



**2023** ANNUAL REPORT

**BM**  
OFFSHORE



RISK	DEFINITION	POTENTIAL IMPACT	MANAGEMENT OF IMPACT
<b>Financial Risks</b>			
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.
<b>Compliance Risks</b>			
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.

# 1 BUSINESS ENVIRONMENT

During 2023, SBM Offshore started to deploy climate change awareness workshops: *Climate Fresk*. To date, approximately 200 employees have participated in Climate Fresk workshops, including SBM Offshore’s Management Board and Executive Committee. In December, 9 Sustainability Ambassadors were trained to be Climate Fresk workshop facilitators, extending the potential reach for climate change awareness within SBM Offshore.

## AMBITIONS AND TRANSITION PATH

SBM Offshore is committed to a strategy and actions compatible with its ambition to achieve net zero by no later than 2050, including emissions in scope 1, scope 2 and scope 3 – downstream leased assets. SBM Offshore has established the following intermediate targets: by 2030,

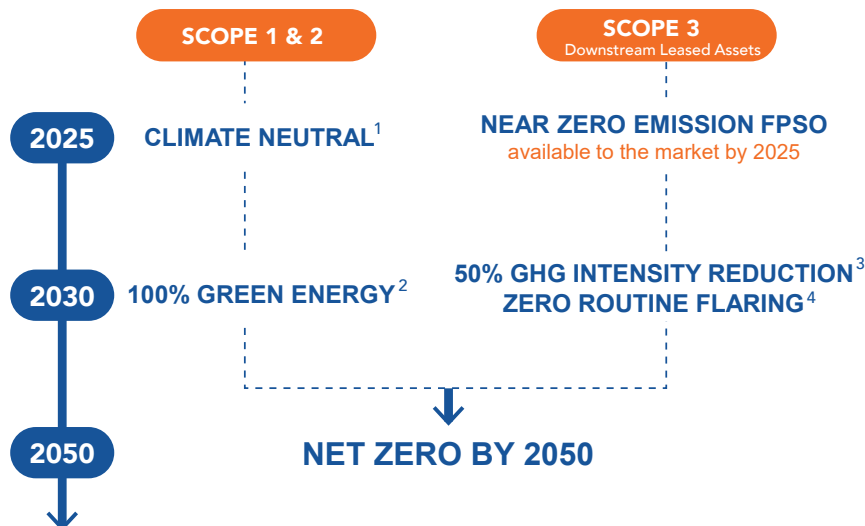
SBM Offshore targets net zero scope 1 and 2 emissions<sup>1</sup>, and for scope 3 – downstream leased assets; a 50% reduction of GHG intensity<sup>2</sup> and zero routine flaring<sup>3</sup> (2.1.7). This strategy has been approved by SBM Offshore’s Management Board and Supervisory Board.

<sup>1</sup> Aiming for 100% sourcing of green energy by 2030 and considering investments in certified projects to balance any residual GHG emissions from scope 1 and 2, reaching a ‘net zero’ level on total GHG emissions – all related to the scope of office and shorebase-related emissions. SBM Offshore monitors development versus 2016. For 2016 GHG volumes please see here.

<sup>2</sup> Reduce GHG intensity of scope 3 downstream leased assets by 50% by 2030, compared to 2016 as a base year. The base year is a representative year for SBM Offshore’s business and follows base year selection guidance by the Science Based Target initiative. For 2016 GHG volumes please see here.

<sup>3</sup> Routine flaring of gas considered as flaring during normal oil production operations in the absence of sufficient facilities or amenable geology to re-inject the produced gas, utilize it on-site, or dispatch it to a market. Applies to GHG emissions from scope 3 downstream leased assets.

## OUR NET ZERO AMBITIONS



1. Balancing emissions associated with market-based office-related emissions.
2. Aiming for 100% sourcing of green energy by 2030 and considering investments in certified projects to offset against any residual GHG emissions from Scope 1 & 2.
3. Reduce GHG-intensity of Scope 3 – Downstream Leased Assets with 50% by 2030, compared to 2016 as a base year.
4. Routine flaring of gas is flaring during normal oil production operations in the absence of sufficient facilities or amenable geology to re-inject the produced gas, utilize it on-site, or dispatch it to a market. Applies to GHG emissions from Scope 3 – Downstream Leased Assets.

SBM Offshore envisages applying a science-based approach, using key frameworks, such as below, or equivalent:

1. Assess the impact on the business using frameworks from the Task Force on Climate-Related Financial Disclosures (TCFD).
2. Set targets, using guidance from the Science Based Targets initiative.<sup>4</sup>
3. Measure performance, based on guidance from the Greenhouse Gas Protocol and the EU Taxonomy.

<sup>4</sup> In March 2022, SBTi released its policy to pause target commitments and validations for fossil fuel companies while development of the framework continues. As such, SBM Offshore awaits further updates to consider submission of targets for validation. Until that point, SBM Offshore uses SBTi’s generic net zero target setting guidance.

4. Disclose performance, leveraging above standards to disclose in this report and the CDP Benchmark.

The transition path towards its net zero ambitions is supported by:

1. SBM Offshore’s emissionZERO® program.
2. Development of new technologies and projects targeting new energies.
3. The optimization of energy use and emissions of downstream leased assets (FPSO) up to end of contract.
4. Deployment of green energy in SBM Offshore office locations.

5. Balancing residual emissions in office locations without access to green energy.
6. Continuous engagement with value chain partners to co-create solutions.

Furthermore, the decommissioning of downstream leased assets at end-of-contract will affect the transition path.

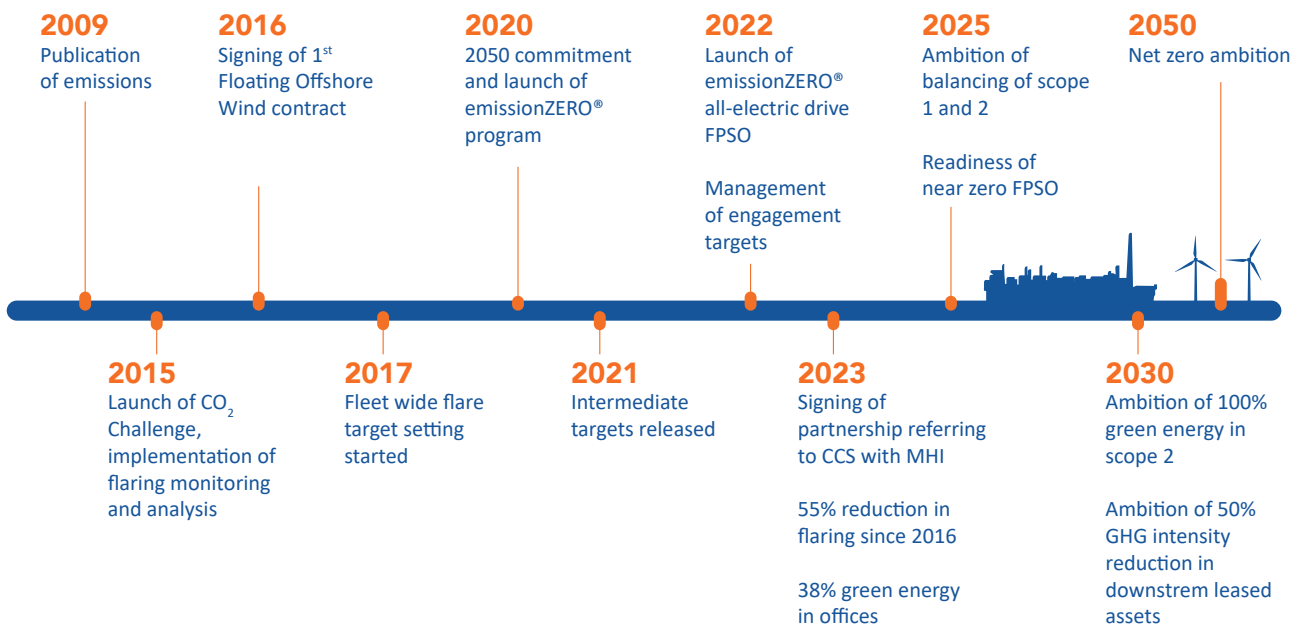
Information on ambitions, achievements and future developments that support the above path can be found in sections 2.1.7 , 2.1.9 and 2.2.

The above actions mainly relate to the time-frame up to 2030, due to the pressure-build on global climate goals. As per explanation under section 1.2.1, the demand for energy continues to grow. The composition of the energy mix, in particular beyond 2030, is uncertain. Even scenarios aligned with a well-below 2 degrees and 1.5 degrees global warming future still seem to require fossil energy to fulfill global energy demand towards and beyond 2050. Although a global mediation mechanism to allow for selection of the lowest emission energy sources does not yet exist, SBM Offshore – supported by external views – sees deepwater oil and gas projects as an affordable, low carbon intensity source of energy going forward. Any residual emissions – after avoidance and reduction of emissions – would have to be balanced for a net-zero future. This can

be done through, for instance, carbon capture and storage or nature-based solutions. The timing and required means for balancing scope 3 emissions in particular are dependent on the reduction and balancing measures SBM Offshore’s value chain partners will take, which will require industry-wide commitments and collaboration. SBM Offshore is ready to engage and provide solutions for a net zero future.

With regard to financial resources allocated to the above path and associated actions – OPEX and CAPEX – the EU Taxonomy disclosure in section 5.1.5 provides further detail, explaining investments in new energies and related technology. Non-eligible activities relate mainly to the oil and gas business. R&D OPEX related to this business is largely allocated to initiatives that increase energy efficiency and lower emissions. More significant CAPEX will be needed, from the readiness of the emissionZERO® FPSO onwards (targeted 2025). For this to materialize, SBM Offshore is dependent on investment decisions taken by its clients.

The above approach supports SBM Offshore in the framing of targets and actions in light of the global guidance from the Paris Agreement. These ambitions reflect the current understanding of the business and are subject to further development in the future.



# 1 BUSINESS ENVIRONMENT

## FUTURE-PROOFING: CLIMATE CHANGE SCENARIOS

SBM Offshore looks at various climate-change scenarios to future-proof its ambition and transition path. The scenarios are based on International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC) data, as explained in section 5.1.4. In order to cover transitional and physical risks, the below scenarios are relevant:

1. The IEA Stated Policies Scenario (STEPS), a climate change scenario that falls short of meeting the Paris Agreement goals – i.e. a >2 degrees scenario.
2. The IEA Net Zero Emissions (NZE) scenario, a climate action scenario providing for strong commitment towards targets, as per the Paris Agreement, i.e. a 1.5 degrees scenario.

### STEPS scenario

- **Key risks** are: mainly physical in nature with potential weather-related disruptions to the construction and operation of FPSOs and renewable energy projects. Even if the demand for hydrocarbons stays almost flat compared to current levels, funding these projects might become more challenging.
- **Key opportunities** are: the need for resilient ocean energy solutions owing to increased weather events and a continued demand for FPSOs.

The bottom-line **impact** of the scenario is an improvement in revenue potential through a stronger FPSO demand outlook and an opportunity for resilient energy production solutions and projects.

### NZE scenario

- **Key risks** are: the decrease in demand and access to funding for FPSOs with a traditional emissions profile; insufficient internal resources to address the energy transition; and increasing carbon taxes.
- **Key opportunities** are: the development of new, cleaner solutions that address the energy transition and the ability to attract new investors supporting SBM Offshore's sustainability agenda. A carbon price would also lead to a more favorable business case for emissionZERO® products.

The bottom-line **impact** of the scenario for SBM Offshore's traditional markets could be significant if unmitigated and, as such, it is covered by scenario planning under SBM Offshore's Group Strategy Development and Performance Management approach.

Climate change impact assessments are also undertaken for client projects, in close co-operation with project lenders and external consultants, and provide insight into the physical and transitional risks of these projects. Examples of the physical risk metrics used are the exposure to flooding in yards under different climate scenarios and the number of storms in offshore locations. Transitional risk metrics examine the exposure to oil and gas supply/demand changes under various scenarios and the potential impact of carbon pricing.

## CLIMATE CHANGE SCENARIO IMPACTS

### Present world

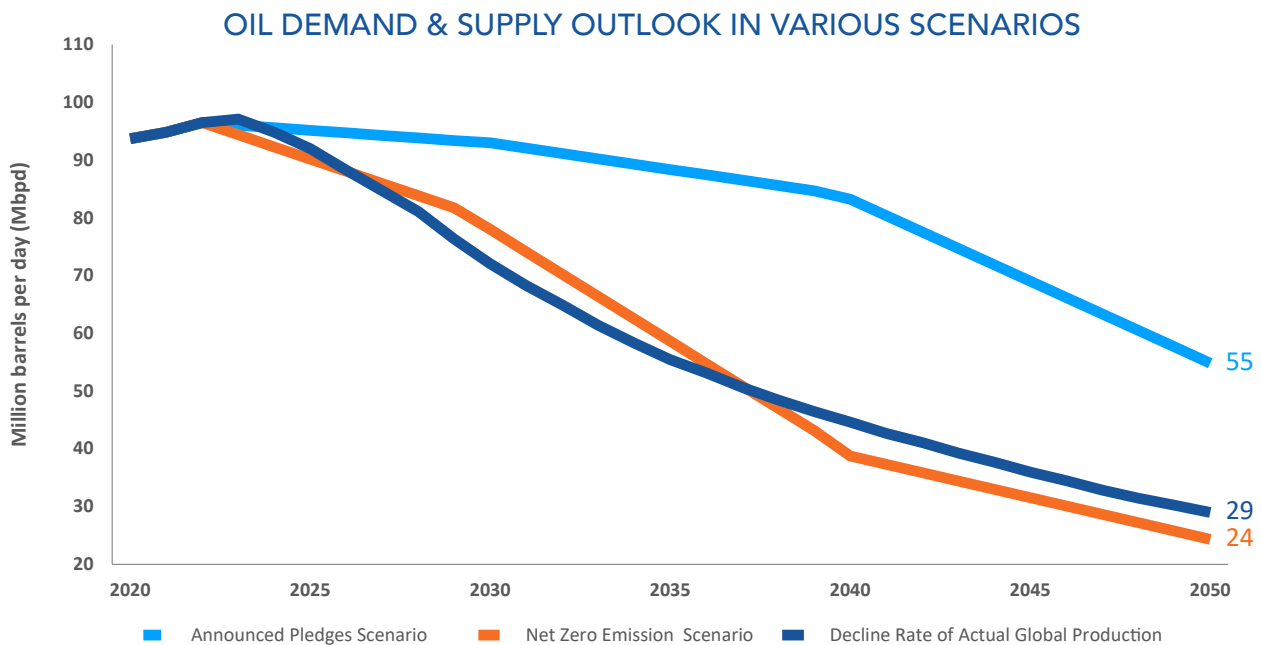
Today the world seems to be moving away from the NZE scenario by IEA – where meeting a 1.5-degree path is becoming increasingly challenging, global demand for hydrocarbons is still firm and renewable energy projects are facing headwinds. This challenges the emission reduction path required for a 1.5-degree-aligned future, with the UN currently projecting above 2.5 degrees warming should there be no further mitigation.

Related to the risks described below, SBM Offshore sees changes in the financing landscape. For instance, the Export Credit Agencies (ECA's) in Europe are decreasing their support for the oil and gas industry, potentially increasing the cost of capital for energy supply. As per the below mitigation, SBM Offshore has engaged with clients on alternative commercial models and with potential lenders on the appetite for future projects.

SBM Offshore also sees the risk of delay in product development materializing, mostly in offshore wind. Some companies in the industry have faced financial setbacks due to price inflation and countries' lower appetite for subsidies. SBM Offshore is keeping a selective approach to its New Energies pillar and future offshore wind business, focusing on viable projects with a scale that drives the affordability of renewable energy.

The graph and tables below provide further detail. Any financial risks are described further in section 4.3.27. Scenarios are part of an ongoing process to challenge perspectives on future business environment, rather than to predict outcomes.

Risk type (relevant scenario)	Risks	Operational impact	Financial Impact	Management of Impact
Physical (STEPS)	Heat/warmer climate	Increased work strain for construction and offshore workers – decreased productivity and delays	Increased cost of construction	SBM Offshore mitigates risks from climate change impact to people and the environment for specific scenarios in each location. Examples are the preparation and execution of Health and Safety plans during the execution of SBM Offshore's projects and readily available Emergency Response plans. Associated financial impacts are mitigated in contingencies for additional schedule impacts, adequate safety measurements and cover through insurance.
	Drought extremes	Increased delays in steel production due to water scarcity Unhealthy work conditions	Increased cost of construction, water expense Higher cost of safe water supply to people	
	Bad weather window for installation	Increased disruption to schedule	Increased financial costs due to standby/unproductive time for personnel on board	
	Heavy rains and floods	Flooding of onshore bases and construction sites	Damage to materials and machinery, increased insurance premium, delay penalties, contingencies and office closing	
	Typhoons during construction	Physical damage to infrastructure	Increased cost of construction and repair costs for damage, insurance, contingency	
	Peak winds and waves during operations	Technical and physical damage to assets and materials	Repair costs for damage, insurance premiums and downtime cost/ penalties	



# 1 BUSINESS ENVIRONMENT

Risk type (relevant scenario)	Risks	Operational impact	Financial Impact	Management of Impact
Transitional (NZE)	Inability to attract employees/resources	Decreased development in renewable product market, FPSO projects understaffed, net-zero targets at risk	Increased cost due to use of contractors rather than attracting in-house talent, potential cost of non-quality	SBM Offshore remains focused on being an attractive employer, with interesting opportunities in the energy industry. Moreover, working at SBM Offshore puts its employees at the centre of the energy transition.  See also the risk 'Human capital' in section 1.4.2.
	Clients not supporting low emission effort	Reduced direct income from net-zero aligned technologies, net-zero targets at risk	Increased costs for SBM Offshore when clients are not committed to low emission efforts. SBM Offshore to cover for CAPEX/OPEX	Early engagement with clients on net zero paths, whilst continuing to develop emissionZERO® and achieve SBM Offshore's net zero targets.  See also the risk 'Climate Change' in section 1.4.2.
	Reduced demand for oil and gas leads to clients terminating contracts	Reduced operational activities and alignment of organizational capability	Decline in future revenues and earlier than expected decommissioning costs, managed through contract termination compensation	SBM Offshore has a compensation structure for contract termination. SBM Offshore continuously updates its offer in light of the changing energy landscape and aims to decarbonize its existing and new units through emissionZERO®.  See also the risk 'Climate Change' in section 1.4.2.
	Financing constraint for hydrocarbon-related projects	Alternative financing arrangements	Increased cost of financing, change in economic distributions, lower margins	Adequate access to debt and equity funding is secured through use of SBM Offshore's existing liquidity, by selling equity to third parties, the use of bridging loans and long-term project financing. Debt funding is sourced from multiple markets, such as international project finance banks, capital markets transactions and Export Credit Agencies. Engagement with clients to develop alternative commercial models which mitigate financing risk for SBM Offshore.  See also the risk 'Funding' in section 1.4.2.
	More stringent social and environmental laws	Increased liabilities or provisions, and assessments of contingent liabilities	Increased cost of production, limits to field development	The close monitoring of laws and regulations is carried out continuously, and substantive changes are escalated. This includes for liability from an emergence of carbon tax and its mitigation through appropriate clauses in contracts.
	Introduction of carbon pricing	Decrease in total primary fuel consumption and total energy input	Increased environmental tax and carbon pricing	
	Delay in product development	Deviation from company net zero path	Decreased potential for revenues from renewables associated with 2030 ambitions	SBM Offshore focuses its project development efforts in light of the changing energy landscape. It is enhancing products from its New Energies & Services (NES) portfolio through investment.  See also the risk 'Climate change' in section 1.4.2 and project updates in section 2.1.4.

