



2023 ANNUAL REPORT

BM
OFFSHORE



and (iv) service the SBM Offshore's non-recourse debt and interest in accordance with the respective repayment schedules.

As a result, Directional cash and cash equivalents decreased from US\$615 million at year-end 2022 to US\$563 million at year-end 2023.

Pro-forma Directional Backlog

The Pro-forma Directional backlog, which is presented on a pro-forma basis in section 4.1.4, slightly decreased to US\$30.3 billion at December 31, 2023, compared with US\$30.5 billion at year-end 2022.

This slight decrease was mainly the result of (i) the signed 10-year OMEA for the Guyana FPSO fleet and (ii) the awarded initial scope to begin FEED activities and secure a Fast4Ward® hull for the FPSO for the Whiptail development project partially offset by the turnover for the period, which consumed US\$4.5 billion of backlog. SBM Offshore's pro-forma Directional backlog provides cash flow visibility of 27 years, up to 2050.

Statement of Financial Position – Directional

SBM Offshore's Directional financial position has remained strong as a result of the cash flow generated by the fleet and the successful adaptation of the Turnkey segment to a more competitive and unpredictable market.

Directional shareholders equity increased from US\$1,078 million at year-end 2022 to US\$1,448 million at year-end 2023. This was primarily due to (i) a positive net result of US\$524 million in 2023; (ii) an increase of the hedging reserves; partially offset by (iii) dividends distributed to the shareholders decreasing equity by US\$197 million.

It should be noted that under Directional policy, the contribution to profit and equity of the substantial FPSO program under construction will largely materialize in the coming years, subject to project execution performance, in line with the generation of associated operating cash flows.

Directional net debt increased to US\$6,654 million from US\$6,082 million at year-end 2022. While the Lease and Operate segment continues to generate strong operating cash flow together with the net cash proceeds from the sale of FPSO *Liza Unity*, SBM Offshore drew on project financing, the Revolving Credit Facility RCF, and the new Revolving Credit Facility for MPF hull financing to fund continued investments in growth.

Almost half of SBM Offshore's debt as of December 31, 2023 consisted of non-recourse project financing (US\$3.3 billion) in special purpose investees. The remainder (US\$3.8 billion) mainly comprised of (i) borrowings to support the

on-going construction of four FPSOs, which will become non-recourse following project execution finalization and release of the Parent Company Guarantee, (ii) SBM Offshore's Revolving Credit Facility (RCF) which was drawn for c.US\$550 million as at December 31, 2023, and (iii) the new US\$210 million Revolving Credit Facility for MPF hull financing, completed and fully drawn in December 2023. Cash and undrawn committed credit facilities amount to US\$2,276 million at December 31, 2023.

To diversify its sources of debt and equity funding and to accelerate equity cash flow from the backlog, the Company finalized the funding loan agreement with CMFL and received US\$125 million in relation to *FPSO Cidade de Ilhabela*.

For a total overview of SBM Offshore's financials under IFRS, please refer to section 4.2 Consolidated Financial Statements of the Annual Report.

2.1.7 EMISSIONS

MANAGEMENT APPROACH

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's Sustainability Policy is explicit about a path towards zero emissions. Associated targets and transition levers are explained in section 1.4.3.

The topic of emissions is dealt with in various parts of the organization, as explained under the HSSE and Environmental Reporting approaches in sections 2.1.2, 5.2.1 and 5.2.2.

Emissions management and the mission to structurally bring emissions down builds on years of action. For example, gas flaring intensity in 2023 is 14% lower than in 2019, mainly due to target-setting and increased production efficiency and 55% lower compared to 2016. As in previous years, in 2023 SBM Offshore set annual targets to reduce flare emissions on its activities, continue to develop low- and non-carbon solutions and aim to have zero oil spills.

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The table below shows the status on greenhouse gas emissions versus baseline and targets, as per end of 2023.

	Baseline (2016)	Actual (2023)	Ambition	Status 2023
Scope 1	222	489	100% Green energy by 2030 ¹	Solar panels installed in Guyana; 38% of energy is purchased under green contracts
Scope 2	3,582	1,257	100% Green energy by 2030 ¹	
Scope 3 Downstream Leased Assets – GHG Intensity	202.11	98.95	50% reduction by 2030	51% lower compared to baseline

¹ Applicable to emissions related to offices, and subject to availability of green energy for the scope.

SBM Offshore reports on CDP and uses IOGP statistics to steer its ambitions, effectiveness of actions and performance. SBM Offshore strives to outperform industry benchmarks on the following indicators:

- GHG emissions⁷, gas flare⁸, energy consumption⁹.
- Oil in produced water¹⁰, oil spill per production¹¹.

SBM Offshore focuses on GHG emissions while also addressing other emissions – such as emissions to water

⁷ 128 tonnes of GHG emissions per thousand tonnes of hydrocarbon produced as reported by companies participating in the 2022 IOGP environmental performance indicators, Report p.16.

⁸ 8.4 tonnes of gas flared per thousand tonnes of hydrocarbon produced as reported by companies participating in the 2022 IOGP environmental performance indicators, Report p.26.

⁹ 1.5 gigajoules of energy for every tonne of hydrocarbon produced as reported by companies participating in the 2022 IOGP environmental performance indicators, Report p.24.

¹⁰ 9.5 tonnes of oil discharged to sea per million tonnes of hydrocarbon produced as reported by companies participating in the 2022 IOGP environmental performance indicators, Report p.28.

¹¹ 0.4 oil spills greater than one barrel per million tonnes of hydrocarbon produced as reported by companies participating in the 2022 IOGP environmental performance indicators, Report p.38.

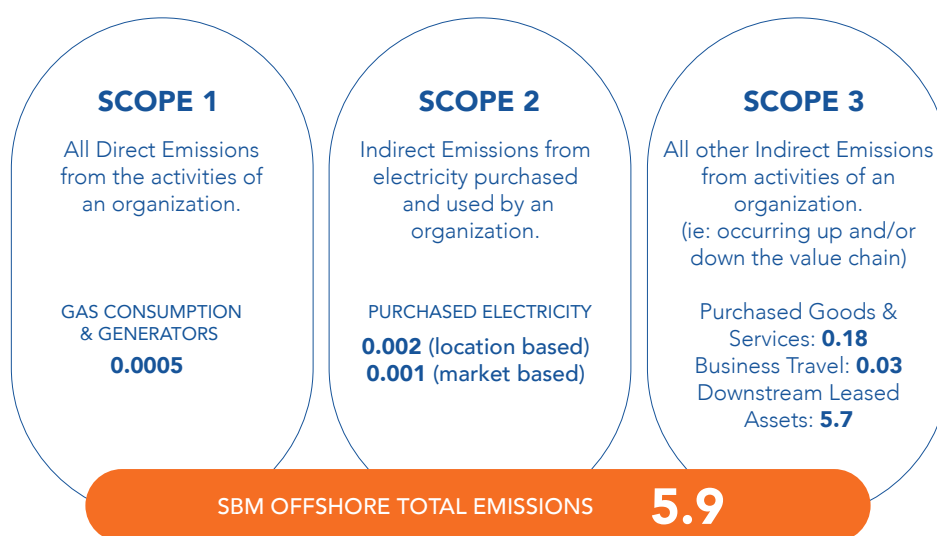
and non-GHG emissions. Further information can be found in sections 2.2 and 5.3.2. No emissions in this report are subject to regulated trading schemes and no carbon credits have been applied during 2023.

The above supports the management risks in the light of climate change and social license to operate, as mentioned in section 1.4.2.

2023 PERFORMANCE

During 2023 a total of 5.9 million tonnes of GHG emissions are reported, 99% of this being scope 3 emissions. The total is 1.7% lower than in 2022, mainly due to lower emissions in Scope 3 – Purchased Goods and Services. During 2023, around 1 million tonnes of CO₂ was removed from fuel gas and export gas streams.

GHG EMISSIONS (MILLION TONNES CO₂ EQUIVALENT)



Scope 1 – Direct Emissions

Compared to 2022, reported Scope 1 emissions have been expanded with emissions in SBM Offshore’s laboratory and the use of generators deployed as electricity back-up. Therefore, Scope 1 emissions in 2023 represented a total of 489 tonnes of CO₂e, a decrease of 8.9% compared to the same scope in 2022 – considered to be due to lower gas use in the Netherlands due to better steering on data and a milder winter in 2023.

The intensity, tonnes GHG CO₂e per employee is 0.07.

Scope 2 – Purchased Electricity

Purchased electricity in offices accounts for 1,811 tonnes of GHG CO₂ equivalent, based on the average energy mix of each location, which is 11.2% lower compared to 2022. There has been consolidation of office space in the USA and Monaco, leading to lower levels of energy use and maintenance to elevators for a longer period. The effects of this was higher than the effect of business activity growth in Portugal and Guyana. Accounting for the electricity actually purchased through green contracts, the amount is 1,257 tonnes, a decrease of 6.9% mainly driven by consolidation of office space in the USA.

The intensity, tonnes GHG CO₂e per employee is 0.17.

In 2023, 38% of energy was purchased through green contracts, whereas the target is to achieve 100% by 2030. From 2025 onwards SBM Offshore commits to balance office-related emissions, both scope 1 and 2, with offsets.

Scope 3 – Purchased Goods and Services

The emissions of purchased goods and services are from the FPSO project stage, considering MPF construction and topside equipment and bulks.

In 2023, SBM Offshore had two MPF under completion and one construction ongoing. Additionally, SBM Offshore had advanced in six topside projects, finishing one in 2023. The volume of GHG emissions associated with this activity amounted to 179,822 thousand tonnes. Compared with 2022, the level of associated emissions is 49.5% lower, explained by the fact that projects have moved from hull-related purchases to topsides-related purchases, which are typically less carbon intense from a purchased goods perspective.

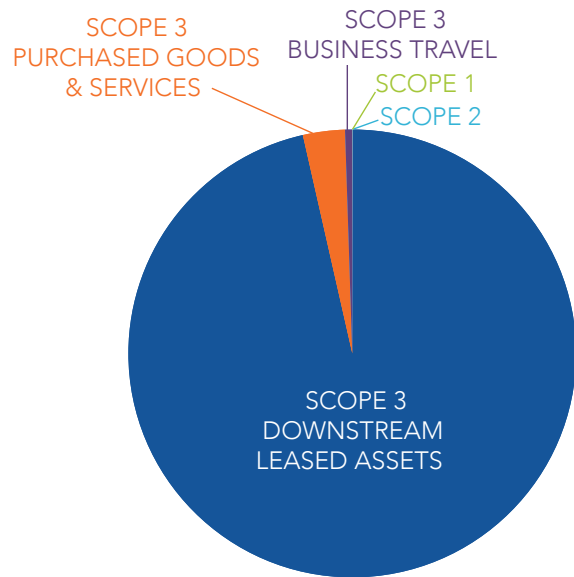
Scope 3 – Downstream Leased Assets

SBM Offshore provides operation and maintenance services for FPSOs on behalf of clients across the globe, on a finance-lease basis. Emissions from downstream leased assets mainly relate to the required production profile of the oil field and the subsequent energy production, e.g. from gas turbines (70%). The other key contributor is flaring (30%).

Emissions from downstream leased assets account for the majority of the carbon footprint reported by SBM Offshore. 5.7 million tonnes of GHG were emitted by downstream leased assets. This volume is 1% higher compared with 2022, due to the start-up of FPSO *Prosperity*. The carbon intensity of downstream leased assets is 98.95 tonnes of GHG emissions per thousand tonnes of hydrocarbon produced, which is 25% below the industry benchmark⁷ and 9% lower than last year.

Compared to SBM Offshore's ambition to see emission intensity reduced by 50% in 2030 compared to 2016, during 2023 these were already 51% lower. 2023, however, could be an outlier as start-up emissions were lower, production levels were higher than expected and there was a shutdown of an asset with a relatively high carbon intensity. SBM Offshore is learning lessons and is continuously tracking performance against 2030 ambitions on this key category of scope 3 emissions.

SBM Offshore Reported Emissions 2023 – based on CO₂e volumes



For 2023, SBM Offshore set a target to further optimize operational excellence on the FPSOs for which it provides operations and maintenance services. SBM Offshore targeted an absolute volume of gas flared below 1.48 million standard cubic feet per day (mmscft/d) as an overall FPSO fleet average during the year. This was set for a specific part of the volume over which SBM Offshore expects to have the largest control, despite it being a scope 3 category. SBM Offshore outperformed on this overall target, the actual being 1.18 million scft/d, which is 17% lower compared with 2022. This performance is mainly attributed to a reduced number of unplanned events on some FPSOs and historical issues having been fixed on

2 PERFORMANCE REVIEW AND IMPACT

some of the Guyana FPSOs. Overall, flaring ratio on downstream leased assets was 4% lower than the industry benchmark⁸.

To further reduce emissions from the power generation aspect of downstream leased assets in operation, SBM Offshore is dependent on investments by clients and partners in co-owned entities. This leads to risk of lock-in emissions and challenges on emissions set for this category. SBM Offshore is ready to lead, co-develop and deliver on such client requirements.

Scope 3 – Business Travel

Total air travel-related emissions were 30.6K tonnes in 2023, an increase of 33% over 2022 as a result of a higher number of employees and business activities.

Other performance items relating to emissions:

- In 2023, SBM Offshore achieved a B rating in CDP. Further climate change management disclosures are provided in section 1.4.3.
- SBM Offshore's energy intensity on downstream leased assets is 26% lower than the industry benchmark⁹. Energy consumption volumes can be found in section 5.3.2.
- The quantity of oil discharged to sea per hydrocarbon production on downstream leased assets was 3.74 tonnes per million tonnes of hydrocarbon produced, 66%¹² below the IOGP benchmark¹⁰ (see also section 2.2).
- Downstream leased assets had 0 spills as per IOGP definition¹¹. Further detail is given in section 2.1.4.4.
- SBM Offshore engaged in various projects that resulted in lower emissions. In Guyana, a local agricultural project leads to lower emissions from food logistics. More information can be found in section 2.2.

¹² Excluding Thunder Hawk, as SBM Offshore does not provide operational services.

EMISSIONZERO®

In early 2020, SBM Offshore announced the emissionZERO® program targeting near-zero emissions. The development of a near zero FPSO is the first milestone and a key pillar of the emission zero road map. Proposing a near zero FPSO to the market requires a suite of systems at a high technology-readiness level, aiming for improved energy efficiency and emissions reduction. In 2023, the catalogues of available solutions has continued to grow to be able to produce lifecycle emissions projections for long-term operations and have a solution ready for the market in 2025.

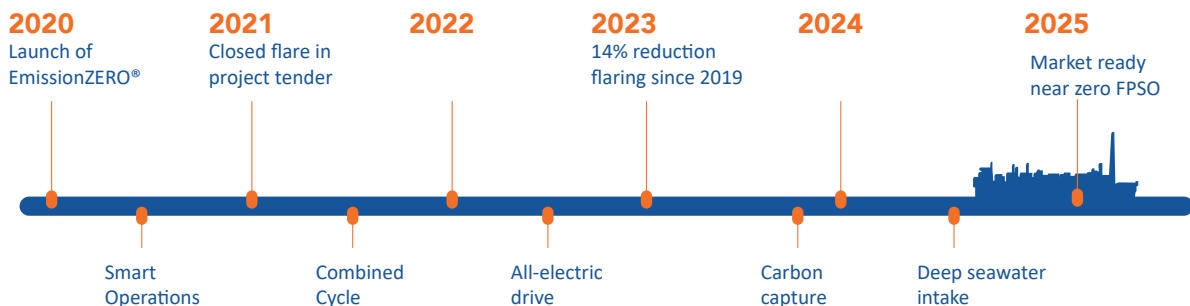
SBM Offshore is actively developing solutions and working with its stakeholders to drive down emissions from downstream leased assets on a continuous basis. This is, for example, done with customers during the project lifecycle, with financiers of projects and with suppliers during qualification processes.

Key achievements on the emissionZERO® FPSO have been:

- The engagement with strategic and key client accounts and suppliers during the year.
- The collaboration agreement with Mitsubishi Heavy Industries on carbon capture and the statement of qualified technology.
- The qualification of a deep water suction system for the use of colder water on the topside.
- The use of digital technologies (advanced analytics and predictive maintenance) to optimize energy consumption, reduce equipment trips and associated flaring.
- The establishment of a portfolio of ideas and projects to further reduce the carbon footprint of SBM Offshore's activities.



ROADMAP TO NEAR ZERO FPSO



This builds on progress in the past, such as the low-carbon modules delivery in 2021. Further planned milestones and achievements can be read in sections 1.4.3 and 2.2. The success of the program and the impact on the above stated ambitions is highly dependent on market acceptance. SBM Offshore is therefore open for business on emissionZERO® and welcomes engagement with its value chain.

FUTURE

SBM Offshore remains committed to the ramp-up of emissionZERO® in the coming years and to keep setting targets to reduce emissions, as explained in section 2.2.

For 2024, and in line with the ambition to reduce carbon intensity in its value chain, SBM Offshore has set a target to achieve 1.57 million standard cubic feet per day of flaring, for scope 3 downstream leased assets. This target factors in uncertainties in flaring due to two FPSOs that will still be in early phase of production. For scope 1 and 2 emissions, SBM Offshore will define an approach to balance emissions from office energy, which means SBM Offshore will prepare for investments into meaningful projects that offset emissions in scope 1 and 2.

SBM Offshore remains committed to achieve better environmental performance than the 2022 IOGP industry benchmark for energy consumption and oil spills per production; and 50% better than the 2022 IOGP industry benchmark for oil produced in water.

From 2024, SBM Offshore will investigate data regarding purchased goods and services during Operations and Decommissioning phases, so it can engage and influence suppliers to reduce their carbon footprint in the future. Also, energy consumption could be positively impacted by application of thermal film in office windows, stabilizing temperatures in the buildings.

In the coming period, SBM Offshore will keep monitoring its performance against long-term and intermediate climate targets. SBM Offshore is aware that some of its clients' current assets will potentially be in service in 2050, with associated emissions. For that purpose, engagement with clients and joint ventures – on investments and potential offsets – is performed as part of SBM Offshore's engagement targets.

2.1.8 DIGITALIZATION

MANAGEMENT APPROACH

The purpose of digitalization in SBM Offshore remains focused on improving the efficiency of the organization and leveraging data to learn from events. The related value creation is carefully monitored, and the benefits are

realized by the introduction of optimized work processes, the reduction of costs and emissions, the transformation of SBM Offshore's core products and ways of working and the creation of new digital services.

SBM Offshore organizes its IT and digital ecosystem through a more consolidated structure, leveraging four main pillars: Smart Enterprise, Smart Win and Execution, Smart Operations and Smart Services. The four pillars rely on a solid Information Technology infrastructure and dynamic Enterprise and Product Lifecycle Data Management.

Digitalization gives new skills to employees, new services to clients and new business for suppliers. New functions within the organization are filled by new hires and experienced SBMers receive education and on-the-job training. Management of any impacts associated with cyber security is described in section 1.4.2.

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Smart Enterprise: A resilient and responsive organization operates efficiently while providing better customer and business services using the latest enterprise applications. It enables better workplace productivity and enables a workforce to respond promptly to changes. In 2023, the main achievements under this pillar were:

- Continued the deployment of the new ERP system in Brazil.
- Initiated progressive deployment of new ERP modules for Project Management to ongoing FPSO projects.

Smart Win and Execution: Increased Win and Execution data availability, quality and continuity from structured data and integrated digital solutions. The main achievements under this pillar in 2023 were:

- eConstruction program continued with 3D construction and workfront management now well deployed at construction yards for ongoing FPSO projects.
- Engineering collaborative environment continued with further developments to improve engineering productivity as well as data and deliverables quality.
- Cost-estimating solution optimizing Win phase and ensuring consistency through end-to-end processes with Execute phase now deployed on ongoing proposals.

Smart Operations: An Operational Intelligence and Performance Optimization Center staffed with industry experts. Digital surveillance as the first line of defense to reinforce operational excellence and contribute to net zero objectives. Remote monitoring, abnormal behavior detection, predictive operations and maintenance based on SBM Offshore-developed applications as well as industry standard solutions. The main achievements under this pillar in 2023 were: