



**2023** ANNUAL REPORT

**BM**  
**OFFSHORE**



# 1 BUSINESS ENVIRONMENT

## 1.1.3 OVERALL VIEW

SBM Offshore believes the oceans will provide the world with safe, sustainable and affordable energy for generations to come. SBM Offshore shares its experience to make it happen.

The challenge in delivering safe, sustainable and affordable energy is well recognized, particularly by SBM Offshore's

stakeholders, with whom SBM Offshore works on the energy transition – teaming up on areas important to them, called material topics. These topics are the basis for SBM Offshore's objectives and strategy, and are the criteria against which it measures its performance. The table below shows the connection between these elements and where they are explained in the rest of the Annual Report.

### CONNECTIVITY TABLE

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Business Context (section 1.2)	Strategy and Value Creation (section 1.3)	Performance Review and Impact (sections 2.1 & 2.2)			
Material Topics	Key Objectives	Management Approach & Key Strategic Elements	Key Outputs	Key Outcomes	SDGs
<b>1. Ethics and Compliance</b>	<ul style="list-style-type: none"> <li>• <b>Zero tolerance</b> for bribery, corruption, fraud or any other form of misconduct</li> <li>• 2023: &gt;92% completion of compulsory compliance tasks</li> </ul>	Internal Risk and Control System and Compliance Program, with focus on data-driven compliance	<ul style="list-style-type: none"> <li>• 91% completion of compulsory compliance tasks (onshore)</li> <li>• 7,613 of compliance training</li> <li>• 194 reports received under SBM Offshore's Speak Up Policy</li> <li>• 0 confirmed cases of corruption</li> </ul>	<ul style="list-style-type: none"> <li>• No negative impact to SBM Offshore's license to operate</li> <li>• Credibility and reputation for trustworthiness</li> </ul>	8
<b>2. Employee Health, Safety and Security</b>	<ul style="list-style-type: none"> <li>• <b>No Harm, No Defects, No Leaks</b></li> <li>• 2023: Total Recordable Injury Frequency Rate (TRIFR) &lt;0.12</li> </ul>	HSSE and Process Safety Management system, Target Excellence; adopting industry best practices and leading standards	<ul style="list-style-type: none"> <li>• TRIFR: 0.08</li> <li>• LTIFR: 0.02</li> <li>• SIF: 0</li> <li>• Tier 1: 1</li> <li>• Tier 2: 5</li> </ul>	<ul style="list-style-type: none"> <li>• 6 Tier 1 and 2 incidents with follow-up actions in progress</li> <li>• 0 Fatalities</li> <li>• Actions for continuous improvement</li> </ul>	3, 8
<b>3. Human Rights</b>	<ul style="list-style-type: none"> <li>• <b>Fully embed human rights and social performance within SBM Offshore to achieve no harm</b></li> <li>• 2023: Deliver two human rights/worker welfare initiatives per region that contribute to remedy</li> </ul>	Execution and improvement of due diligence cycle and taking action through human rights program governance	<ul style="list-style-type: none"> <li>• 90.4% of suppliers screened on human rights</li> <li>• 100% of new suppliers qualified signed supply chain charter</li> <li>• 8 yards have completed desktop screening</li> <li>• 0 new worker welfare audits</li> <li>• 91% e-Learning completion</li> </ul>	<ul style="list-style-type: none"> <li>• Action plans in progress on human rights – including salient issues of forced labor, accommodation, overtime and mental health and wellbeing</li> <li>• Over two remedy initiatives per region.</li> <li>• 9 ESG audits.</li> </ul>	8
<b>4. Operational Excellence and Quality</b>	<ul style="list-style-type: none"> <li>• <b>No Harm, No Defects, No Leaks</b></li> <li>• 2023: Uptime at or above 99%</li> </ul>	Target Excellence program, Quality Management System and Process Safety Management approach	<ul style="list-style-type: none"> <li>• 95.6% uptime</li> <li>• Maintained ISO certifications</li> <li>• 1 significant operational fine</li> <li>• 0 oil spills</li> </ul>	<ul style="list-style-type: none"> <li>• Safe, predictable operations</li> <li>• Compliance with regulations</li> <li>• Project delivery</li> </ul>	8

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<b>5. Employee Wellbeing</b>	<ul style="list-style-type: none"> <li>Hire, retain and develop a <b>diverse workforce</b> with a wide range of competencies</li> <li>2023: People Development Cycle</li> </ul>	HR learning and development process, systems and teams	<ul style="list-style-type: none"> <li>1,178 new hires</li> <li>13% employee turnover rate</li> <li>40 average training hours per employee</li> <li>99% of performance appraisals completion</li> <li>0.96 gender pay gap</li> <li>75% under collective bargaining</li> <li>81% engagement score and 82% satisfaction score</li> </ul>	<ul style="list-style-type: none"> <li>A diverse, learning and developing workforce able to deliver energy-supply-related projects and activities</li> <li>Taking action on employee wellbeing and engagement in time of high workload</li> </ul>	4, 8
<b>6. Economic Impact</b>	<ul style="list-style-type: none"> <li><b>Ambition: grow free cash flow</b></li> <li>2023: Directional EBITDA &gt; US\$1 billion</li> </ul>	Backlog and cash preservation and grow in line with FPSO and FOW growth ambitions	<ul style="list-style-type: none"> <li>EBITDA US\$1,319 million</li> <li>Proposed cash return to shareholders c. US\$220 million</li> </ul>	<ul style="list-style-type: none"> <li>Resilient returns in volatile times</li> <li>Long-term viability</li> <li>Investment capability for innovation</li> </ul>	8, 9
<b>7. Emissions</b>	<ul style="list-style-type: none"> <li><b>Ambition:</b> net zero by 2050 and intermediate targets for 2030</li> <li>2023: <ul style="list-style-type: none"> <li>1.48 MMSCF/D average operational excellence flaring;</li> <li>Carbon Capture Module readiness;</li> <li>Manage oil-in-water discharge to 50% below IOGP average</li> <li>Validated Investment for Climate Neutral office Energy</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operational excellence to reduce flare emissions in Scope 3</li> <li>Implementation of emissionZERO® Program</li> <li>Managing targets with a science-based approach</li> </ul>	<ul style="list-style-type: none"> <li>1.18 MMSCF/D average flaring</li> <li>Scope 1, 2, 3 emissions: 5.9 million tonnes</li> <li>GHG intensity 98.95 tonnes of CO<sub>2</sub> Eq/ 1,000 tonnes HC Production</li> <li>64.3 million GJ energy use – Scope 1, 2 and 3</li> <li>Oil-in-water discharge to 66% below IOGP average</li> <li>Other significant air emissions (<i>non-GHG emissions</i>): 17.6k tonnes</li> </ul>	<ul style="list-style-type: none"> <li>Emission reduction trend</li> <li>Industry benchmark performance</li> <li>New business</li> <li>Addressing climate change-related risk</li> <li>Carbon capture solution development</li> </ul>	7, 9, 13, 14
<b>8. Digitalization</b>	<ul style="list-style-type: none"> <li>Leveraging data and digital technology to <b>increase lifecycle value</b></li> <li>2023: digitalization milestones – e.g. ERP, project management, operations tooling</li> </ul>	Digital Transformation program	<ul style="list-style-type: none"> <li>56% increase in data signals</li> </ul>	<ul style="list-style-type: none"> <li>Business continuity</li> <li>Improved efficiencies</li> <li>Key milestones delivered</li> <li>New business opportunities</li> </ul>	8, 9

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<b>9. Innovation</b>	<ul style="list-style-type: none"> <li>Develop and introduce new technologies in line with net zero and energy transition ambitions of SBM Offshore</li> <li>2023: 26 Technology Readiness Level (TRL) qualifications</li> </ul>	Technology development, open innovation	<ul style="list-style-type: none"> <li>22 TRL qualifications</li> <li>9 innovations reached TRL 4</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the energy transition</li> <li>Long-term sustainability</li> </ul>	7, 9, 13, 14
<b>10. Energy Transition</b>	<ul style="list-style-type: none"> <li><b>Ambition:</b> net zero by 2050 and intermediate targets for 2030</li> <li>2023: <ul style="list-style-type: none"> <li>50% of R&amp;D budget allocated to EU Taxonomy eligible activities;</li> <li>Deliver on FOW growth</li> </ul> </li> </ul>	New Energies and Services development, emissionZERO®	<ul style="list-style-type: none"> <li>52.3% of R&amp;D budget allocated to EU Taxonomy eligible activities</li> </ul>	<ul style="list-style-type: none"> <li>FOW project progress</li> <li>Support climate change mitigation, in line with 2050 ambitions</li> </ul>	7, 9, 13
<b>11. Market Positioning</b>	<ul style="list-style-type: none"> <li><b>FPSO business growth</b></li> <li>2023: sustainability performance (SDG score card)</li> <li>2023: participation in key ESG ratings</li> </ul>	<p>FPSO competitiveness through Fast4Ward®, Digitalization, emissionZERO®</p> <p>Embedding SDG targets in the business and participation in key ESG ratings</p>	<ul style="list-style-type: none"> <li>5 FPSO projects under construction</li> <li>16 assets in the fleet</li> <li>US\$30.3 billion directional pro-forma backlog</li> <li>95th percentile<sup>1</sup> S&amp;P Global ESG rating</li> </ul>	<ul style="list-style-type: none"> <li>Business growth</li> <li>Progress on local content and impact</li> <li>SDG related performance</li> </ul>	3, 4, 7, 8, 9, 13, 14
<b>12. Decommissioning<sup>2</sup></b>	<ul style="list-style-type: none"> <li>Recovery of metals and re-use of machinery – and application of EU Ship Recycling Regulation (or equivalent)</li> <li>2023: Progress of Deep Panuke recycling, yard selection for <i>FPSO Capixaba</i></li> </ul>	<p>Recycling policy</p> <p>SBM operations decommissioning processes and teams</p>	<ul style="list-style-type: none"> <li>Completion of Deep Panuke decommissioning and recycling</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring safe and sustainable recycling of asset</li> </ul>	8, 13, 14

### Overall Impact

Alongside climate change, one of the major challenges of our time, geopolitical events continued and intensified. This led to continued higher energy prices after periods of strong inflation, impacting the world at large. SBM Offshore's material topics reflect SBM Offshore's impacts – both positive and adverse – and the effects SBM Offshore's business has on the economy, the environment and society. SBM Offshore's vision, mission and strategy are framed by climate change mitigation – with net zero commitments and a mission to reduce carbon intensity and increase alternative energy. This business brings value to its stakeholders, whilst minimizing potentially adverse impacts to people and the environment.

SBM Offshore has been able to balance 'business as usual' against a back-drop of a continued turbulent geopolitical environment, making progress on **safe, sustainable and affordable energy for generations to come**.

SBM Offshore takes pride in being able to leverage SBM Offshore's people capabilities to deal with complexity, develop technologies for the energy transition, deliver projects on time and within budget and operate assets safely and sustainably.

<sup>1</sup> As per January 22, 2024.

<sup>2</sup> New Material topic as per August 2023. Details can be found in section 2.1.12.