



2023 ANNUAL REPORT

EBM
OFFSHORE



1 BUSINESS ENVIRONMENT

1.4.2 SIGNIFICANT IMPACTS, RISKS AND OPPORTUNITIES TO THE BUSINESS

As SBM Offshore delivers on its opportunities and manages its risk appetite, it faces business risks with potential financial consequences, described in the table below. These risks are linked with SBM Offshore's material topics, as per its risk breakdown structure and the risk appetite mentioned above. The outcomes of risk management processes and tooling are used in the double materiality assessment explained in section 1.2.2.

Key opportunities for the business are related to the energy transition and flow from the reduction of emissions, the growth of alternative energies, innovation and decommissioning of aging assets. These opportunities are incorporated in SBM Offshore's strategy and explained under section 1.3.2. The financial performance resulting from this strategy is detailed in chapter 4.

The key processes to manage impacts, risks and opportunities are:

- Internal Risk Management and Control System (see section 3.5.1).
- HSSE risk identification.
- Human Rights Due Diligence, as part of supplier and yard qualifications.
- Environmental and Social Due Diligence, as part of project financing.
- Alignment with clients' Environmental Impact Assessments.
- Client Relationship and Opportunity Management Process.

For further details on the approach to impacts, risks and opportunities, please refer to sections 2.1 and 3.5.1.

SIGNIFICANT RISKS TO THE BUSINESS

Assessed and mapped based on risk management processes and reports

RISK OVERVIEW 2023

| STRATEGIC | | FINANCIAL | |
|-----------------------------------|----|---|----|
| Climate change | ↑ | Funding | ↑ |
| Geopolitical events | ↑ | COMPLIANCE RISKS | |
| Technological developments | == | Changes in laws and regulations | ↑ |
| Portfolio | == | Governance, transparency and integrity | == |
| Competitiveness | == | | |
| Third parties | == | | |
| OPERATIONAL | | | |
| Process safety events | == | <div>RISK EXPOSURE *</div> <div> <div>↑</div> <div>RISK IS INCREASING</div> </div> <div> <div>↓</div> <div>RISK IS DIMINISHING</div> </div> <div> <div>==</div> <div>RISK IS STABLE</div> </div> <p>* Management assessment of how the inherent risk exposure (i.e. excluding SBM Offshore's mitigating measures) is expected to develop in the coming 3 years.</p> | |
| Project execution | == | | |
| Transformation | == | | |
| Cybersecurity and data protection | == | | |
| Human capital | ↑ | | |
| Supply Chain constraints | ↑ | | |
| Decommissioning | == | | |

| RISK | DEFINITION | POTENTIAL IMPACT | MANAGEMENT OF IMPACT |
|----------------------------|--|--|---|
| Strategic Risks | | | |
| Climate change | Impact of an accelerated energy transition driven by climate change. | Miss opportunities if not succeeding (i) to market competitive technologies and/or (ii) enhance the energy efficiency of existing offerings. | SBM Offshore continuously updates its offerings in light of the changing energy landscape. It is enhancing products from its New Energies and Services (NES) portfolio through investments. In addition, SBM Offshore aims to decarbonize its existing and new units through emissionZERO®. See sections 1.4.3 and 2.1.10 |
| Geopolitical events | Impact of geopolitical events on activities of SBM Offshore globally. | Events impacting the successful completion of SBM Offshore's projects and/or impact the safe, affordable and sustainable operations of SBM Offshore's fleet. | SBM Offshore actively monitors worldwide situations and acts to reduce potential negative consequences. This includes pursuing diversification strategies, monitoring sanctions and incorporating suitable contract clauses for risk mitigation. |
| Technological developments | Deployment of immature new technologies or implementing proven technologies incorrectly. | Impact on safety, quality and/or schedule, business reputation or financial results. | SBM Offshore employs Technology Readiness Level (TRL) assessments of new technologies, which are verified at several stages during the development phase before being adopted on projects. A technical assurance function ensures compliance with internal and external technical standards, regulations and guidelines. See section 2.1.9. |
| Portfolio | Concentration of fossil-fuel related business activities in Brazil and Guyana. | Impact from changes in local legislative and business environment, affecting business results. | SBM Offshore continues to achieve a more balanced portfolio by developing low emission products and diversifying into new markets, with different products, such as alternative energies. SBM Offshore conducts risk assessments before any new country entry and actively engages with its clients to monitor and mitigate the respective country-related regulatory, commercial and technical risks. See section 1.2.1. |
| Competitiveness | SBM Offshore Product Lines are in – or could be facing – harsh market conditions. | Impact to deliver projects in an affordable manner, leading to deterioration of financial results. | To drive better performance, delivered faster, SBM Offshore has taken various initiatives in relation to digitalization and standardization, which are the basis for SBM Offshore's Fast4Ward® approach. See section 2.1. |
| Third parties | Activities of financial, strategic and/or operational partners impact SBM Offshore's ability to build new business and execute projects. | Impact on safety, environment, people, quality and/or schedule, business reputation or financial results. | Through robust processes, executed by subject-matter experts within the relevant functions of SBM Offshore, SBM Offshore aims to select appropriate parties to work with. Examples of functions involved are Supply Chain, Construction, Compliance and Human Rights. See sections 2.1.4.3 and 2.1.3. |
| Operational Risks | | | |
| Process safety events | Potential acute or chronic exposure to hazards during SBM Offshore's product life cycle. | Impact on people, the environment or assets. This can have further impact on other risks (such as human capital and funding). | SBM Offshore aims to reduce major accident hazard exposure through the application of a Process Safety Management (PSM) framework to manage the risk under the pillars of People, Process and Plant. These are underpinned by a culture built on SBM Offshore's values of Care and Ownership, and supported by assurance and continuous improvement practices through the product lifecycle. See section 2.1.2. |
| Project execution | Inherent project risks exist, owing to a combination of potential effects of geo-political, regulatory, technical and third-party risks. | Impact on people, the environment, reputation, cost and schedule. | Proper business-case analysis, suitable project management capabilities and capacities, combined with SBM Offshore's ways of working, processes and procedures, mitigate project execution risk. Additional risk-mitigating measures are in place related to the knowledge and understanding of the countries in which project execution and delivery take place. See section 2.1.4. |

1 BUSINESS ENVIRONMENT

| RISK | DEFINITION | POTENTIAL IMPACT | MANAGEMENT OF IMPACT |
|-----------------------------------|---|--|---|
| Transformation | Benefits of SBM Offshore's Fast4Ward®, Float4Wind®, emissionZERO® and Digitalization programs are not realized. | Impact on SBM Offshore's competitiveness. | Change management is a key success factor of the main programs. Change management ambassadors have been appointed and are working closely with the business in the journey towards the new ways of working. See sections 2.1.8 and 2.1.9. |
| Cybersecurity and data protection | Intrusion into SBM Offshore's data systems affecting onshore and offshore activities as well as secondary risks such as theft of cash and/or confidential info. | Business interruption, loss of data and financial impact, such as recovery costs and/or fines. | The evolving nature of cybersecurity threats requires ongoing attention. There is continuous improvement to reduce risks through investment in hardware, software, monitoring and awareness training. The ability of the IT architecture and controls to withstand cyber-attacks and follow recognized standards is subject to 24/7 monitoring, independent testing and audits. |
| Human capital | Inability to attract and retain the correct capacity and capabilities of human resources to support projects, as well as to maintain the fleet. | Impact on SBM Offshore's operations and quality of execution of projects. | SBM Offshore remains focused on the health and wellbeing of employees. To maintain capacity and capabilities, SBM Offshore has streamlined its operating model and engages in partnerships. A talent development program is in place to engage and retain key personnel, thereby ensuring a sustainable future. See section 2.1.5. |
| Supply Chain constraints | Fluctuating energy prices and market constraints can put increased pressure on SBM Offshore's supply chain. | Increased prices charged by SBM Offshore's suppliers and vendors with an inability to transfer these costs. | To mitigate exposure from supply chain risks, SBM Offshore is working across functions to set a good foundation encompassing organizational structure, new ways of working and skills development. See section 2.1.4.3. |
| Decommissioning | Impacts arising from complex dismantling operations of ageing assets. | Decommissioning aging offshore oil and gas structures carries multifaceted impacts. Underestimation of dismantling costs in line with applicable laws and regulations may lead to significant financial liability and cost overruns. Environmentally, it raises concerns about the disposal of materials which can cause significant environmental and reputational damage. Compliance with regulations and addressing safety risks are crucial, while stakeholder engagement is vital to manage differing perspectives and potential social impacts within communities. | SBM Offshore has gained significant experience in decommissioning assets after their useful life and it will continue to mature processes and competencies, including knowledge of applicable laws and regulations and selection of suitable partners for dismantling operations. |

| RISK | DEFINITION | POTENTIAL IMPACT | MANAGEMENT OF IMPACT |
|---|---|---|---|
| Financial Risks | | | |
| Funding | Increasing constraints from financial institutions being exposed to fossil fuel-related projects. | Impact on SBM Offshore's growth and ability to take on new Lease & Operate projects. Impact to SBM Offshore's ability to finance its ongoing activities. | SBM Offshore actively monitors its short and long-term liquidity position, including the Revolving Credit Facility (RCF) and cash in hand. SBM Offshore aims to have sufficient headroom within the financial ratios agreed with RCF lenders. Adequate access to funding is secured through using existing liquidity, entering into bridge loans and long-term project financing, and by selling equity to third-parties. Debt funding is sourced from international banks, capital markets and Export Credit Agencies. Opportunities are monitored to recycle capital through refinancing in the bond markets and executed if favorable. |
| Compliance Risks | | | |
| Changes in laws and regulations | Adverse changes in tax and regulatory frameworks, for example the implementation of the Global Anti-Base Erosion Proposal (GloBE) – Pillar Two, or laws that require certain levels of local content. | Fines, sanctions or penalties. | SBM Offshore takes great care to carry out its activities in compliance with laws and regulations, including international protocols and conventions. SBM Offshore values public perception and good relationships with authorities and is committed to acting as a good corporate citizen. The close monitoring of laws and regulations is carried out continuously and substantive changes are escalated. The final assessment on Pillar Two legislation will be known only when final legislation, including all administrative guidance, will be enacted in the domestic law of the relevant jurisdictions. The OECD has finalized its additional guidance but further discussions and consultations are taking place and will continue in 2024 which means that SBM Offshore has to continue with the efforts to assess and understand requirements accordingly. The financial risk of change in laws and regulations is mitigated as much as possible in contracts. Refer to section 3.7. |
| Governance, transparency and integrity | Fraud, bribery or corruption harming SBM Offshore's reputation and business results. | Financial penalties, reputational damage and other negative consequences. | SBM Offshore's Compliance Program provides policy, training, guidance and risk-based oversight and control of compliance, to ensure ethical decision-making. The use of digital tools supports the continuous development of SBM Offshore's Compliance Program. SBM Offshore's Core Values, Code of Conduct and Anti-Bribery and Corruption Policy provide guidance to employees and business partners on responsible business conduct in line with SBM Offshore's principles, which are further reinforced by contractual obligations where applicable. See section 2.1.1 and 3.5.2. |

1.4.3 CLIMATE CHANGE IMPACT, RISK AND OPPORTUNITY

SBM Offshore's ambitions as an energy transition company are founded on the physical and transitional challenges that climate change brings. SBM Offshore is committed to a responsible transition in which energy stays affordable to society, while addressing climate change impacts from greenhouse gas emissions from more traditional forms of energy. SBM Offshore applies these insights to its strategy development and actions as part of its Enterprise Risk Management process. The sections below cover the mitigation of significant risks relating to climate change and portfolio risk, as explained in section 1.4.2.

Climate change management is discussed at Management Board level, in particular as part of the energy transition

and emissions material topics. At regular performance management meetings, the performance of New Energies and the emissionZERO® transformation program is reviewed. On a quarterly basis, progress on the UN SDGs are discussed, including climate-change-related company targets. Climate change risk and opportunities are also discussed as per the risk-management cycle described in section 3.5. Outcomes of these meetings are, for example, the risk appetite statement mentioned in section 1.4.1, the long-term goals described in section 2.2 and the climate change ambitions and scenarios described in this paragraph. Furthermore, climate change mitigation measures and KPI's, including GHG emission targets, are embedded in the remuneration of the management bodies, as can be read in section 3.3.2.