



2023 ANNUAL REPORT



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refinance existing facilities in order to increase and/or extend the tenor of leverage subject to sufficient charter tenor and income.

Given the non-recourse nature of a large part of its debt, the Company monitors its capital risk, based on the Lease Backlog Cover Ratio, which is also used by the bank consortium supporting the Company's RCF. Generally, this ratio is calculated as the net present value of the future contracted net cash, after deducting the project finance debt and interest payments of a selected group of FPSO owning entities divided by 1.5 (see note 4.3.23 Borrowings and Lease Liabilities).

The gearing ratios at December 31, 2023 and 2022 were as follows:

Capital risk management

	2023	2022
Total borrowings and lease liabilities	9,291	8,564
Less: net cash and cash equivalents	543	683
Net debt	8,748	7,881
Total equity	5,531	4,914
Total capital	14,278	12,795
Gearing ratio	61.3%	61.6%

Climate related risks

The Company has adopted three climate change scenarios to future-proof current strategy and take appropriate action. The scenarios are based on the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) data, as explained in section 5.1.4 Taskforce for Climate-related Disclosure (TCFD):

- The Stated Policies Scenario (STEPS) is designed to provide a sense of the prevailing direction of energy system progression, based on a detailed review of the current policy landscape.
- The Announced Pledges Scenario (APS), illustrates the extent to which announced ambitions and targets can deliver the emissions reductions needed to achieve net zero emissions by 2050.
- The Net Zero Emissions by 2050 Scenario (NZE) is a normative scenario that shows a pathway for the global energy sector to achieve net zero CO₂ emissions by 2050, as per the Paris Agreement.

Through its strategy process, the Company tests the resilience of its portfolio and business model against each of these scenarios. The Company factors in upsides and downsides to demand for new projects in its financial planning depending on various energy transition scenarios. By applying data and these scenarios as included in 1.4.3 Climate Change Risk & Opportunity, the fleet currently operated for its clients will be contributing to energy demand going forward, also in the low case scenarios where fossil energy sees a steeper decline in demand (NZE scenario). The Company does consider that oil & gas supply would be needed in the coming years.

Financial and non-financial information is aligned in order to ensure that the financial impact of climate-related risks is identified. The Company assessed the physical and transitional risks which are disclosed in 1.4.3 Climate Change Risk & Opportunity from a financial statement perspective. Based on the reasonable and supportable information available to date and the outcome of risk assessments, the Company did not identify any circumstances which had an impact on impairment of non-financial assets, provisions or contingent liabilities and assets in the 2023 consolidated financial statements.

Although climate related risks are key drivers of the Company strategy, budgeting exercise, capital allocation and prospects selection, the Company did not experience any significant impact on the financial statements of the period.

The risks will however remain key points of attention for areas such as impairment testing, estimation of remaining useful life, expected credit losses and provisions for future periods.

Other risks

With respect to controlling political risk, the Company has a policy of thoroughly reviewing risks associated with contracts, whether Turnkey or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained.