993**	**60,947,300**

The convertible bonds, the share options, restricted shares and performance share on issue, could have an impact on the weighted average number of (diluted) ordinary shares. For convertible bonds and share options, the conversion to ordinary shares would not decrease earnings per share or increase loss per share and as such they have not been treated as dilutive.

To calculate the EPS for discontinued operations (note 6), the weighted average of ordinary shares for both basic and diluted EPS is per the tables above.

27 NON-CONTROLLING INTEREST

The total non-controlling interest as at 31 December 2021 is EUR 10,361 thousand (surplus), of which EUR 9,379 thousand (surplus) is attributable to Fugro-Suhaimi Ltd.
The non-controlling interest of other subsidiaries is insignificant. During the course of the year EUR 2,898 thousand (2020: EUR 3,027 thousand) was paid as dividends to non-controlling interest shareholders, also mainly related to Fugro-Suhaimi Ltd (Suhaimi).

Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information of Fugro-Suhaimi Ltd (Suhaimi) that has a material non-controlling interest to the Group. The non-controlling interest in Fugro-Suhaimi is 50%, which also represents 50% of the companies' voting rights in the general meeting of shareholders.

Fugro controls the operations and management of Suhaimi as it directs the relevant revenue generating activities of this company. Fugro also determines the strategy, policies and day-to-day business of Suhaimi. Therefore this subsidiary, with a significant non-controlling interest, is fully consolidated into these financial statements.
The shareholders of Suhaimi have certain customary rights on certain key decisions, such as decisions on the declaration and payment of dividend and any significant change to the scope of the business. These rights are considered as protective in nature and normally go beyond the normal scope of business. Such decisions do not affect Fugro's ability to control the activities of Suhaimi.

Summarised balance sheet

(EUR x 1,000)	Suhaimi	
	As at 31 December	
	2021	2020
Current		
Assets	34,786	23,315
Liabilities	(23,690)	(12,603)
Total current net assets	**11,096**	**10,712**
Non-current		
Assets	12,827	11,501
Liabilities	(5,165)	(4,790)
Total non-current net assets	**7,662**	**6,711**
Net assets	18,758	17,423
NCI percentage	50%	50%
Carrying amount of NCI	9,379	8,712

Summarised income statement

(EUR x 1,000)	Suhaimi	
	For period ended 31 December	
	2021	**2020**
Revenue	39,136	31,699
Profit/(loss) before income tax	5,557	4,049
Income tax (expense)/income	–	–
Post-tax profit/(loss) from continuing operations	5,557	4,049
Other comprehensive income	–	–
Total comprehensive income/(loss)	5,557	4,049
Total comprehensive income/(loss) allocated to non-controlling interests	2,779	2,025
Dividends paid to non-controlling interests	2,898	3,013

Summarised cash flows

(EUR x 1,000)	Suhaimi	
	For period ended 31 December	
	2021	**2020**
Net cash generated from operating activities	7,317	4,756
Net cash used in investing activities	(1,421)	(1,039)
Net cash used in financing activities	(5,796)	(6,026)
Net increase in cash and cash equivalents and bank overdrafts	100	(2,309)
Cash, cash equivalents and bank overdrafts at beginning of year	3,476	5,943
Exchange gains/(losses) on cash and cash equivalents	320	(158)
Cash and cash equivalents and bank overdrafts at end of year	3,896	3,476

The amounts above are before intercompany eliminations.

28 FINANCIAL LIABILITIES

The Group's financial liabilities consist of loans and borrowings, lease liabilities, bank overdrafts, trade and other payables, other taxes and social security contributions.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.
The fair value of the liability portion of a convertible bond is initially determined using a market interest rate for an equivalent non-convertible bond at the issue date.
This amount is recorded as a liability on an amortised cost basis until extinguished on conversion, redemption, or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity (in a separate category 'equity component of convertible bonds'), net of income tax effects and is not subsequently remeasured. This remaining equity component is transferred to retained earnings upon repurchase or repayment of convertible bonds.

The Group has not designated any financial liability as at fair value through profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. 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 statement of profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a currently enforceable legal right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

28.1 Loans and borrowings

(EUR x 1,000)	**2021**	2020
Super senior revolving credit facility of EUR 250 million	12,521	–
Super senior term loan of EUR 200 million	186,217	195,137
Subordinated unsecured convertible bonds of EUR 190,000 (issued in 2016)	–	56,953
Subordinated unsecured convertible bonds of EUR 100,000 (issued in 2017)	92,123	89,521
Other loans and long-term borrowings	1,558	2,631
Subtotal	**292,419**	**344,242**
Less: current portion of loans and borrowings	93,241	58,021
Balance at 31 December	**199,178**	**286,221**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

(EUR x 1,000)				**2021**		2020	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Super senior RCF of EUR 250 million	EUR	EURIBOR +2.75% – 5.50%	2023	12,500	12,521	–	–
Super senior term loan of EUR 200 million	EUR	EURIBOR + 5.50% – 8.00%	2023	188,000	186,217	200,000	195,137
Subordinated unsecured convertible bonds of EUR 190 million (issued 2016)	EUR	4.00%	2021	–	–	190,000	56,953
Subordinated unsecured convertible bonds of EUR 100 million (issued 2017)	EUR	4.50%	2024	100,000	92,123	100,000	89,521
Other long-term loans	Variable	4.00% – 5.51%	2023 – 2024	1,558	1,558	2,631	2,631
Balance at 31 December				**302,058**	**292,419**	**492,631**	**344,242**

Senior Facility Agreement

The super senior RCF and super senior term loan are part of a Senior Facility Agreement (SFA). The SFA was arranged by ING, Rabobank, ABN AMRO, HSBC, Barclays, Credit Suisse and BNP Paribas. The super senior RCF and super senior term loan rank pari passu with each other and the sale-and-leaseback facilities for two geotechnical vessels, bilateral guarantee facilities and (if applicable) hedge liabilities. The super senior RCF and super senior term loan are secured by a comprehensive security package that is shared with lenders of certain sale-and-leaseback facilities, certain bilateral guarantee facility providers and (if applicable) hedge counterparties. The security package is summarised as follows. Fugro N.V. and each of its subsidiaries that is a guarantor under the SFA guaranteed the obligations of each of the other subsidiaries under the SFA. In addition, certain Dutch and Curacao subsidiaries act as guarantor for the SFA and provided security over its bank accounts, movable assets, intellectual property rights and all its receivables (including but not limited to insurance receivables and intercompany receivables). One of these Dutch subsidiaries has also granted a mortgage over the owned buildings in Leidschendam and Nootdorp. The total carrying amount of the collateral as of 31 December is as follows:

Pledged assets (collateral)

(EUR x 1,000)	Carrying amount 31 December 2021	Carrying amount 31 December 2020
Property, plant and equipment	414,724	408,540
Intangible assets	18,544	17,825
Investments in equity-accounted investees	41,935	33,213
Other investments	55,181	41,213
Deferred tax assets	45,826	30,517
Non-current assets	**576,210**	**531,308**
Inventories	23,796	23,641
Trade and other receivables	301,031	228,006
Cash and cash equivalents	48,135	91,505
Current assets	**372,962**	**343,152**

Guarantees (liens) related to the super senior revolving credit facility and super senior term loan are EUR 188 million (the drawn amount) as of 31 December 2021 (2020: EUR 200 million drawn amount).

Under certain circumstances, the lenders may require mandatory prepayment of all amounts outstanding under the super senior RCF and the super senior term loan. Such circumstances include, amongst others, a change of control. In addition, the net proceeds of a sale of substantially all of the assets of the Group, the sale of Seabed Geosolutions or other asset dispositions (less any reasonable expenses and taxes related to such disposals) and insurance proceeds (subject to certain exceptions) are to be applied towards mandatory prepayment of the super senior term loan and super senior RCF. Consequently, the sale of assets and the related business of Seabed Geosolutions triggered a prepayment of the term loan of EUR 12 million on 13 July 2021. Freely available cash of the Group should be used to prepay amounts outstanding under the super senior RCF or ancillary facilities if it exceeds EUR 75,000,000 at the end of a financial quarter.

Capital expenditures of the Group are restricted until the super senior term loan has been repaid. As long as amounts under the super senior term loan are outstanding, the capital expenditure of the Group may not exceed an amount equal to the forecasted capital expenditure plus 20% in any financial year.

Dividend payments are restricted. Until mid-2022 no dividends will be paid. After that date, dividends may only be paid if net leverage is equal to or less than 2.0:0. Covenants apply, amongst others, regarding the solvency ratio, net leverage and interest coverage.

28.2 Super senior RCF

As at 31 December 2021, EUR 12.5 million under the super senior RCF was drawn (2020: nil). The super senior RCF represents a three year facility (of which two years remain at 31 December 2021) subject to a one year extension option (all lenders' consent). The company shall apply amounts borrowed under the super senior RCF towards general corporate and working capital purposes. This includes acquisitions permitted under the SFA. In addition, amounts borrowed may be applied to repayment of the remaining amounts outstanding under the subordinated unsecured convertible bonds maturing in 2024 in connection with the 2022 holder put option. The initial interest is EURIBOR +4.25%

and depending on leverage can vary between EURIBOR+2.75% and EURIBOR+5.50% as shown below:

Leverage	Margin
>3.00:1	5.50
≤3.00:1 but >2.50:1	5.00
≤2.50:1 but >2.00:1	4.25
≤2.00:1 but >1.50:1	3.50
≤1.50:1	2.75

The transaction costs of the super senior RCF of EUR 6.9 million are recorded as non-current assets and are amortised over the term. The current year amortisation amounts to EUR 2.3 million.

28.3 Term loan

As at 31 December 2021, the carrying amount of the super senior term loan amounts to 186.2 million with an effective interest expense (at 7.49%) of EUR 14.9 million during 2021 (2020: carrying amount EUR 195.1 million and interest expense EUR 0.7 million). The super senior term loan has a three year term (of which two years remain as of 31 December 2021) and an initial coupon of EURIBOR+5.50% and will gradually increase in bi-annual steps in the second and third year towards EURIBOR+8.00%. The transaction costs were included in the carrying amount of the super senior term loan.

The sale of assets and the related business of Seabed Geosolutions triggered a partial prepayment of the term loan on 13 July 2021. The amount prepaid was EUR 12 million, i.e. sales proceeds less transaction costs.

28.4 Subordinated unsecured convertible bonds

Fugro repaid the remaining outstanding balance of the EUR 190 million subordinated unsecured convertible bonds on the due date (26 October 2021). The final amount repaid on this due date was EUR 60.1 million (principal and accrued interest). The total portion of the equity component pertaining to the convertible bonds repaid on 26 October 2021 was transferred to retained earnings for an amount of EUR 8.0 million.

As at 31 December 2021, the carrying amount of the EUR 100 million subordinated unsecured convertible bonds due 2024 amounts to EUR 92.1 million (31 December 2020: 89.5 million) with an effective interest expense (at 8.1%) of EUR 7.1 million in 2021 (2020: EUR 6.9 million). A EUR 4.5 million coupon of 4.5% has been paid in 2021 (2020: 4.5 million). The conversion price is EUR 19.6490. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at their principal amount on or around 2 November 2024. Upon exercise of their conversion rights, these bonds will be convertible into ordinary shares at a conversion rate of 5,089.3175 for each bond held, representing ordinary shares in the capital of Fugro. The initial conversion price was set at EUR 14.9412. The ordinary shares underlying the bonds corresponded to approximately 4.9% of the company's issued share capital. Fugro has the option to convert all but not some of these outstanding bonds into ordinary shares at the then prevailing conversion price at any time since 23 November 2020, if the value of the ordinary shares underlying a bond exceeds EUR 150 thousand for a specified period of time. Holders of the bonds have the option to force redemption of the principal amount plus interest (in cash) by Fugro on 2 November 2022 or in the event of a change in control. Fugro has an early redemption option (clean-up call) if 15% or less of the aggregate principal amount of the bonds remains outstanding. Fugro has an option to redeem all, but not some of the bonds in the event of certain changes in tax law. As a result of the aforementioned cash redemption option at the discretion of the bond holders, Fugro does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Accordingly, the convertible bonds are presented as current liability as at 31 December 2021.

The Group considers the bonds as a compound financial instrument containing a debt host (including closely related embedded liability derivatives) and an embedded equity derivative (conversion option). The subordinated convertible bonds are publicity traded on the Frankfurt stock exchange. The conversion price of the bonds is subject to standard anti-dilution adjustments such as in the event of share consolidations, share splits, capital distributions, rights issues and bonus issues and in the event of a change in control, a merger, or other events.

28.5 Changes in liabilities arising from financing activities

The table below sets out an analysis of the changes in liabilities arising from financing activities.

(EUR x 1,000)	Subordinated unsecured convertible bonds EUR 190,000	Subordinated unsecured convertible bonds EUR 100,000	Super senior RCF	Super senior term loan	Lease Liabilities	Transaction with discontinued operations	Other long-term loans	Total
Balance at 1 January 2021	56,953	89,521	–	195,137	132,692	–	2,631	476,934
Cash flow from financing activities provided by (used for) continued operations	(58,900)	–	12,500	(12,000)	(25,599)	14,801	(951)	(70,149)
Cash flow from financing activities provided by (used for) discontinued operations	–	–	–	–	–	(14,801)	–	(14,801)
Effect of movement in foreign exchange rates	–	–	–	–	9,229	–	18	9,247
Other changes*	1,947	2,602	21	3,080	31,102	–	(140)	38,612
Balance at 31 December 2021	**–**	**92,123**	**12,521**	**186,217**	**147,424**	**–**	**1,558**	**439,843**

* Other changes include interest payments, accrued interest, amortisation, and modification of leases.

The cash flow from financing activities of EUR 70.1 million in 2021 represents the total net cash from financing activities in the consolidated statement of cash flows of EUR 72.9 million excluding dividends paid of EUR 2.8 million. The cash flow from financing activities provided by the discontinued operations of EUR 14.8 million excludes any other cash flow from financing activities used for discontinued operations. Financing cash flows between Fugro and Seabed Geosolutions have been eliminated against continuing operations.

In 2020, the analysis of the changes in liabilities arising from financing activities was as follows:

(EUR x 1,000)	Incumbent RCF EUR 575 million	Subordinated unsecured convertible bonds EUR 190,000	Subordinated unsecured convertible bonds EUR 100,000	Super senior RCF	Super senior term loan	Lease Liabilities	Transaction with discontinued operations	Other long-term loans	Total
Balance at 1 January	425,051	175,278	87,114	–	–	157,657	–	55	845,155
Cash flow from financing activities provided by (used for) continued operations	(223,951)	(124,380)	–	–	–	(23,560)	(34,281)	2,448	(403,724)
Cash flow from financing activities provided by (used for) discontinued operations	–	–	–	–	–	–	34,281	–	34,281
Set-off drawn down term loan with incumbent RCF	(194,449)	–	–	–	194,449	–	–	–	–
Effect of movement in foreign exchange rates	(6,812)	–	–	–	–	(5,229)	–	(17)	(12,058)
Other changes*	161	6,055	2,407	–	688	3,824	–	145	13,280
Balance at 31 December	**–**	**56,953**	**89,521**	**–**	**195,137**	**132,692**	**–**	**2,631**	**476,934**

* Other changes include interest payments, accrued interest, amortisation, and modification of leases.

28.6 Covenant requirements

The senior facility agreement contains various affirmative and negative covenants and events of default. Fugro's right to defer settlement of non-current liabilities for at least twelve months after the reporting period is subject to compliance with specified conditions within twelve months after the reporting period. The super senior RCF, the super senior term loan and lease liability of the two geotechnical vessels shall become immediately due and payable in the event that a third party gains control over Fugro. In the event that the company breaches any of the covenants or an event of default becomes applicable, the lenders may require Fugro to immediately and fully prepay the super senior RCF and super senior term loan. Events of default include non-payment, non-compliance, misrepresentation, cessation of business, cross-default, insolvency events, creditors' process, enforcement of security, illegality, material adverse change – including any event or circumstance which in the majority lenders' reasonable opinion has a material adverse effect on the ability to perform or otherwise comply with the payment obligations under the agreements or on the business, operations, property, condition or prospects of the Group taken as a whole.

	2021			2020		
Principal covenants	Target	Actual	Headroom	Target	Actual	Headroom
Solvency ratio	>=33.33%	46.3%	12.97%	>=33.33%	41.27%	7.94%
Net leverage	=<3.25:1	1.71	1.54	=<3.25:1	2.08	1.17
Interest coverage	>=2.50:1	4.60	2.1	>=2.50:1	3.22	0.72
Capital expenditure (EUR million)	=< Forecasted capex+20%	82.4	12.2	=< Forecasted capex+20%	N/A	N/A

The covenants are defined as follows (all including the impact of IFRS 16):

- Solvency ratio: shareholders' equity as a percentage of the balance sheet total.
- Net leverage for purpose of covenant calculations: net debt divided by adjusted consolidated EBITDA for purpose of covenant calculations. The look-back period is twelve months.
- Interest coverage: adjusted consolidated EBITDA for purpose of covenant calculations divided by consolidated interest expense. The look-back period is twelve months.
- Capital expenditure: as long as amounts under the new super senior term loan are outstanding, the capital expenditure of the Group may not exceed an amount equal to the forecasted capital expenditure plus 20% in any financial year.

In addition, dividend payments are restricted until mid-2022. After that date, dividends may only be paid if net leverage is equal to or less than 2.0:0. The covenant targets remain constant in the twelve months after the reporting period and beyond until maturity.

Fugro complied with the covenant requirements in the SFA as of 31 December 2021. Fugro expects to comply with its covenants in the twelve months after the reporting period, with adequate headroom.

28.7 Other long-term loans

The interest rate on mortgage loans and other long-term borrowings over one year amounts to 4.00% - 5.51% (2020: 4.00% - 5.51%).

28.8 Change of control provisions

Upon a change of control, the various financiers may cancel their commitments and require Fugro to repay amounts borrowed under the super senior RCF, the super senior term loan and the unsecured subordinated convertible bonds. An amount of EUR 200.5 million was drawn from the bank facilities as at 31 December 2021 (31 December 2020: EUR 200 million). The sale and lease back arrangements for two vessels also contain certain change of control clauses.

29 EMPLOYEE BENEFITS

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than twelve months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated (high quality) corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by qualified independent actuaries using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss. Employee contributions for which the amount is independent of the number of years of service are recognised as a reduction of the service costs in the period in which the related services are rendered.

When the benefits of a plan are changed or when a plan is curtailed, then resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits
The Group's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any assets is deducted. At the reporting date, the discount rate is determined by reference to the yield on AA credit-rated corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The actuarial calculations are performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(EUR x 1,000)	2021	2020
Net defined benefit asset	(22,796)	(10,809)
Total employee benefit asset	**(22,796)**	**(10,809)**
Net defined benefit obligation	22,272	58,190
Liability for long-service leave *	25,902	15,515
Total employee benefit liabilities**	**48,174**	**73,705**

* The increase in 2021 is mainly due to a reclassification from current liabilities in connection with long-service leave balances. Comparative figures have not been re-presented, since the impact on the 2020 financial statements (EUR 9.5 million) was deemed immaterial.

** Included EUR 1,207 thousand for the disposal group held for sale in 2020, which was divested in 2021.

The Group makes contributions to a number of pension plans, both defined benefit plans as well as defined contribution plans, that provide pension benefits for employees upon retirement in a number of countries. The retirement age is in line with the provisions in the different plans. The most important plans relate to plans in the Netherlands, United Kingdom and the United States. Details of these plans are as follows:

- In the Netherlands, the Group provided a pension plan based on average salary. This plan qualified as a defined benefit scheme. The pension entitlements from this plan are insured with an insurance company that guarantees the accrued pension entitlements. Since 2018, this pension plan has been terminated and has been replaced by a new plan pension plan, qualified as a defined contribution scheme, that is applicable as of 2019. The accrued pension entitlements up to 2018 remained at the insurer and indexation is provided to these accrued pension entitlements for active participants.
- In the United Kingdom (UK) the Group operates two defined benefit pension schemes. For Fugro Holdings (FH), the company operates a final salary defined benefit pension scheme. The scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. The Robertson Research International Group Pension Scheme (RRI) is a funded, defined benefit pension plan. The pension schemes have been closed in previous years for new participants, but include the on-going obligations to their members (both former and present employees). The pension schemes assets are held in separate Trustee-administered funds. The schemes includes indexation in line with RPI. The valuation of the RRI scheme resulted in a net defined benefit asset as per 31 December 2021.
- In the United States of America (USA) the Group operates a 401K plan for its employees. The Group contributes towards the deposits of its employees in accordance with agreed rules and taking into account the regulations of the Internal Revenue Service (IRS), the US tax authority. This plan qualifies as a defined contribution plan.

The defined benefit obligation and fair value of plan assets are specified as follows:

(EUR x 1,000)	2021 RRI plan	2021 Other	2021 Total	2020 RRI plan	2020 Other	2020 Total
Present value of funded obligations	70,499	431,444	501,943	70,942	471,292	542,234
Fair value of plan assets	(93,295)	(409,172)	(502,467)	(81,751)	(413,102)	(494,853)
Net defined benefit obligation (asset)	**(22,796)**	**22,272**	**(524)**	**(10,809)**	**58,190**	**47,381**

The movements in the present value of the funded obligations and fair value of plan assets consist of the following:

(EUR x 1,000)	2021 Obligation	2021 Plan assets	2021 Net liability (asset)	2020 Obligation	2020 Plan assets	2020 Net liability (asset)
Balance at 1 January	542,234	(494,853)	47,381	510,784	(461,804)	48,980
Plan amendments and curtailments (past service cost)	–	–	–	(776)	–	(776)
Interest expense/(income)	4,920	(4,502)	418	7,595	(6,880)	715
Included in profit or loss (personnel expense)	**4,920**	**(4,502)**	**418**	**6,819**	**(6,880)**	**(61)**
Actuarial losses/(gains):	(53,498)	15,497	(38,001)	46,904	(35,733)	11,171
▪ (Gain)/loss from change in demographic assumptions	(1,563)	–	(1,563)	(4,094)	–	(4,094)
▪ (Gain)/loss from change in financial assumptions	(53,079)	15,497	(37,582)	65,251	(35,733)	29,518
▪ Experience (gains)/losses	1,144	–	1,144	(14,253)	–	(14,253)
Exchange rate differences	18,495	(16,736)	1,759	(13,302)	11,289	(2,013)
Included in other comprehensive income	**(35,003)**	**(1,239)**	**(36,242)**	**33,602**	**(24,444)**	**9,158**
Paid by the employer	–	(12,081)	(12,081)	–	(10,696)	(10,696)
Paid by plan participants	–	–	–	–	–	–
Benefits paid by the plan	(10,208)	10,208	–	(8,971)	8,971	–
Other	**(10,208)**	**(1,873)**	**(12,081)**	**(8,971)**	**(1,725)**	**(10,696)**
Present value of the funded obligation at 31 December	**501,943**	**(502,467)**	**(524)**	**542,234**	**(494,853)**	**47,381**

The following remeasurements were recognised directly in other comprehensive income:

(EUR x 1,000)	2021	2020
Cumulative amount at 1 January	(69,390)	(61,042)
Remeasurements:	34,225	(8,348)
▪ Recognised during the year	38,001	(11,171)
▪ Effect of movement in exchange rates	(3,776)	2,823
Cumulative amount at 31 December	**(35,165)**	**(69,390)**

Refer to note 16 with respect to the income tax impact of the actuarial gain of EUR 38,001 thousand (2020: EUR 11,171 thousand loss).

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as a range of weighted averages):

	2021		2020	
	UK	Netherlands	UK	Netherlands
Discount rate at 31 December	1.93%	1.10%	1.3%	0.5%
Future salary increases	0.0%	0.0%	0.0%	0.0%
Future pension increases	1.51%	0.0%	1.4%	0.0%

The financial effects of differences between the actuarial assumptions and actuals for the pension liability and plan assets are included in the remeasurements. For the Netherlands, life expectancy assumptions are derived from the Projections Life Table AG2020 from the Royal Dutch Actuarial Association. The mortality table is adjusted to tailor the mortality figures to the insured population by applying the experience factors from the 'Centrum voor Verzekeringsstatistiek': the so-called ES-P2 factors. For the United Kingdom, the mortality basis adopted is the standard table S3PxA (Robertson Plan: 92% of S2PxA) with future improvements in line with the Continuous Mortality Investigation's 2020 projection model with a long term improvement rate of 1.25% per annum for all members.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 8.9%	Increase by 10.3%
Salary growth rate	0.50%	Increase by 0.0%	Decrease by 0.0%
Pension growth rate	0.50%	Increase by 2.8%	Decrease by 2.5%
Life expectancy	1 year	Increase by 3.8%	Decrease by 3.8%

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded.

Risk exposure

Through its defined benefit pension plans, the Group is exposed to various demographic and economic risks. Most of these risks come with the nature of a defined benefit plan and are therefore not country specific. The most significant risks relate to life expectancy, investment risk, interest rates and inflation. The latter plays a role in the assumed salary increase and especially for those group pension obligations which are linked to inflation, meaning higher inflation will lead to higher liabilities.

The Group is actively managing risk related to its defined benefit plans to reduce these risks as much as possible. Specifically for inflation, in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation.
The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. Life expectancy risk is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy. In the Netherlands this risk is limited as the insurer guarantees the payment of the accrued benefits.

Apart from the Group wide risks, local risks are considered to be limited for the Netherlands as in the Netherlands the company terminated its defined benefit scheme in 2018 and the accrued pension entitlements were insured, limiting the risk for the Group to the indexation of the accrued entitlements. The insurance company guarantees all accrued entitlements. The insurance contract includes an account in which 80% of the investments are used to match the liability on a funding basis and 20% of the investments are used to invest in equity. The insurance company ultimately decides on investment policies and governance, since they run the downside risk.

In the UK, the Trustees set the Scheme's investment strategy, in consultation with the employer. The Robertson and UK Holdings plan include return seeking assets and bonds. The Robertson plan also includes matching assets to cover the pensioner liabilities.
The employer is ultimately responsible for funding the accrued pensions and the pension increases.

Major categories of plan assets
Plan assets are comprised as follows:

(EUR x 1,000)				2021				2020
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments	112,958	–	112,958	22%	95,797	–	95,797	20%
Debt instruments	131,822	–	131,822	26%	98,871	–	98,871	20%
Government	10,107	–	10,107	2%	12,035	–	12,035	2%
Corporate bonds (Investment grade)	76,156	–	76,156	15%	51,224	–	51,224	10%
Corporate bonds (Non-investment grade)	45,559	–	45,559	9%	35,612	–	35,612	7%
Insurance policies	–	233,942	233,942	47%	–	265,415	265,415	53%
Property	13,273	–	13,273	3%	24,417	–	24,417	5%
Cash and cash equivalents	10,472	–	10,472		10,353	–	10,353	2%
Balance at 31 December	**268,525**	**233,942**	**502,467**		**229,438**	**265,415**	**494,853**	**100%**

The expected 2022 contributions amount to EUR 3.2 million (2021: EUR 12.3 million).

The weighted average duration of the defined benefit obligation is 20 years (2020: 21 years).

As at 31 December 2021	Netherlands	United Kingdom	Total weighted
Duration of plan	22	19	20

30 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance expenses.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of performing under the contract. The expected net cost of performing under the contract is based on cash flow calculations discounted using a rate that reflects current market assessments of the time value of money. Before a provision is established, the Group recognises any impairment loss on the assets associated with and/or dedicated to that contract.

A provision for restructuring cost is recognised when the Group (i) has a detailed formal plan for the restructuring identifying at least the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and when the plan will be implemented; and (ii) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Asset retirement obligations are recognised in connection with lease contracts (vessels and property). These obligations are measured at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the costs of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as a finance expense.

(EUR x 1,000)					2021					2020
	Onerous contracts	Legal claims	Restructuring	Asset retirement obligations	Total	Onerous contracts	Legal claims	Restructuring	Asset retirement obligations	Total
Balance at 1 January	1,515	15,506	5,710	2,563	25,294	300	16,765	1,682	2,455	21,202
Provisions made during the year	124	1,225	12,112	820	14,281	–	5,280	17,837	242	23,359
Provisions used during the year	(126)	(2,567)	(14,898)	(125)	(17,716)	–	(5,485)	(13,522)	(156)	(19,163)
Provisions reversed during the year	(358)	(1,308)	(769)	–	(2,435)	–	(308)	(255)	–	(563)
Unwinding of discount	–	–	–	93	93	–	–	–	127	127
Transfer from held for sale	–	–	793	–	793	1,242	–	86	–	1,328
Reclassification	–	1,937	–	–	1,937	–	–	–	–	–
Effect of movements in foreign exchange rates	115	197	138	151	601	(27)	(746)	(118)	(105)	(996)
Balance at 31 December	**1,270**	**14,990**	**3,086**	**3,502**	**22,848**	**1,515**	**15,506**	**5,710**	**2,563**	**25,294**
Non-current	–	11,460	163	3,502	15,125	–	12,313	–	2,563	14,876
Current	1,270	3,530	2,923	–	7,723	1,515	3,193	5,710	–	10,418

Fugro has accounted for certain tax indemnities and warranties in respect of the sale of the majority of the Geoscience business to CGG in 2013 for liabilities arising from tax exposures. This tax indemnity and warranty amounts to EUR 9.8 million as at 31 December 2021 (31 December 2020: EUR 9.8 million).

31 TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for services and goods provided to the group prior to the end of financial year which are unpaid. Trade and other payables are recognised initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

The contracts in progress for which progress billing exceeds costs incurred plus profits recognised to date less progress billings and recognised losses are presented as advance instalments to work in progress.

(EUR x 1,000)	2021	2020
Trade payables	111,409	80,759
Advance instalments to work in progress	50,514	43,986
Accrued expenses	139,824	120,305
Employee related accruals	60,188	53,609
Other liabilities	21,072	23,588
Balance at 31 December	**383,007**	322,247

Advance instalments to work in progress primarily represent advances received from customers for which revenue is recognised as services are performed to customers. From the advance instalments to work in progress, an amount of EUR 40,225 thousand has been recognised as revenue from continuing operations that was included in the closing balance as at 31 December 2020 (2019: EUR 38,046 thousand as restated). Accrued expenses primarily represent project cost accruals for goods and services received but which are yet to be invoiced.

32 FINANCIAL RISK MANAGEMENT

32.1 Overview

The company's risk management policy includes the long-term sustainable management of its business activities and where possible, the mitigation of the associated business risks. Based on the nature and relative significance of the risks related to the Group's wide diversity of markets, clients and regions and its broad portfolio of activities the risks have been quantified to the extent possible.

The Group has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. This note presents information on a consolidated basis including both continued and discontinued operations.

The Board of Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

The audit committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit committee is assisted in its oversight role by internal audit. Both regular and ad hoc reviews of risk management controls and procedures are performed, the results of which are reported directly to the Board of Management. A summary of important observations is reported to the audit committee.

32.2 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and unbilled revenue on (completed) contracts.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. The Group applies the low credit risk simplification to long-term loans, deposits and other long-term receivables.

The Board of Management reviews the outstanding trade receivables and unbilled revenue on (completed) contracts on an ongoing basis. Local management is requested to take additional precaution in working with certain clients. The Group uses a provision matrix to calculate ECLs for trade receivables and unbilled revenue on (completed) contracts. Generally, trade receivables are fully impaired if past due more than 1.5 year and are not subject to enforcement activity. The provision rates are based on days past due for customers. The Group considered various customer segments that have similar loss patterns (i.e., by geography, service/product type, industry, customer type and rating, and coverage from credit insurance where applicable). The ageing is based on invoice due date. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information considering current market conditions at the reporting date, such as Covid-19. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is an estimate. The sensitivity of the amount of ECLs to changes in circumstances and of forecast economic conditions is limited.
The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. The Group does not provide detailed information on (a) the estimation techniques and inputs used, (b) how the forecast economic conditions have been incorporated in the determination of ECL and (c) changes in estimation techniques and inputs used, because the impact is not significant.

Some of the Group's orders are awarded on the basis of long-term preferred supplier agreements. In the course of a year Fugro often carries out multiple projects for the same client. Fugro typically has no single client that generates more than 5% of its revenue in the year. On occasion one client may generate more than 5%, which can happen in case of exceptionally large contracts where most of the revenue falls in the accounting year.
Having a large number of clients and short project time spans mitigates Fugro's credit risk as the individual amounts receivable from the same client are limited.

New customers are analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The Group's review may include external ratings, where available, and in some cases bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or have to provide a bank guarantee.

The majority of the Group's clients has done business with the Group for many years and significant losses have only occurred incidentally in prior years. Clients that are known to have negative credit characteristics are individually monitored by the group controllers.
If clients fail to pay timely the Group re-assesses the creditworthiness and stronger debt collection is started if deemed necessary. The Group closely monitors certain clients that need extra attention before a contract is closed.

The Group's carrying amount of cash and cash equivalents represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which have 'investment grade' credit ratings.

Credit risk exposure

(EUR x 1,000)	Carrying amount 2021	2020
Long-term loans	4,500	4,500
Deposits	32,086	26,924
Other long-term receivables	2,617	3,770
Unbilled revenue on (completed) projects	186,002	133,743
Trade receivables	240,035	203,511
Other receivables (excluding prepayments)	57,067	44,944
Cash and cash equivalents	148,956	183,462
Balance at 31 December	**671,263**	**600,854**

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets mentioned above. The group holds no collateral as security on the long-term loans, deposits, other long-term receivables, trade and other receivables and unbilled revenue on (completed) contracts. As such, the Group does not have financial assets for which no loss allowance is recognised because of collateral. The maximum exposure for trade receivables and unbilled revenue on (completed) contracts at the reporting date by geographic region is disclosed in the segment reporting note and equals the carrying amount.

Cash and cash equivalents are held with large well known banks with adequate credit ratings only.

32.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The global cash pool makes it possible for the company to use the cash surplus within the group to reduce the overdrafts at its main uncommitted facilities.

As at 31 December 2021, Fugro holds trapped cash balances in Angola and Nigeria (as quantified in note Cash and cash equivalents), where exchange controls apply.
The company expects that these exchange controls will become less when the oil and gas market conditions are expected to improve and when Angola and Nigeria will have increased inflow of USD in relation to their oil business. In addition, several actions have been explored to further lower this amount.

The Group monitors cash flow on a regular basis and operates with a global cash pool. Consolidated cash flow information, including a projection for the year, is reported on a monthly basis to the Board of Management, ensuring that the Group has sufficient cash on demand (or available lines of credit) to meet expected near term operational expenditures. Cash flow projections exclude the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group maintains the following lines of credit:

- A super senior RCF totalling EUR 250 million. At 31 December 2021, EUR 12.5 million has been drawn (2020: nil). These bank facilities have been secured until December 2023.
- A super senior term loan facility totalling EUR 200 million. At 31 December 2021, the facility has been drawn with EUR 188 million (2020: fully drawn). These bank facilities have been secured until December 2023.
- A variety of unsecured overdraft facilities in various currencies totalling around EUR 54 million of which EUR 1.8 million have been drawn at 31 December 2021 (31 December 2020: EUR 111 million with EUR 2.3 million drawn). The amount of such facilities, to the extent not otherwise permitted under the SFA, that the Group may have outstanding is limited to EUR 15,000,000 in aggregate together with any other financial indebtedness of the Group that is not otherwise permitted under the SFA.

The following are the contractual maturities of financial liabilities, including interest payments:

(EUR x 1,000)							2021
	Carrying amount	**Contractual cash flows**	**6 months or less**	**6 – 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Super senior revolving credit facility in EUR 250 million	12,521	12,592	12,592	–	–	–	–
Super senior term loan EUR 200 million	186,217	214,419	5,671	6,212	202,536	–	–
Subordinated unsecured convertible bonds in EUR 100,000	92,123	113,500	2,250	111,250	–	–	–
Lease liabilities	147,424	186,226	16,045	14,586	25,929	66,328	63,338
Other loans and long-term borrowings	1,558	1,558	1,558	–	–	–	–
Trade and other payables	383,007	383,007	383,007	–	–	–	–
Bank overdraft	1,824	1,824	1,824	–	–	–	–
Balance at 31 December	**824,674**	**913,126**	**422,947**	**132,048**	**228,465**	**66,328**	**63,338**

The interest included in the above table is based on the current amounts borrowed with current interest rates against the current exchange rate (if applicable). No assumptions are included for possible future changes in borrowings or interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(EUR x 1,000) **2020**[1]

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Super senior revolving credit facility in EUR 250 million	–	–	–	–	–	–	–
Super senior term loan EUR 200 million	195,137	239,292	5,560	5,593	228,139	–	–
Subordinated unsecured convertible bonds in EUR 190,000	56,953	60,830	1,168	59,662	–	–	–
Subordinated unsecured convertible bonds in EUR 100,000	89,521	118,000	2,250	2,250	9,000	104,500	–
Lease liabilities	132,692	184,982	14,623	12,707	23,389	59,002	75,261
Other loans and long-term borrowings	2,631	2,713	1,140	99	1,109	173	192
Trade and other payables	333,309	333,309	333,309	–	–	–	–
Bank overdraft	2,336	2,336	2,336	–	–	–	–
Balance at 31 December	**812,579**	**941,462**	**360,386**	**80,311**	**261,637**	**163,675**	**75,453**

1 Restated to include the finance lease erroneously not included in the prior year in the total contractual undiscounted cash flows. There is no impact on the primary statements.

32.4 Market risk

Market risk includes changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. About 41% (39% for continuing operations) of the Group's activities relate to the oil and gas industry.

32.4.1 Currency risk

The global nature of the business of the Group exposes the operations and reported financial results and cash flows to the risks arising from fluctuations in exchange rates. The Group's business is exposed to currency risk whenever it has revenues in a currency that is different from the currency in which it incurs the costs of generating those revenues.

Cash inflows and outflows are offset if they are denominated in the same currency. This means that revenue generated in a particular currency balance out costs in the same currency, even if the revenues arise from a different transaction than that in which the costs are incurred. As a result, only the unmatched amounts are subject to currency risk.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks and if deemed necessary a portion of those risks is hedged by using derivative financial instruments. The principal derivative financial instruments used to cover foreign currency exposure are forward foreign currency exchange contracts. As of 31 December 2021, there are no material forward foreign currency exchange contracts outstanding (consistent with prior year).

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Euro, US dollar and British pound. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

The Group is sensitive to translation differences resulting from translation of its operations in non-Euro currencies to Euros.

Sensitivity analysis

A 10 percent strengthening of the Euro against the mentioned currencies at 31 December would have increased (decreased) total year-end equity and profit or loss for the year by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

Effect in EUR x 1,000	Total equity at year-end	Profit or (loss) after tax for the year
31 December 2021		
USD	(4,902)	2,040
GBP	(18,895)	(878)
AUD	(4,272)	959
NOK	(4,691)	(968)
HKD	(16,193)	(470)
31 December 2020		
USD	3,038	18,026
GBP	(12,817)	85
AUD	(5,174)	1,243
NOK	(4,481)	(1,091)
HKD	(11,323)	(1,091)

A 10 percent weakening of the Euro against the above currencies at 31 December would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The total effect for 2021 in the table above on profit or loss is positive, with a minimal impact.

32.4.2 Interest rate risk

The Group's liabilities bear both fixed and variable interests. The Group's objective is to limit the effect of interest rate changes on the results by matching long term investment with long term (fixed or variable interest) financing as much as possible.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

(EUR x 1,000)	Carrying amount	
	2021	**2020**
Fixed rate instruments		
Financial assets	4,500	4,500
Financial liabilities	(241,096)	(281,705)
Variable rate instruments		
Financial assets	148,956	183,462
Financial liabilities	(200,565)	(197,545)
Balance at 31 December	**(288,205)**	**(291,288)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.
At 31 December 2021, it is estimated that a general increase (decrease) of 100 basis points in interest rates would decrease (increase) the Group's profit before income tax by approximately:

(EUR x 1,000)	Equity and profit or loss	
	100 bp increase	100 bp decrease
31 December 2021		
Variable rate instruments	(516)	516
Cash flow sensitivity (net)	(516)	516
31 December 2020		
Variable rate instruments	(141)	141
Cash flow sensitivity (net)	(141)	141

32.6 Capital management

TThe Board of Management's policy is to maintain a strong capital base in order to retain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings and non-controlling interests of the Group. Important key performance indicators for the Board of Management are free cash flow, the return on capital as well as the level of dividends. The Board strives for a dividend pay-out ratio of 35 to 55% of net result. Subsequent to the refinancing in 2020 dividend payments are restricted. Until 2022 no dividends will be paid. After that date, dividends may only be paid if net leverage is equal to or less than 2 times (refer to 28.6 for the covenant requirements).

Targeted solvency is set at, at least 33.3%. The targeted solvency includes the impact of IFRS 16. The solvency at the end of 2021 was 46.3% (2020: 41.3%). The Group's objective is to achieve a healthy return on shareholders' equity. The result for the year was positively impacted as a result of strong cost control. As a result, the return, calculated as profit (loss) for the period attributable to owners of the company, divided by the total equity attributable to owners of the company for the year, is 17.2% (positive) in 2021 (2020: 24.8% negative).

From time to time Fugro purchases its own shares. These shares are used to cover the long term incentives granted by Fugro. Purchase and sale decisions are made on a specific transaction basis by the Board of Management. Fugro does not have a defined share buy-back plan.

There were no changes to the Group's approach to capital management during the year.

33 FAIR VALUES

Determination of fair values

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

The fair value of receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

The fair value of forward exchange contracts is based on quoted market prices, if available.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date, taking into consideration the Group's own non-performance risk.

Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(EUR x 1,000)	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables and other receivables*	512,820	512,820	410,269	410,269
Cash and cash equivalents	148,956	148,956	183,462	183,462
Deposits	32,086	32,086	26,924	26,924
Long-term loans	4,500	4,500	4,500	4,500
Other long-term receivables	2,617	2,617	3,770	3,770
Equity securities	1,096	1,096	1,414	1,414
Financial liabilities measured at amortised cost				
Super senior revolving credit facility in EUR 250 million	(12,521)	(12,521)	–	–
Super senior term loan EUR 200 million	(186,217)	(186,217)	(195,137)	(195,137)
Other long-term loans	(1,558)	(1,558)	(2,631)	(2,631)
Subordinated unsecured convertible bonds EUR 190,000	–	–	(56,953)	(56,339)
Subordinated unsecured convertible bonds EUR 100,000	(92,123)	(84,326)	(89,521)	(83,833)
Bank overdraft	(1,824)	(1,824)	(2,336)	(2,336)
Trade and other payables	(383,007)	(383,007)	(333,309)	(333,309)
Total	**24,825**	**32,622**	**(49,548)**	**(43,246)**
Unrecognised gains/(losses)		(7,797)		(6,302)

* Due to the short-term nature of the trade receivables and other receivables, their carrying amount is considered to be the same as their fair value.

The fair values of the subordinated unsecured convertible bonds are based on discounted cash flows using a current borrowing rate.

They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Interest rates used for determining fair value

The Group uses the government yield curve as per the reporting date plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

(EUR x 1,000)	2021	2020
Loans and borrowings	2.75% – 8%	1.9% – 8.5%

Fair value hierarchy

The different fair value hierarchy levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Fugro has equity securities of EUR 1,096 thousand as at 31 December 2021 (31 December 2020: 1,414 thousand), which are categorised within Level 1.

Fugro's valuation processes

The group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The valuations are directly reported to the Chief Financial Officer. Changes in Level 2 and Level 3 values are analysed at each reporting date.

34 COMMITMENTS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

Bank guarantees

Per 31 December 2021, Fugro's banks have issued bank guarantees to clients for an amount of EUR 88 million (2020: EUR 89 million).

Capital commitments

At 31 December 2021, the Group has EUR 13.7 million material contractual obligations to purchase property, plant and equipment.

Climate commitments

On 19 February 2021, Fugro announced a target of net zero carbon scope 1 and scope 2 emissions by 2035. Ahead of 2035, Fugro is focussing on shifting the procurement of energy to renewable sources and making investments to decarbonise its vessels and equipment to reduce emissions until the measurement date of the target. For example, Fugro is leading a consortium 'Methanol as Energy Step Towards Emission-free Dutch Shipping' (MENENS) of 22 partners in the Dutch maritime sector for the development of methanol as low-carbon shipping fuel. On 10 December 2021, MENENS has been awarded a grant from the Netherlands Enterprise Agency.

Contingencies

Some Group companies are, as a result of their normal business activities, involved either as plaintiffs or defendants in claims. Based on information presently available and management's best estimate, it is not probable that the financial position of the Group will be significantly influenced by any of these matters. Should the actual outcome differ from the assumptions and estimates, the financial position of the Group would be impacted. Fugro N.V. and its Dutch operating companies form a fiscal unity for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

Parent company guarantees

In principle Fugro does not provide parent company guarantees to its subsidiaries, unless commercial reasons exist. Fugro has filed declarations of joint and several liabilities for a number of subsidiaries at the Chamber of Commerce. Fugro has filed a list with the Chamber of Commerce which includes all financial interests of Fugro as well as a reference to each subsidiary for which such a declaration of liability has been provided.

35 RELATED PARTIES

The Group has a related party relationship with its subsidiaries, equity-accounted investees and key management personnel. Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel

Fugro's key management personnel (as defined in IAS 24) consists of the people in the Board of Management, Executive Leadership Team and Supervisory Board. The Executive Leadership Team consists of the two members of Board of Management and seven senior managers. The Board of Management controls the Executive Leadership Team. The key management compensation, based on amounts recognised in the statement of comprehensive income, is as follows:

(in EUR)	Short-term employee benefits	Post-employ-ment benefits	Share-based payment (IFRS 2)	Total 2021
Board of Management	1,988,548	46,698	1,218,184	3,253,430
Senior managers	3,015,580	147,292	897,408	4,060,280
Executive Leadership Team (subtotal)	**5,004,128**	**193,990**	**2,115,592**	**7,313,710**
Supervisory Board	425,415	–	–	425,415
Total	**5,429,543**	**193,990**	**2,115,592**	**7,739,125**

(in EUR)	Short-term employee benefits	Post-employ-ment benefits	Share-based payment (IFRS 2)	Total 2020
Board of Management	1,861,420	57,072	733,740	2,652,232
Senior managers	2,491,494	142,305	441,010	3,074,809
Executive Leadership Team (subtotal)	**4,352,914**	**199,377**	**1,174,750**	**5,727,041**
Supervisory Board	365,450	–	–	365,450
Total	**4,718,364**	**199,377**	**1,174,750**	**6,092,491**

The Dutch Civil Code disclosures with respect to remuneration of individual members of the Board of Management and Supervisory Board are included in the Remuneration report.

Other transactions with key management personnel

The Board of Management, certain senior managers and certain Supervisory Board members can acquire shares in Fugro on an arm's length basis. These transactions are not compensation and as such no expense was recorded during the period.

(in EUR)				2021				2020
	Number of shares acquired during the year	Issue price paid	Number of shares disposed of during the year	Number of shares held at 31 December	Number of shares acquired during the year	Issue price paid	Number of shares disposed of during the year	Number of shares held at 31 December
Board of Management	30,000	EUR 7.59	–	89,062	33,522	EUR 1.64 – EUR 4.69	–	59,062
Senior managers	–	–	–	2,338	2,189	EUR 2.12	–	2,338
Executive Leadership Team (subtotal)	**30,000**	**–**	**–**	**91,400**	**35,711**	**–**	**–**	**61,400**
Supervisory Board	6,500	EUR 7.55 – EUR 7.62	–	50,745	44,245	EUR 1.69 – EUR 4.82	–	44,245
Total	**36,500**		**–**	**142,145**	**79,956**		**–**	**105,645**

The individual shareholdings are less than 5%.

Other related parties

The Group has not entered into any material transaction with other related parties.

36 SUBSEQUENT EVENTS

There were no subsequent events.

37 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD OF FUGRO N.V.

Unless stated otherwise, the direct or indirect interest of Fugro in the subsidiaries listed below is 100%. Insignificant, but consolidated, subsidiaries have not been included. For entities where the direct or indirect interest of Fugro is less than 50%, the Group consolidates financial information of such entities based on the definition of control.

The subsidiaries listed below have been fully incorporated into the consolidated financial statements of Fugro, unless indicated otherwise.

The information as required by sections 2:379 and 2:414 of the Dutch Civil Code has been filed at the trade registry of the Chamber of Commerce in The Hague.

Company	%	Office, Country
Fugro Angola Limitada	49%	Luanda, Angola
Fugro Exploration Pty Ltd.		Perth, Australia
Fugro Holdings (Australia) Pty Ltd		Perth, Australia
Fugro Australia Land Pty Ltd.		Perth, Australia
Fugro Australia Marine Pty Ltd.		Perth, Australia
Fugro Properties (Australia) Pty Ltd		Perth, Australia
Fugro Austria GmbH		Bruck an der Mur, Austria
SOCAR-Fugro LLC	49%*	Baku, Azerbaijan
Fugro Belgium SRL		Brussels, Belgium
Labomosan S.A.	66.5%	Floreffe, Belgium
Orex S.C.		Wavre, Belgium
Fugro In Situ Geotecnia Ltda.		Pinhais, Brazil
Fugro Brasil Levantamentos Ltda.		Rio de Janeiro, Brazil
Fugro Marine (B) Sdn. Bhd.	70%	Kuala Belait, Brunei Darussalam
Fugro Cameroun SA		Douala, Cameroun
Fugro Canada, Corp.		St. John's, Canada
Fugro Chile S.A.		Santiago, Chile
Fugro Technical Services (Guangzhou) Ltd.		Guangzhou, China
Fugro Pacifica Qinhuangdao Co. Ltd.		Qinhuangdao, China
China Offshore Fugro GeoSolutions (Shenzhen) Co. Ltd.	50%*	Shekou, Shenzhen, China
Fugro Offshore Survey (Shenzhen) Co. Ltd.		Shenzhen, China
Fugro Consultants International N.V.		Willemstad, Curaçao
Fugro Financial International N.V.		Willemstad, Curaçao
Fugro S.A.E.		Cairo, Egypt
Fugro Geoid S.A.S.		Castries, France
Fugro Holding France S.A.S.		Nanterre, France
Fugro Gabon SARL		Port Gentil, Gabon
Fugro Germany Land GmbH		Berlin, Germany
Fugro Germany Marine GmbH		Bremen, Germany
Fugro Ghana Limited		Accra, Ghana
Fugro Technical Services Ltd.		Tuen Mun, Hong Kong
Fugro Geotechnical Services Ltd.		Fo Tan, Hong Kong
Fugro (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Holdings (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Hydrographic Surveys Ltd.		Wanchai, Hong Kong
Fugro Geospatial Services (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Marine Survey International Ltd.		Wanchai, Hong Kong
Fugro SEA Ltd.		Wanchai, Hong Kong
Fugro International (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Satellite Positioning (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Consult Kft		Budapest, Hungary
Fugro Geotech (India) Private Limited		Navi Mumbai, India
Fugro Survey (India) Private Limited		Navi Mumbai, India
PT Fugro Indonesia		Jakarta Selatan, Indonesia
Fugro-ETW LLC	50%*	Basra, Iraq
FAZ Technology Ltd.		Dublin, Ireland
FAZ Research Ltd.		Dublin, Ireland
Fugro Italy S.p.A.		Rome, Italy
Fugro Japan Co., Ltd.		Tokyo, Japan
Fugro Malaysia Marine Sdn Bhd	30%	Kuala Lumpur, Malaysia
Fugro Mauritius Ltd.		Quatre Bornes, Mauritius
Fugro Mexico S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico
Fugro Mozambique Lda.		Maputo, Mozambique

Company	%	Office, Country
Fugro Financial Resources B.V.		Leidschendam, The Netherlands
Fugro NL Land B.V.		Leidschendam, The Netherlands
Fugro Innovation & Technology B.V.		Leidschendam, The Netherlands
Fugro Marine Services B.V.		Leidschendam, The Netherlands
Fugro Nederland B.V.		Leidschendam, The Netherlands
Fugro South America B.V.		Leidschendam, The Netherlands
Fugro Survey B.V.		Leidschendam, The Netherlands
Fugro Vastgoed B.V.		Leidschendam, The Netherlands
Seabed Geosolutions B.V.		Leidschendam, The Netherlands
Alutan Shipping B.V.		Leidschendam, The Netherlands
Arjuna Shipping B.V.		Leidschendam, The Netherlands
Erebus Shipping B.V.		Leidschendam, The Netherlands
Foster Shipping B.V.		Leidschendam, The Netherlands
Fugro Middle East B.V.		Leidschendam, The Netherlands
Katla Shipping B.V.		Leidschendam, The Netherlands
Mayon Shipping B.V.		Leidschendam, The Netherlands
Scenery Shipping B.V.		Leidschendam, The Netherlands
Semeru Shipping B.V.		Leidschendam, The Netherlands
Taranaki Shipping B.V.		Leidschendam, The Netherlands
Tongariro Shipping B.V.		Leidschendam, The Netherlands
Wavewalker B.V.	50%*	Leidschendam, The Netherlands
Bosavi Shipping B.V.		Nootdorp, The Netherlands
Hastveda Shipping B.V.		Nootdorp, The Netherlands
Fugro Netherlands Marine B.V.		Nootdorp, The Netherlands
Fugro New Zealand Ltd.		New Plymouth, New Zealand
Fugro Nigeria Ltd.		Port Harcourt, Nigeria
Fugro Norway AS		Oslo, Norway
Fugro Middle East & Partners LLC	70%	Muscat, Oman
Fugro Geodetic Ltd.		Karachi, Pakistan
Fugro Philippines Inc.		Manila, Philippines
Fugro Peninsular Services Co. W.L.L.	49%	Doha, Qatar
GEOINGSERVICE LLP		Moscow, Russia
Fugro-Suhaimi Ltd.	50%	Dammam, Saudi Arabia
Fugro Saudi Arabia Ltd.	83%	Dammam, Saudi Arabia

Company	%	Office, Country
Fugro Satellite Positioning Pte Ltd.		Singapore, Singapore
Fugro Subsea Technologies Pte Ltd.		Singapore, Singapore
Fugro Singapore Marine Pte Ltd.		Singapore, Singapore
Eastern Equator Pte Ltd.		Singapore, Singapore
Eastern Mariner Pte Ltd.		Singapore, Singapore
Fugro Marine Personnel Pte Ltd.		Singapore, Singapore
Southern Evolution Pte Ltd.		Singapore, Singapore
Fugro Properties Pte Ltd.		Singapore, Singapore
Fugro Singapore Land Pte Ltd.		Singapore, Singapore
Fugro Survey Africa (Pty) Ltd.		Cape Town, South Africa
Fugro Geodetic AG		Zug, Switzerland
Fugro South America GmbH		Zug, Switzerland
Fugro IOVTEC Co. Ltd.	49%*	Taipei City, Taiwan
Fugro Trinidad Ltd.		Port of Spain, Trinidad
Fugro Sial Ltd.		Ankara, Turkey
Fugro Middle East		Dubai, United Arab Emirates
Fugro GB (North) Marine Limited		Aberdeen, United Kingdom
Fugro Subsea Services Limited		Aberdeen, United Kingdom
Fugro GeoServices Limited		Falmouth, United Kingdom
Hush Craft Ltd	49%*	Suffolk, United Kingdom
Fugro GB Marine Limited		Wallingford, United Kingdom
Fugro Holdings Limited		Wallingford, United Kingdom
Fugro Properties Limited		Wallingford, United Kingdom
Global Marine Holdings LLC	23.6%*	Delaware, United States
Fugro (USA) Holdings, Inc.		Houston, United States
Fugro Enterprise, Inc.		Houston, United States
Fugro Synergy, Inc.		Houston, United States
Fugro USA Land, Inc.		Houston, United States
Fugro USA Marine, Inc.		Lafayette, United States

* Joint arrangements classified as joint ventures or associates that are equity-accounted.

COMPANY BALANCE SHEET

As at 31 December, before result appropriation

Notes	(EUR x 1,000)	2021	2020
	ASSETS		
39	Financial fixed assets	924,232	788,115
40	Deferred tax assets	19,780	3,201
	Total non-current assets	**944,012**	**791,316**
41	Trade and other receivables	25,560	83,701
	Cash and cash equivalents	245	1,021
	Total current assets	**25,805**	**84,722**
	Total assets	**969,817**	**876,038**
	EQUITY		
	Share capital	5,160	10,319
	Share premium	762,495	757,336
	Translation reserve	(95,024)	(136,494)
	Other reserves	(137,456)	(138,694)
	Retained earnings	244,905	383,427
	Unappropriated result	71,123	(173,824)
42	**Total equity**	**851,203**	**702,070**
	Provisions		
43	Provisions	10,981	11,024
	LIABILITIES		
44	Loans and borrowings	–	89,521
	Total non-current liabilities	**10,981**	**100,545**
44	Loans and borrowings	92,123	56,953
45	Trade and other payables	13,128	14,296
	Other taxes and social security charges	2,382	2,174
	Total current liabilities	**107,633**	**73,423**
	Total liabilities	**118,614**	**173,968**
	Total equity and liabilities	**969,817**	**876,038**

COMPANY INCOME STATEMENT

For the year ended 31 December

Notes	(EUR x 1,000)	2021	2020
46	Revenue	37,894	37,509
47	Other income	1,652	–
48	Personnel expenses	(26,525)	(30,507)
49	Other expenses	(25,327)	(25,419)
	Results from operating activities (EBIT)	**(12,306)**	**(18,417)**
	Finance income	66	3,448
	Finance expenses	(12,228)	(21,202)
50	**Net finance income/(expenses)**	**(12,162)**	**(17,754)**
	Profit/(loss) before income tax	**(24,468)**	**(36,171)**
51	Income tax gain/(expense)	27,890	12,131
	Share in results from participating interests, after taxation	67,701	(149,784)
	Profit/(loss) for the period	**71,123**	**(173,824)**

38 BASIS OF PREPARATION

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, Fugro makes use of the option provided in Clause 8 Section 2:362 of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of Fugro N.V. are the same as those applied for the consolidated IFRS-EU financial statements. Investments in subsidiaries are accounted for at net asset value which comprises the cost, excluding goodwill, of Fugro's share in the net assets of the subsidiaries. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. Reference is made to the significant accounting policies in the notes to the consolidated financial statements.

The share in the result of participating interests consists of the share of Fugro in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Fugro and its participating interests, and mutually between participating interests themselves, are not incorporated as far as they can be deemed to be unrealised. Fugro N.V. is neither lessee nor lessor.

39 FINANCIAL FIXED ASSETS

Subsidiaries

(EUR x 1,000)	2021	2020
Balance at 1 January	**788,115**	**930,583**
Share in result of participating interests	67,701	(149,784)
Capital increase/(decrease)	(214)	49,604
Dividends received	(3,088)	(3,048)
Currency exchange differences	39,474	(33,586)
Actuarial gains/(losses)	29,770	(8,113)
Other	2,474	2,459
Balance at 31 December	**924,232**	**788,115**

40 DEFERRED TAX ASSETS

Due to improved results and profitability outlook deferred tax assets are recognised in 2021. Carry forward withholding tax credits (EUR 9.8 million) remain unrecognised as the qualifying foreign income does not meet the recognition criterion.

41 TRADE AND OTHER RECEIVABLES

(EUR x 1,000)	2021	2020
Current tax assets	16,665	7,411
Receivables from Group companies	8,822	75,090
Other receivables	73	1,200
Balance at 31 December	**25,560**	**83,701**

The Receivables from Group companies as at 31 December 2020 included a cash-pool balance of Fugro N.V. amounting to EUR 63.7 million. The cash-pool balance as at 31 December 2021 is EUR 2.4 million negative and included under Payables to Group companies (refer to note 45 Trade and other payables). Accordingly, the Receivables from Group companies as at 31 December 2021 relates to other receivables from subsidiaries.

42 EQUITY

Reference is made to the equity movement schedule included in the consolidated financial statements and the corresponding disclosure note. The translation reserve qualifies as legal reserves (Dutch: 'wettelijke reserve') in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

43 PROVISIONS

Reference is made to the provisions note in the consolidated financial statements. Fugro has accounted for certain tax indemnities and warranties under legal claims in respect of the sale of the majority of the Geoscience business to CGG in 2013, for liabilities arising from tax exposures amounting to EUR 9.8 million as at 31 December 2021 (31 December 2020: EUR 9.8 million). An amount of EUR 1.1 million (31 December 2020: EUR 1.1 million) relates to employee benefit obligations. The provisions are not expected to be settled within one year.

44 LOANS AND BORROWINGS

(EUR x 1,000)	2021	2020
Subordinated unsecured convertible bonds EUR 190,000	–	56,953
Subordinated unsecured convertible bonds EUR 100,000	92,123	89,521
Balance at 31 December	**92,123**	**146,474**

Reference is made to the financial liabilities note in the consolidated financial statements. The interest on loans and borrowings amounts to 4.0% - 4.5% per annum (2020: 4.0% - 4.5%).

45 TRADE AND OTHER PAYABLES

(EUR x 1,000)	2021	2020
Trade payables	996	2,431
Payables to Group companies	4,481	1,386
Other payables	7,651	10,479
Balance at 31 December	**13,128**	**14,296**

46 REVENUE

Revenue relates to the services provided by Fugro N.V. to subsidiaries in respect of their management activities and responsibilities.

47 OTHER INCOME

Other income relates to the cumulative foreign currency translation reserve of Seabed Geosolutions, which was recycled to profit and loss upon disposal during 2021.

48 PERSONNEL EXPENSES

(EUR x 1,000)	2021	2020
Wages and salaries	23,069	27,751
Social security contributions	450	1,027
Equity-settled share-based payments	2,465	1,910
Contributions to defined contribution plans	536	(61)
Expense related to defined benefit plans	5	(120)
Total	**26,525**	**30,507**

The Dutch Civil Code disclosures with respect to remuneration of the Board of Management and Supervisory Board are included in the Remuneration report.
The average number of employees within Fugro N.V. during the year was 23 (2020: 24), all based in the Netherlands consistent with prior year.

49 OTHER EXPENSES

(EUR x 1,000)	2021	2020
Indirect operating expenses	787	939
Occupancy costs	–	179
Communication and office equipment	1,583	1,324
Restructuring costs	(83)	317
Marketing and advertising costs	272	333
Professional services	22,768	22,327
Total	**25,327**	**25,419**

Audit fees

With reference to Section 2:382a of the Netherlands Civil Code, the following fees for the financial year have been charged by EY to the company and its subsidiaries:

(EUR x 1,000)	2021			2020		
	Ernst & Young Account-ants LLP	Other EY network	Total EY	Ernst & Young Account-ants LLP	Other EY network	Total EY
Statutory audit of financial statements	1,408	1,706	3,114	1,505	1,746	3,251
Other audit services	–	–	–	–	–	–
Other assurance related services	54	–	54	669	9	678
Tax advisory services	–	–	–	–	25	25
Total	**1,462**	**1,706**	**3,168**	**2,174**	**1,780**	**3,954**

Audit and (non-)audit related fees for the respective years are charged to the income statement on an accrual basis. The fees paid for the above mentioned services, which are included in profit or loss of the consolidated financial statements are presented in other expenses, and evaluated on a regular basis.

50 NET FINANCE (INCOME)/EXPENSES

(EUR x 1,000)	2021	2020
Interest income on loans and receivables from Group companies	(66)	(16)
Net foreign exchange gain	–	(3,432)
Finance income	**(66)**	**(3,448)**
Interest expense on financial liabilities measured at amortised cost	11,909	21,202
Net foreign exchange loss	319	–
Finance expense	**12,228**	**21,202**
Net finance (income)/expenses recognised in profit or loss	**12,162**	**17,754**

51 INCOME TAX

Fugro N.V. is head of the fiscal unity that exists for Dutch corporate income taxes. The effective tax rate in 2021 deviates compared to the Dutch statutory rate of 25%, mainly due to deferred tax entries.

52 CONTINGENCIES

Fiscal unity

Fugro N.V. and the Dutch operating companies form a fiscal unity for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

Bank guarantees

As per 31 December 2021, Fugro's bank has issued bank guarantees to clients for an amount of EUR 76.1 million (2020: EUR 72.3 million).

Other guarantees

Fugro has filed declarations of joint and several liabilities for a number of subsidiaries at the Chamber of Commerce. Fugro has filed a list with the Chamber of Commerce, which includes all financial interests of the Group in subsidiaries as well as a reference to each subsidiary for which such a declaration of liability has been deposited.

Other contingencies

Reference is made to the note 'commitments not included in the statement of financial position' of the consolidated financial statements.

53 RELATED PARTIES

Reference is made to the related parties note of the consolidated financial statements, which includes the remuneration of the Board of Management and Supervisory Board.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code.

The members of the Board of Management have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code and Section 5:25c sub 2 (c) Financial Markets Supervision Act.

Fugro will not propose to the annual general meeting on 22 April 2022 to declare a dividend for 2021 to shareholders.

Leidschendam, 25 February 2022

Board of Management
M.R.F. Heine, Chairman Board of Management, Chief Executive Officer
B.P.E. Geelen, Chief Financial Officer

Supervisory Board
Sj.S. Vollebregt, Chairman
P.H.M. Hofsté, Vice Chair
A.J. Campo
A.H. Montijn
R. Mobed
M.J.C. de Jong

To: the shareholders and supervisory board of Fugro N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2021 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2021 of Fugro N.V., based in Leidschendam, the Netherlands (hereinafter: 'Fugro' or 'the company'). The financial statements comprise the consolidated and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2021 and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- the accompanying company financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2021 and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021
- the following statements for 2021: the consolidated statements of comprehensive income, changes in equity and cash flows
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2021
- the company income statement for 2021
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the *Our responsibilities for the audit of the financial statements* section of our report.

We are independent of Fugro N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INFORMATION IN SUPPORT OF OUR OPINION

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Fugro is a geo-data specialist that provides globally earth and engineering data, information and advice required for the design, construction and maintenance of large land and marine infrastructure, industrial installations and buildings. Fugro's purpose is to create a safe and liveable world by helping its clients design, build and operate their assets in a safe, sustainable and efficient manner. Fugro operates in 59 countries and deploys a fleet of specialised assets and digital solutions to support its operations.
We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€ 10.0 million (2020: € 10.0 million)
Benchmark applied	Approximately 0.7% of revenue (2020: approximately 0.7% of revenue)
Explanation	We have applied this benchmark based on our professional judgment and taking into account the users of the financial statements. Earnings based measures are not considered to be appropriate benchmarks, given their volatility over the years and we believe that revenues are a key indicator of the performance of the company.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €0.5 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Fugro N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

All entities exceeding 1.3% of revenues are included within our group audit scope. We used the work of other EY member firms when auditing entities outside the Netherlands. We performed audit procedures ourselves at certain group entities located in the Netherlands and performed analytical review procedures at entities without an assigned group audit scope.

The procedures performed for entities with a group audit scope represent 81% of revenue and 78% of total assets.

By performing the procedures mentioned above, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at local entity level included the appropriate skills and competences which are needed for the audit of Fugro. We included in the audit specialists in the areas of IT, forensics, treasury, share based payments, income tax, pensions and business valuations.

Our focus on climate risks and the energy transition

Climate objectives will be high on the public agenda in the next decades. Issues such as CO_2 reduction impact financial reporting, as these issues could entail risks for the business operation, the valuation of assets and provisions or the sustainability of the business model and access to financial markets for companies with a larger CO_2 footprint.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in estimates and significant assumptions as well as in the design of relevant internal control measures by Fugro. Furthermore, we read the report of the board of management and considered whether there is any material inconsistency between the non-financial information in the section environmental of the group performance chapter and in the section risk management of the governance chapter in the annual report and the financial statements.

In this respect, we note that Fugro has an ambition to reach net zero emissions by 2035. This ambition requires capital expenditures for the decarbonization of vessels and other equipment in the coming years. We describe the audit procedures performed with respect to forecasted cash-flows (which include planned capital expenditures) in our key audit matter "Estimates with respect to the valuation of goodwill and vessels".

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance, we and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section risk management in the chapter governance of the report of the board of management for the board of management's risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls and when identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition. For the risk related to management override of controls we have performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in note 2 to the financial statements. We have also performed procedures to identify and address high-risk journal entries. This risk did however not require significant auditor's attention in addition to the following fraud risks identified during our audit.

Management bias related to estimates and assumptions underlying the valuation of goodwill

Fraud risk	In identifying and assessing fraud risks, we specifically considered whether judgments and assumptions underlying the valuation of goodwill indicate a management bias that may represent a risk of material misstatement due to fraud.
Our audit approach	We describe the audit procedures responsive to this fraud risk in the description of our audit approach for the key audit matter 'Estimates with respect to the valuation of goodwill and vessels'.

Presumed risks of fraud in revenue recognition

Fraud risk	When identifying and assessing fraud risks we presume that there are risks of fraud in revenue recognition. We evaluated that the method to measure progress and the estimation for actual cost incurred compared to estimated cost to completion for performance obligations that are satisfied over time, in particular give rise to such risks.
Our audit approach	We describe the audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter 'Revenue recognition, project accounting and valuation with respect to unbilled revenue on (completed) contracts'.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and regional directors) and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of management, reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions, account balances and disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern
As disclosed in the management statements, the board of management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We considered whether the board of management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of the board of management's use of the going concern basis of accounting. We discussed and evaluated the specific assessment with the board of management, exercising professional judgment and maintaining professional scepticism, and specifically focusing on, among others, the process followed by the board of management to make the assessment and on management bias that could represent a risk. We evaluated forecasted cash flows, with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due. We assessed the assumptions used in the cash-flow forecast for consistency with the budget 2022 as approved by the board of management and the supervisory board. We challenged key assumptions used in the forecast in light of an announced lower CO_2 footprint for the company and market developments including expected decreasing investment in fossil fuel projects in favour of renewable energy sources. We verified that the budget 2022 is translated appropriately into a liquidity and covenant forecast, that the covenant calculations are in accordance with the financing agreements, and that Fugro is in compliance with these covenant requirements. Also, we "stress-tested" the board of management's forecast and assessed the likelihood of Fugro breaching the covenant requirements.

Based on our procedures performed, we did not identify serious doubts on Fugro's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matters 'Availability of financing and compliance with debt covenant requirements' and "Accounting for the Group's interest in Seabed Geosolutions" which were included in our last year's auditor's report are not considered as key audit matters for this year as the company's financial position and outlook improved and the interest in Seabed Geosolutions was disposed on 28 June 2021.

Estimates with respect to the valuation of goodwill and vessels	
Risk	At 31 December 2021, the carrying amounts of goodwill and vessels (both owned and leased) amount to, respectively, € 269.5 million and € 366.4 million, and together amount to approximately 35% of total assets. As disclosed in Notes 17, 18 and 19, the board of management performed the annual impairment tests for goodwill and evaluated vessels with individually significant net book values for indicators of impairment. Impairment tests are complex and require significant management judgement and estimates with respect to expected future cash flows and the discount rate used to discount the cash flows. We consider the risk of management bias and determined this to be a key audit matter. As disclosed in note 34, Fugro has an ambition to reach net zero emissions by 2035. This ambition requires capital expenditures for the decarbonization of vessels and other equipment in the coming years. The recoverable amounts of groups of cash-generating units (CGUs) with allocated goodwill have been determined based on value in use calculations. Value in use (VIU) was determined by discounting the expected future cash flows from continuing use of the CGUs. Cash flows in the first year of the forecast are based on the budget 2022 as approved by the board of management and supervisory board. The cash flows for the following four years are derived from Fugro's strategic plan and which are made explicit based on expected market developments and the expected share of the market that Fugro will be able to capture. A long term growth rate is assumed for the terminal value. The headroom on the carrying amount of CGUs is € 618.6 as disclosed in note 19 of the consolidated financial statements. These impairment tests resulted in a € 4.5 impairment reversal for a vessel and no impairment of goodwill.

Estimates with respect to the valuation of goodwill and vessels	
Our audit approach	We verified that the accounting policy for impairments of (in)tangible assets applied by Fugro is in line with IAS 36 'Impairment of assets' and that the methods for making estimates are appropriate and have been applied consistently. We obtained an understanding of Fugro's internal controls, including control activities relevant to impairment tests for goodwill and vessels and evaluated the design of the controls over how the board of management made the estimates. Our audit procedures included an assessment of management's evaluation of indicators of impairment for the carrying amounts of vessels. Our assessment of management's VIU calculations included considering whether the board of management recognised sufficiently the impact that climate change and related actions will have on Fugro's business model. For example, we challenged the board of management to what extent global carbon emission reduction targets require future changes to or further investments in the fleet of vessels. To this end, we verified that value in use calculations included (capex) cash outflows consistent with Fugro's view on what future investments are required to achieve its business plans. We evaluated the budget 2022, the solidity of the budget preparation process and the reasonability of the budget at the level of individual entities as well as at group level. Furthermore, we evaluated management's outlook in the explicit period, in particular around forecasted revenues, EBITDAs and capital expenditures, as well as the long term growth rate. We also performed an evaluation of the historical accuracy of the board of management's estimates through retrospective review, evaluating and testing the assumptions, methodologies, and other data used by the company, for example by comparing them to external data and we assessed the mathematical accuracy and completeness of the impairment models. With the support of EY valuation experts, we assessed whether the discounting of expected future cash flows through the use of a discount rate, whilst highly judgemental, is performed based on an appropriate methodology. Our assessment of the VIUs also included sensitivity analyses.

Estimates with respect to the valuation of goodwill and vessels	
	We evaluated the adequacy of the disclosures to the consolidated financial statements. We evaluated whether the disclosures are in accordance with the requirements of EU-IFRS and whether significant judgments by the board of management are disclosed and particularly whether disclosures adequately convey the degree of estimation uncertainty, those assumptions to which the outcome of the impairment test is most sensitive and the range of possible outcomes.
Key observations	We conclude the assumptions relating to the impairment models to fall within acceptable ranges and we agree with the board of management's conclusions. Furthermore, we concluded that the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

Revenue recognition, project accounting and valuation with respect to unbilled revenue on (completed) contracts	
Risk	The revenue recognition process, including determining the appropriate valuation with respect to unbilled revenue on (completed) contracts, involves management estimates. The valuation of unbilled revenue on (completed) contracts is affected by subjective elements including estimated costs to complete and projected revenue, whether impacted by additional / reduced services, project progress or (potential) disputes. We presumed that there are risks of fraud in revenue recognition and determined this to be a key audit matter.
Our audit approach	We verified that the accounting policy for revenue recognition applied by Fugro is in line with IFRS 15 'Revenue from Contracts with Customers' and that the methods for making estimates are appropriate and have been applied consistently. We obtained an understanding of Fugro's internal controls, including control activities with respect to project management, project accounting and the project results estimation process and evaluated the design of the controls over how the board of management made the estimates.

Revenue recognition, project accounting and valuation with respect to unbilled revenue on (completed) contracts	
	In addition, we performed substantive audit procedures relating to contractual terms and conditions, revenues and costs incurred, including local representatives' fees, and disputes or potential disputes. For individually significant projects, we performed testing procedures, such as substantiating transactions with underlying documentation, including contracts and third party correspondence, to obtain evidence for the accuracy and recoverability of unbilled revenue on (completed) contracts. We made enquiries with project controllers, inspected contracts and underlying documentation, tested project progress, forecasts and appropriateness of the (planned) result and verified whether the project status has been appropriately reflected in the consolidated financial statements. We evaluated the adequacy of the disclosures included in note 8 to the consolidated financial statements.
Key observations	We conclude that Fugro appropriately recognised unbilled revenue on (completed) contracts as at 31 December 2021 and revenue for the year then ended. We concluded the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

Estimates in respect of accounting for income taxes including valuation of deferred tax assets	
Risk	The Group's results on operations are subject to income taxes in various jurisdictions. Due to reported losses since 2014, Fugro has significant tax loss carry forwards available. For part of these tax loss carry forwards, deferred tax assets are recognised, as disclosed in note 16 to the financial statements. The assessment of the recoverability of deferred tax assets involves a high degree of judgement and we determined this to be a key audit matter. As at 31 December 2021, recognised deferred tax assets amount to € 49.0 million (2020: € 35.6 million).
Our audit approach	We verified that the accounting policy for accounting for income taxes and valuation of deferred tax assets applied by Fugro is in line with IAS 12 'Income taxes' and that the methods for making estimates are appropriate and have been applied consistently. We obtained an understanding of Fugro's internal controls, including control activities with respect to accounting for income taxes and valuation of deferred tax assets and evaluated the design of the controls over how the board of management made the estimates. Our substantive audit procedures included amongst others an evaluation of the historical accuracy of the board management's estimates through retrospective review, analyses of tax positions and the effective tax rate reconciliation. We involved specialists for the audit of the amounts recognised in the statement of comprehensive income and evaluation of judgmental (deferred) tax positions. For tax positions where the board of management's assumptions are used to determine the probability that deferred tax assets recognised in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies, we evaluated the 2022 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2022 forecasts at the level of individual jurisdictions. Also, we evaluated the projected developments after 2022 and reasonability of expectations and assumptions. We also evaluated the adequacy of the disclosure to the consolidated financial statements.
Key observations	We concluded that the board of management's judgements in respect of accounting for income taxes and the valuation of deferred tax assets are appropriate. We concluded that the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.
The board of management and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

Engagement
We were engaged by the supervisory board as auditor of Fugro N.V. on 7 December 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)
Fugro N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by Fugro, complies in all material respects with the RTS on ESEF.

The board of management is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF

- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the board of management and the supervisory board for the financial statements
The board of management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of management should prepare the financial statements using the going concern basis of accounting unless the board of management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:
- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication
We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 25 February 2022

Ernst & Young Accountants LLP

J.J. Vernooij

STATUTORY PROVISIONS REGARDING THE APPROPRIATION OF NET RESULT

The provisions regarding the appropriation of profit are contained in article 36 of the Articles of Association of Fugro and, as far as relevant, read as follows:

36.2 a. The profit shall, if sufficient, be applied first in payment to the holders of protective preference shares of a percentage as specified below of the compulsory amount paid on these shares as at the commencement of the financial year for which the distribution is made.

b. he percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of one year – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by at most four percentage points; this increase shall each time be fixed by the Board of Management for a period of five years, after approval by the Supervisory Board.

36.3 a. Next, if possible, a dividend shall be paid on the financing preference shares of each series and on the convertible financing preference shares of each series, equal to a percentage calculated on the amount effectively paid on the financing preference shares of the respective series and the convertible financing preference shares of the respective series, including a share premium, if any, upon the first issue of the series in question, and which percentage shall be related to the average effective return on 'state loans general with a term of 7 – 8 years', calculated and determined in the manner as described hereinafter.

b. The percentage of the dividend for the financing preference shares of each or for the convertible financing preference shares of each series, as the case may be, shall be calculated by taking the arithmetic mean of the average effective return on the aforesaid loans, as published by Bloomberg, or if Bloomberg does not publish this information, by Reuters, for the last five stock market trading days preceding the day of the first issue of financing preference shares of the respective series or the convertible financing preference shares of the respective series, as the case may be, or preceding the day on which the dividend percentage is adjusted, increased or decreased, if applicable, by a mark-up or mark-down set by the Board of Management upon issue and approved by the Supervisory Board of at most two percentage points, depending on the market conditions then obtaining, which mark-up or mark-down may differ for each series, or, if Reuters does not publish this information or if such state loan and information source that is or are most comparable thereto as to be determined by the board of Management and approved by the Supervisory Board.

36.4 If in any financial year the profit is insufficient to make the distributions referred to above in paragraph 3 of this article, then in subsequent financial years the provisions of paragraph 3 shall not apply until the deficit has been made good and until the provisions of paragraph 3 have been applied or until the Board of Management, with the approval of the Supervisory Board, resolves to charge an amount equal to the deficit to the freely distributable reserves, with the exception of the reserves which have been set aside as share premium upon the issue of financing preference shares or convertible financing preference shares.

36.5 If the first issue of financing preference shares or convertible financing preference shares of a series takes place during the course of a financial year, the dividend for that financial year on the respective series of financing preference shares or convertible financing preference shares shall be decreased proportionately up to the first day of such issue.

36.6 After application of paragraphs 2 to 5 no further distribution of shall be made on the protective preference shares, the financing preference shares or the convertible financing preference shares.

36.7 Of any profit remaining after application of the paragraphs 2 to 5 such amount shall be allocated to the reserves by the Board of Management with the approval of the Supervisory Board as the Board of Management shall deem necessary. Insofar as the profit is not allocated to the reserves pursuant to the provisions of the preceding sentence, it shall be at the disposal of the annual general meeting either for allocation in whole or in part to the reserves or for distribution in whole or in part to the holders of ordinary shares pro rata to the aggregate amount of their ordinary shares.

FOUNDATION BOARDS

Stichting Beschermingspreferente aandelen Fugro ('Foundation Protective Preference Shares')

The Board of Foundation Protective Preference Shares, Leidschendam, The Netherlands, is composed as follows:

Name	Function	Term
J.C. de Mos	Chairman Board member	2022
S.C.J.J. Kortmann	Board member	2022
J.J. Nooitgedagt	Board member	2025
C.P. Veerman	Board member	2022
A. Van der Lof	Board member	2023

The (Board of) Foundation Protective Preference Shares operates completely independent of Fugro.

Within the framework of its 2020 refinancing, Fugro has abolished its two other former protective measures. The Foundation Continuity Fugro no longer functions as a protective measure. As per 27 May 2021, the certification of Fugro's ordinary shares was terminated and as from that moment the Foundation Trust Office no longer served as a trust office as referred in the Dutch corporate governance code. The Foundation Trust Office has been dissolved and ceased to exist as per 15 February 2022. For that reason, no report of the Foundation Trust Office, as referred to in best practice provision 4.4.6 of the Dutch corporate governance code has been prepared.

For the period in 2021 until the decertification on 27 May 2021, all the Foundation Trust Office's activities were related to the administration of ordinary shares against which certificates have been issued. During this period, the board of the Foundation Trust Office (the "Foundation Trust Office Board") met two times, which meetings mainly related to the decertification. The Foundation Trust Office Board extensively discussed the new anticipated corporate governance structure of Fugro, including the intention to terminate the certification of ordinary shares and the reinforcement of the sole remaining protective measure through the Foundation Protective Preference Shares. It was also discussed whether it would be necessary or useful to convene a meeting of holders of certificates. The Foundation Trust Office Board decided that such was not the case. Both meetings of the Foundation Trust Office Board were attended by the chairman of the Supervisory Board and the CEO of Fugro. In view of the envisaged decertification, the Foundation Trust Office Board also obtained advice from external legal advisors.

The annual general meeting of Fugro, at which also the amendment of the articles of association of Fugro which included the possibility for Fugro to effect the decertification, was attended by the chairman of the Foundation.

In 2021, the Board of the Trust Office comprised:

Name	Function
Mr. M.C. van Gelder	Chairman
Mr. R. Willems	Board member
Mr. D.F.M.M. Zaman	Board member
Mrs. A.P.M. van der Veer-Vergeer	Board member

Mr. Van Gelder was amongst others chairman of the Board of Management and Chief Executive Officer of Mediq N.V. He presently serves, amongst others, as supervisory board member of VastNed Retail. Mr. Willems was in a 38 year career with Royal Dutch Shell. He presently serves in the board of the Atlantic committee. Mr. Zaman was notary and partner at Loyens & Loeff from 1987 until 2015. He was professor Notarial Corporate Law at Utrecht University from 2006 until 2016 and is since 2013 professor Notarial Corporate Law at Leiden University. Mrs. Van der Veer was amongst others Executive Board member Achmea Bank Holding and she presently serves, amongst others, as chair of the Supervisory Board of Arcadis NL and is vice chair of the supervisory board of DeGiro. Mrs. Van der Veer also chairs of the Dutch Monitoring Committee Accountancy.

In 2021 the total costs of the Foundation Trust Office amounted to EUR 119,775.78 including the total remuneration of the members of the Foundation Trust Office Board of EUR 46,000.- (excluding VAT).

FIVE-YEAR HISTORICAL REVIEW

Selected financial data

(x EUR 1,000)[1]	**2021**	2020	2019	2018[2]	2018[3]	2017
Revenue	1,461,725	1,386,303	1,631,328	1,552,761	1,649,971	1,497,392
Net revenue own services	876,467	865,696	977,098	880,073	910,625	875,456
Results from operating activities (EBIT)*	60,261	19,772	25,560	23,784	8,795	(51,722)
Net finance income/(expense)	(18,264)	(73,981)	(57,764)	(51,623)	(52,780)	(70,739)
Net result from continuing operations	59,636	(74,034)	(39,558)	(38,946)	(51,064)	(164,971
Net result (including discontinued operations)	71,123	(173,824)	(108,492)	(51,064)	(51,064)	(159,901)
Cash flow operating activities after investing activities*	26,155	105,397	58,311	(21,228)	(33,379)	(50,516)
Cash flow operating activities after investing incl. discontinued operations*	39,482	88,398	22,817	(33,379)	(33,379)	(50,516)
Property, plant and equipment	535,160	523,043	564,291	619,985	619,985	643,695
Capital expenditures	79,683	81,211	83,079	61,335	72,711	107,974
Capital expenditures (including discontinued operations)	79,683	86,985	106,219	72,711	72,711	107,974
Cash and cash equivalents	148,956	183,462	201,147	227,147	227,147	213,574
Total assets	1,838,337	1,701,044	2,056,304	1,944,422	1,944,422	1,898,304
Loans and borrowings[4]	292,419	344,242	687,498	731,369	731,369	641,381
Equity attributable to owners of the company	851,203	702,070	597,257	668,763	668,763	712,054
Net debt – excluding lease liabilities under IFRS 16*	145,287	163,116	502,547	505,451	505,451	430,445
Capital employed*[5]	1,006,851	874,766	1,110,434	1,207,936	1,207,936	1,184,108
Key ratios (in %)						
Results from operating activities (EBIT)/revenue	4.1	1.4	1.6	1.5	0.5	(3.5)
Net result from continuing operations/revenue	4.1	(5.3)	(1.4)	(2.5)	(3.1)	(11.0)
Return on capital employed*[5]	8.8	4.6	3.2	0.2	0.2	(3.3)
Total equity/total assets	46.9	41.8	29.6	36.1	36.1	39.7

* Non-IFRS performance measure. Reference is made to the reconciliation of non-IFRS performance measures and glossary.
1 Continuing operations only, unless otherwise stated.
2 Continuing operations only, excluding Seabed Geosolutions classified as discontinued operations.
3 Including Seabed Geosolutions.
4 Total of current and non-current balances.
5 2019, 2020 and 2021 numbers calculated based on revised definition. See reconciliation of non-IFRS performance measures and glossary.

SELECTED NON-FINANCIAL DATA	2021	2020	2019	2018	2017
People, diversity, talent management[1]					
Number of full-time equivalent (FTE) employees (at year end)	8,976	9,025	9,856	10,045	10,044
Gender diversity					
▪ Female	22%	21%	21%	20%	19%
▪ Male	78%	79%	79%	80%	81%
Gender diversity management					
▪ Female	20%	20%	20%	19%	19%
▪ Male	80%	80%	80%	81%	81%
Lost time injury frequency (x million hours)	0.70	0.67	0.68	0.46	0.66
Total recordable case frequency (x million hours)	1.71	1.62	1.58	1.56	1.68
Fugro academy statistics[1]					
▪ Number of enrolments	109,367	139,551	50,832	82,511	77,136
▪ Number of completed courses	80,873	101,193	39,596	81,021	75,766
Innovation[1]					
Granted patents	29	35	10	7	9
Environmental performance					
Vessel CO_2 emissions (kilotonnes per operational day)					
▪ Owned vessels[2]	14.8	15.3	16.1	17.5	15.1
▪ Chartered vessels	15.0	16.9	14.4	14.5	NA
▪ Owned and chartered vessels	14.9	15.8	15.4	16.4	NA
Vessel CO_2 emissions (kilotonnes)					
▪ Owned vessels[2]	114	111	126	147	123
▪ Chartered vessels	70	69	80	72	NA
▪ Owned and chartered vessels	184	180	206	219	NA

1 Continuing operations only, unless otherwise stated.

2 The CO_2 emission intensity for 2018, 2019 and 2020, as well as the absolute vessel emissions 2019 have been restated. Refer to Sustainability reporting principles for more information.

NA = not available

RECONCILIATION OF NON-IFRS PERFORMANCE MEASURES

Certain parts of this annual report contain non-IFRS financial measures and ratios and non-financial operating data, which are not recognised measures of financial performance or liquidity under IFRS. These are commonly referred to as non-IFRS financial measures. The Group uses items such as, capital employed, working capital, revenue – comparable growth, days of revenue outstanding, net debt, EBIT, Adjusted EBIT, Adjusted EBIT margin, EBITDA, Adjusted EBITDA and free cash flow as internal measures of performance to benchmark and compare against budget, the prior year and its latest internal forecasts.

These measures have not been audited or reviewed by the company's external auditor. Furthermore, these measures may not be indicative of the company's historical operating results, nor are such measures meant to be predictive of the company's future results. The presentation of the non-IFRS measures and non-financial operating data in this report should not be construed as an implication that the Group's future results will be unaffected by exceptional or non-recurring items.

The Group presents non-IFRS financial measures and non-financial operating data in this report because it believes that these measures will assist stakeholders to understand its financial position and results of operations. The Group believes these non-IFRS measures and non-financial operating data are useful and commonly used supplemental measures of financial performance, liquidity or financial position in addition to gross profit, operating profit and other measures under IFRS. By providing additional insight into non-IFRS based measures and non-financial operating data, the Group believes that the users of this information may be better able to understand the operational performance and trend development of the company. However, not all companies calculate non-IFRS financial measures and non-financial operating data in the same manner or on a consistent basis. As a result, these measures and ratios may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the non-IFRS financial measures and non-financial operating data contained in this Annual Report and they should not be considered in isolation or as a substitute for operating profit, profit for the year, cash flow or other financial measures computed in accordance with IFRS-EU.

Revenue – comparable growth

The Group presents revenue – comparable growth as a supplemental non-IFRS financial measure, as the Group believes that, given the large amount of countries where it is operating, the presentation of revenue - comparable growth is a relevant measure for investors to evaluate the performance of the Group's business activities over time. The Group believes that revenue – comparable growth is a useful non-IFRS financial measure, as it removes the distorting impact of foreign exchange movements and thus gives investors a view of the underlying performance of the Group. The Group defines revenue- comparable growth as revenue growth compared to the comparable period from the prior year, calculated by translating the revenue for the more recent period at the exchange rates of the prior year's comparable period.

	2021			2020		
	Comparable growth	Currency effects	Nominal growth	Comparable growth	Currency effects	Nominal growth
Europe-Africa	8.6%	1.9%	10.5%	(11.1)%	(1.6)%	(12.7)%
Americas	7.8%	(3.3%)	4.5%	(12.6)%	(4.7)%	(17.3)%
Asia Pacific	5.9%	(0.4%)	5.5%	(10.0)%	(2.1)%	(12.1)%
Middle East & India	(9.5%)	(1.8%)	(11.3%)	(20.4)%	(2.2)%	(22.6)%
Total	**5.8%**	**(0.4%)**	**5.4%**	**(12.4)%**	**(2.6)%**	**(15.0)%**

	2021			2020[1]		
	Comparable growth	Currency effects	Nominal growth	Comparable growth	Currency effects	Nominal growth
Marine	5.8%	0.1%	5.9%	(15.5)%	(2.6)%	(18.1)%
Land	5.7%	(1.3%)	4.4%	(3.9)%	(2.7)%	(6.6)%
Total	**5.8%**	**(0.4%)**	**5.4%**	**(12.4)%**	**(2.6)%**	**(15.0)%**

[1] Restated for the reclassification of nearshore infrastructure services from Land to Marine, following changes in internal management reporting. The reclassification impact is EUR 17.3 million for 2020.

EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA
The Group presents EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA, as supplemental non-IFRS financial measures, as the Group believes these are meaningful measures to evaluate the performance of its business activities over time. The Group understands that these measures are used by analysts, rating agencies and investors in assessing the Group's performance. In the case of EBITDA, the Group believes that it makes the underlying performance of its geographical regions and businesses more visible by factoring out depreciation, amortisation and impairment losses. The Group believes this increases visibility as to performance on a neutral basis, by correcting for the impact of different tax regimes and capital structures. In the case of Adjusted EBIT and Adjusted EBITDA, the Group believes that these measures make the underlying performance of its geographical regions and businesses more apparent by factoring out onerous contract charges, restructuring costs, certain advisor and other costs or gains and, in the case of Adjusted EBIT, impairment losses. The Group believes adjusting for these items which are not directly related to the operational performance of the Group and its geographical regions and businesses increases comparability and enables the users to better understand the underlying performance of the Group.

(EUR x 1,000)	E-A		AM		APAC		MEI		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Results from operating activities before net financial expenses and taxation (EBIT)	61,449	35,257	1,650	(12,954)	35	(3,525)	(2,873)	994	60,261	19,772
Onerous contract charges[1]	–	–	–	–	–	–	–	–	–	–
Restructuring costs[2]	(1,220)	(10,961)	(207)	(2,595)	(439)	(2,452)	(111)	(1,573)	(1,977)	(17,581)
Certain adviser and other (costs)/gains[3]	–	(308)	–	–	(98)	(4,719)	–	–	(98)	(5,027)
Impairment losses	370	(361)	128	(985)	(1,117)	(2,608)	–	(1,904)	(619)	(5,858)
Adjusted EBIT	62,299	46,887	1,729	(9,374)	1,688	6,254	(2,762)	4,471	62,954	48,238
Depreciation	(53,965)	(53,527)	(23,695)	(23,412)	(24,804)	(22,977)	(9,640)	(11,934)	(112,104)	(111,850)
Amortisation	(183)	(554)	(195)	(856)	(178)	(373)	(1)	(115)	(557)	(1,898)
Adjusted EBITDA	116,447	100,968	25,619	14,894	26,670	29,604	6,879	16,520	175,615	161,986

1 A provision for onerous contract charges is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the Group's obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of performing under the contract. The expected net cost of performing under the contract is based on cash flow calculations discounted using a rate that reflects current market assessments of the time value of money. Before a provision is established, the Group recognises any impairment loss on the assets associated with and/or dedicated to that contract. While specific in nature, costs related to onerous contracts may reoccur in the future.

2 A provision for restructuring costs is recognised when the Group (i) has a detailed formal plan for the restructuring identifying the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and when the plan will be implemented; and (ii) has a valid expectation that the Group will carry out the restructuring, evidenced by having made a start with the implementation of that plan or by having announced its main features to those employees affected by it. While specific in nature, costs related to restructuring may reoccur in the future.

3 Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings) or gains reflects certain adviser and other costs or gains, which include other large charges or gains that the Group has adjusted for, such as material legal settlement claims, large bad debt write-downs and other large one-off non-recurring items. The costs primarily comprises the legal fees related to the arbitration with Tasik Toba Subsea as regarding the Southern Star vessel.

(EUR x 1,000)	Marine		Land		Total	
	2021	2020[4]	**2021**	2020[4]	**2021**	2020
Results from operating activities before net financial expenses and taxation (EBIT)	51,370	12,000	8,891	7,772	60,261	19,772
Onerous contract charges[1]	–	–	–	–	–	–
Restructuring costs[2]	(981)	(11,435)	(996)	(6,146)	(1,977)	(17,581)
Certain adviser and other (costs)/gains[3]	(98)	(4,719)	–	(308)	(98)	(5,027)
Impairment losses	157	(5,177)	(776)	(681)	(619)	(5,858)
Adjusted EBIT	52,291	33,331	10,662	14,907	62,954	48,238
Depreciation	(92,426)	(89,969)	(19,678)	(21,880)	(112,104)	(111,849)
Amortisation	(352)	(1,459)	(206)	(439)	(557)	(1,898)
Adjusted EBITDA	145,069	124,759	30,547	37,226	175,615	161,985

1 A provision for onerous contract charges is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the Group's obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of performing under the contract. The expected net cost of performing under the contract is based on cash flow calculations discounted using a rate that reflects current market assessments of the time value of money. Before a provision is established, the Group recognises any impairment loss on the assets associated with and/or dedicated to that contract. While specific in nature, costs related to onerous contracts may reoccur in the future.

2 A provision for restructuring costs is recognised when the Group (i) has a detailed formal plan for the restructuring identifying the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and when the plan will be implemented; and (ii) has a valid expectation that the Group will carry out the restructuring, evidenced by having made a start with the implementation of that plan or by having announced its main features to those employees affected by it. While specific in nature, costs related to restructuring may reoccur in the future.

3 Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings) or gains reflects certain adviser and other costs or gains, which include other large charges or gains that the Group has adjusted for, such as material legal settlement claims, large bad debt write-downs and other large one-off non-recurring items. The costs primarily comprises the legal fees related to the arbitration with Tasik Toba Subsea as regarding the Southern Star vessel.

4 Restated for the reclassification of nearshore infrastructure services from Land to Marine, following changes in internal management reporting. The reclassification impact is EUR 0.5 million for 2020 at EBITDA and EBIT level.

Working capital and DRO

The Group presents working capital and working capital as a % of last 12 months revenue as supplemental non-IFRS financial measures, as the Group believes these are meaningful measures to evaluate the Group's ability to maintain a balance between growth, profitability and liquidity. Working capital is broadly analysed and reviewed by analysts and investors in assessing the Group's performance. Both measures serve as a metric for how efficiently the Group is operating and how financially stable it is in the short term. It is an important measure of the Group's ability to pay off short-term expenses and/or debts. The Group further discloses days of revenue outstanding, as it believes it is a meaningful measure of the effectiveness of the Group's credit and collection efforts in allowing credit to customers, as well as its ability to collect from them.

The Group defines working capital as the sum of inventories, trade and other receivables and trade and other payables. And the Group defines days of revenue outstanding as trade receivables plus unbilled revenue on projects minus advances of instalments related to work in progress expressed as a number of days. The number of days is calculated using the exhaust method that is considering revenue recognised from the date of reporting backward until the receivable quantity is exhausted.

(EUR x 1,000)	2021	2020
Working Capital	158,911	111,699
Eliminate liabilities comprised in working capital:		
▪ Trade and other payables	383,007	322,247
Include assets not comprised in working capital:		
▪ Non-current assets	1,126,870	1,054,590
▪ Current tax assets	10,881	11,542
▪ Cash and cash equivalents	148,956	183,462
▪ Assets classified as held for sale	9,712	17,504
Total Assets	**1,838,337**	**1,701,044**

(EUR x 1,000)	2021	2020
Revenue	1,461,725	1,386,303
Working capital as % of last 12 month revenue	10.9%	8.1%
Days of revenue outstanding	82	83

Net debt and capital employed

The Group presents net debt and capital employed as it understands that these measures are used by banks, analysts, rating agencies and investors in assessing the Group's performance. These measures are used by the Group's management to evaluate the Group's financial strength and funding requirements. The Group defines capital employed as total equity plus loans and borrowings, excluding lease liabilities and bank overdrafts, minus cash and cash equivalents. Capital employed includes held for sale balances and is calculated at the end of the (full or half year) reporting period. The Group defines net debt as the sum of loans and borrowings and bank overdraft minus cash and cash equivalents. The definition of capital employed includes balances that are classified as held for sale.

(EUR x 1,000)	2021	2020
Non-current loans and borrowings	199,178	286,221
Current loans and borrowings	93,241	58,021
Bank overdraft	1,824	2,336
Cash and cash equivalents	(148,956)	(183,462)
Lease liabilities	147,424	132,692
Net debt	**292,711**	**295,808**
Net debt (excluding lease liabilities)	145,287	163,116
Equity	861,563	711,650
Capital employed	**1,006,850**	**874,766**

Return on capital employed and NOPAT

The Group presents capital employed as it understands that this measure is used by analysts, rating agencies and investors in assessing the Group's performance, in particular on capital efficiency, by determining the return on capital employed (ROCE). ROCE is used by the Group as a measure of the Group's profitability and capital efficiency.
The group defines return on capital employed as NOPAT of the last 12 months as a percentage of a three points average adjusted capital employed. The three points consist of the last three reporting periods.

ROCE, as used by the Group is based on adjusted capital employed. Capital employed is adjusted for non-cash impairment losses (post tax). Adjusted capital employed is calculated at the end of a reporting period (full or half year). The Group believes adjusting for non-cash impairment losses which are not directly related to the operational performance of the Group and its geographical regions and businesses increases comparability and enables the users to better understand the underlying performance of the Group. The calculation of adjusted capital employed is not adjusted for onerous contract charges, restructuring costs and certain adviser and other costs or gains as well as the theoretical tax impact of those specific items.

The Group uses NOPAT solely for the purposes of calculating the ROCE, for which the Group believes is the best measure for profitability when measuring capital efficiency. The Group defines NOPAT as the sum of adjusted EBIT, the theoretical tax expense over adjusted EBIT applying the domestic weighted average tax rate, and the share of profit/(loss) of equity accounted investees (net of income tax). NOPAT includes discontinued operations.

(EUR x 1,000)				2021				2020
	December 2020	June 2021	December 2021	Average	December 2019	June 2020	December 2020	Average
Capital employed	**874,766**	**1,003,877**	**1,006,901**	**961,848**	**1,110,435**	**991,416**	**874,766**	**992,206**
Adjustment for impairment losses	–	7,468	3,273	3,581	–	47,679	80,571	42,750
▪ of which continuing operations	–	4,795	600	1,798	–	3,347	5,858	3,068
▪ of which discontinued operations	–	2,673	2,673	1,782	–	44,332	74,713	39,682
Potential tax impact	–	(375)	–	(125)	–	–	–	–
Adjusted Capital employed	**874,766**	**1,010,971**	**1,010,174**	**965,304**	**1,110,435**	**1,039,095**	**955,337**	**1,034,956**

(EUR x 1,000)	2021	2020
Adjusted EBIT	83,864	51,880
▪ of which continuing operations	62,954	48,238
▪ of which discontinued operations	20,910	3,642
Share of profit/(loss) of equity-accounted investees (net of income tax)	17,476	7,520
▪ of which continuing operations	17,476	7,448
▪ of which discontinued operations	–	72
Potential tax impact	(16,335)	(12,282)
NOPAT	**85,005**	**47,118**

(EUR x 1,000)	2021	2020
Average Adjusted Capital employed	965,304	1,034,956
NOPAT	85,005	47,118
ROCE (%)	**8.8%**	**4.6%**

Taxonomy-Capex

Capital expenditures considered for the Group's disclosures on the EU Taxonomy, referred to as Taxonomy-Capex, comprise additions to property, plant and equipment, additions to intangible assets and additions to right-of-use assets. Taxonomy-Capex is the denominator in the calculation of the percentage of additions to property, plant and equipment, additions to intangible assets and additions to right-of-use assets that qualify as Taxonomy-eligible.

(EUR x 1,000)	Note	2021
Additions to property, plant and equipment	17	79,683
Additions to intangible assets (excluding goodwill)	19	2,366
Additions to right-of-use assets	18	21,324
Taxonomy-Capex		**103,373**

GLOSSARY

Business/technical terms

AUV (autonomous underwater vehicle) Unmanned submersible launched from a 'mother-vessel' but not connected to it via a cable. Propulsion and control are autonomous and use pre-defined mission protocols.

Bathymetry Study of underwater depth of lake or ocean floors. Underwater equivalent of topography.

CPT/ cone penetration test(ing) Pushing a steel cone-tipped probe into the soil, measuring resistance, in order to identify soil composition.

Digital twin A virtual representation that serves as the real-time digital counterpart of a physical object or process.

Geochemical The geology and chemistry concerned with the chemical composition of, and chemical reactions taking place within, the Earth's crust.

Geohazard Geological state that may lead to widespread damage or risk e.g., landslides, earthquakes, tsunamis.

Geo-data Information related to the Earth's surface, subsurface and the structures built on it.

Geo-intelligence Acquisition and analysis of data on topography and the subsurface, soil composition, spatial reference, meteorological and environmental conditions, and the related advice.

Geophysical survey Mapping of subterranean soil characteristics using non-invasive techniques such as sound.

Geotechnical investigation Determination of subterranean soil characteristics using invasive techniques such as probing, drilling and sampling.

Geoscience Range of scientific disciplines (geology, geophysics, petroleum engineering, bio stratification, geochemistry, etc.) related to the study of rocks, fossils and fluids.

Geospatial Information on the position of something with respect to the things around it.

Hydrography Science that measures and describes physical features of water and the adjacent land areas.

Jack-up platform Self-elevating platform; capable of raising its hull over the surface of the sea thanks to its movable legs.

(Q)HSSE (Quality,) health, safety, security and environment.

LiDAR Measuring system based on laser technology that can make extremely accurate recordings.

LNG Liquefied natural gas.

Metocean Refers to combined wind, wave and climate conditions at a certain location offshore.

Multibeam echosounder Type of sonar that is used to map the seabed. Like other sonar systems, multibeam systems emit sound waves in a fan shape beneath a ship's hull. The amount of time it takes for the sound waves to bounce off the seabed and return to a receiver is used to determine water depth.

Ocean bottom node (OBN) Seismic imaging through individual nodes placed on the seabed.

OHSAS British standard for occupational health and safety management systems. It is widely seen as the world's most recognised occupational health and safety management systems standard.

Remote operations centre Using cloud based solutions, surveyors work onshore, reducing health and safety exposure, and accelerating delivery and insights for the client.

ROV (remotely operated vehicle) Unmanned submersible launched from a vessel and equipped with measuring and manipulation equipment. A cable to the mother-vessel provides power, video and data communication.

USV (uncrewed surface vessel) Uncrewed data acquisition platform for hydrographic and asset inspection services applications. USVs are cost-effective to build and safer and more efficient to operate, consuming up to 90% less fuel than regular, crewed vessels.

UXO Unexploded ordnance; unexploded bombs and other explosive remnants of war.

Non-IFRS financial measures

Backlog The amount of revenue related to signed contracts and work that can reasonably be expected based on framework contracts and outstanding tenders and proposals of which a good chance of success is expected (>50%) weighted with the likelihood of winning this work. In calculating the backlog of Seabed Geosolutions, only signed contracts are taken into account.

Backlog – comparable growth Is defined as backlog growth compared to the comparable period from the prior year, calculated by translating the backlog for the more recent period at the exchange rates of the prior year's comparable period.

Capital employed Total equity plus loans and borrowings and bank overdrafts, minus cash and cash equivalents. Capital employed includes the relevant balances that are classified as held for sale and is calculated at the end of the (full or half year) reporting period.

Adjusted capital employed Capital employed adjusted for impairment losses (post-tax) in the current year of property, plant and equipment, right of use assets, goodwill and other intangible assets.

Capital expenditure Capital expenditures on property, plant and equipment.

Cash flows from operating activities after investing activities Cash flows provided by operating activities minus cash flows used for investing activities.

Consolidated interest expense Interest expense, plus all amortisation of financial indebtedness discount and expense less interest income for the entire group.

Days of revenue outstanding (DRO) Trade receivables plus unbilled revenue on projects minus advances of instalments related to work in progress expressed as a number of days. The number of days is calculated using the exhaust method that is considering revenue recognised from the date of reporting backward until the receivable quantity is exhausted.

Dividend yield Dividend as a percentage of the (average) share price.

EBIT Reported result from operating activities before net financial expenses and taxation.

Adjusted EBIT Reported result from operating activities before net financial expenses and taxation, adjusted for the following items:
- Impairment losses
- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs or gains

Adjusted EBIT margin Adjusted EBIT as a percentage of revenue for the relevant period.

EBITDA Reported result from operating activities before net financial expenses, taxation, depreciation, amortisation, and impairment losses.

Adjusted EBITDA Reported result from operating activities before net financial expenses, taxation, depreciation, amortisation, and impairment losses, adjusted for the following items:
- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs or gains

Adjusted consolidated EBITDA for purpose of covenant calculations EBITDA, adjusted for the following items:
- Exclusion of (i) onerous contract charges, (ii) restructuring costs, (iii) certain adviser and other costs or gains, (iv) impairment charge trade receivables, (v) profit/(loss) on disposal of property, plant and equipment and (vi) profit/(loss) from businesses disposed of for the period for which they formed part of the Group. Covenants are calculated on a post-IFRS 16 basis.
- Inclusion of (viii) pre-acquisition profit/loss from businesses acquired.
- The aforementioned items are capped at EUR 35 million (from 2021 onwards EUR 15 million).

Free cash flow Cash flows from operating activities after investing activities. Unless otherwise stated, free cash flow includes discontinued operations.

Free cash flow after lease payments Cash flows from operating activities after investing activities, less payments of lease liabilities (as presented in cash flows from financing activities in the consolidated statement of cash flows). Unless otherwise stated, free cash flow after lease payments includes discontinued operations.

Interest coverage Adjusted consolidated EBITDA for purpose of covenant calculations divided by Consolidated interest expense.

Net debt The sum of loans and borrowings and bank overdrafts minus cash and cash equivalents.

Net interest charges Interest payable on loans and borrowings, less interest income received (net financial expenses).

Net leverage for purpose of covenant calculations Net debt divided by adjusted consolidated EBITDA for purpose of covenant calculations.

Net profit margin Profit as a percentage of revenue.

Net result Profit or loss for the period, attributable to the owners of the company.

Net revenue own service (revenue less third party costs) Net revenue own service comprises all revenue minus costs incurred with third parties related to the deployment of resources (in addition to the resources deployed by the Group) and other third party cost such as short-term lease or low-value lease expenses and other expenses required for the execution of various projects.

NOPAT the sum of adjusted EBIT, the theoretical tax expense over adjusted EBIT applying the domestic weighted average tax rate, and the share of profit/(loss) of equity accounted investees (net of income tax). NOPAT includes discontinued operations.

Operating cash flows before changes in working capital Cash flows provided by operating activities excluding the impact of movements in working capital during the period.

Pay-out ratio Proposed dividend, multiplied by the number of shares entitled to dividend, divided by one thousand, divided by the net result.

Revenue - comparable growth Reported revenue growth compared to the comparable period from the prior year, calculated by translating the revenue from the more recent period at the exchange rates of the prior year's comparable period.

Return on capital employed NOPAT over the last twelve months as a percentage of a three points average adjusted capital employed.

Solvency Shareholders' equity as a percentage of the balance sheet total.

Taxonomy-Capex capital expenditures considered for the Group's disclosures on the EU Taxonomy, referred to as Taxonomy-Capex, comprising additions to property, plant and equipment, additions to intangible assets and additions to right-of-use assets.

Working capital The sum of inventories, trade and other receivables and trade and other payables.

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In this annual report, Fugro N.V. is also referred to as 'the company' or 'Fugro'. Fugro N.V. and its subsidiary companies are together referred to as 'the Group'.