2022 ANNUAL REPORT

SBM OFFSHORE

TRUE.
BLUE.
TRANSITION.

RISK	DEFINITION	POTENTIAL IMPACT	MANAGEMENT OF IMPACT
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.
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 financings, 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 2, 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 or 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 impact on SBM Offshore as a result of GloBE, if any, will only be known with sufficient accuracy when the OECD has released the detailed implementation framework. The financial risk of change in laws and regulations is mitigated as much as possible in contracts. See 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 3.6.2

1.4.3 CLIMATE CHANGE RISK AND OPPORTUNITY

SBM Offshore's role as an energy transition company is founded upon the belief that it has a role to play in the physical and transitional challenges that climate change brings. SBM Offshore is aware of the time pressure building for the world to achieve a responsible transition in which energy stays affordable to society, while decreasing climate change impacts from greenhouse gas emissions from more traditional forms of energy.

SBM Offshore commits 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[1], and for scope 3 – Downstream Leased Assets; a 50% reduction of GHG intensity[2] and zero routine flaring[3] (2.1.7). More on the vision, mission and strategy can be read in section 1.3 and this year's progress on the

[1] 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. SBM Offshore monitors development versus 2016. For 2016 GHG volumes please see here.

[2] 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.

[3] 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.

energy transition, emissions and associated innovation in chapter 2.

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.
3. Measure performance, based on guidance from the Greenhouse Gas Protocol and the EU Taxonomy.
4. Disclose performance, leveraging above standards to disclose in this Report and the CDP Benchmark.

The above approach supports SBM Offshore in the framing of targets and actions in light of global guidance from the Paris Agreement. SBM Offshore takes planned actions in office energy, existing FPSO operations, emissionZERO® and invests in lower and non-carbon innovations (see sections 2.1.7 , 2.1.9 and 2.2). Climate Change Management and Adaptation is a key topic and discussed at Management Board level. 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 3.6. 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. These scenarios are part of an ongoing process to challenge perspectives on the future business environment, rather than to predict outcomes. These ambitions reflect the current understanding of the business and are subject to further development in the future.

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.

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.

FUTURE-PROOFING: CLIMATE CHANGE SCENARIOS

SBM Offshore has adopted two 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.

1. A **steady** Climate Change Scenario that falls short of meeting the Paris Agreement goals – i.e. a >2 degrees scenario.
2. A **bold** Climate Action Scenario providing for strong commitment towards targets, as per the Paris Agreement, i.e. a 1.5- degrees scenario.

Steady scenario

- **Key risks** are mainly physical in nature with potential weather-related disruptions to the construction and operation of FPSOs and offshore wind projects. Even if the demand for hydrocarbons grows, access to high-rated funding for these projects might become more challenging.
- **Key opportunities** are: the need for resilient ocean energy solutions owing to increased weather events, a sustained demand for FPSOs and a greater opportunity for renewable energy solutions.

The bottom-line **impact** of the scenario is limited, namely a slight improvement in revenue potential through a stronger FPSO demand outlook, an opportunity for resilient energy production solutions and projects, with the growth of renewable energy demand remaining robust.

Bold 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 ocean energy solutions that address the energy transition; increased customer demand for zero-emission oil and gas solutions; and the ability to attract new investors supporting SBM Offshore's sustainability agenda. An increased carbon price would also lead to a more favorable business case for renewable energy and emissionZERO® products.

The bottom-line **impact** of the scenario on demand 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. Below graphs and tables provide further detail. Any financial risks are described further in section 4.3.27.

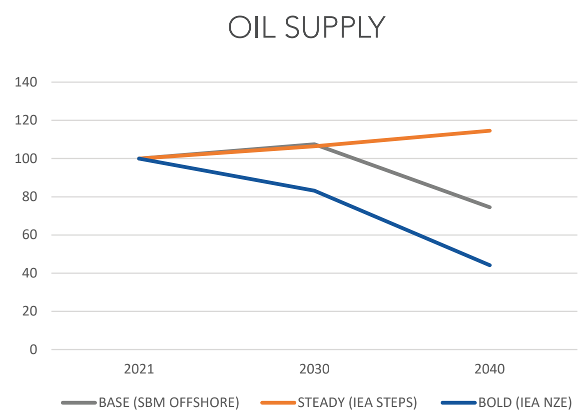
1 BUSINESS ENVIRONMENT

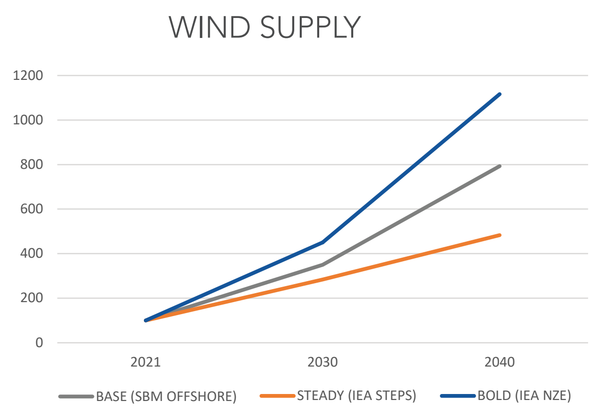
CLIMATE CHANGE SCENARIO IMPACTS

In the scenarios described, physical and transitional risks could materialize. The steady scenario would bring a higher probability of physical risk, whereas the bold scenerio would introduce relatively more transitional risk.

Risk type (relevant scenario])	Risks	Operational impact	Financial Impact	Management of Impact
Physical (Steady)	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 & Safety plan 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	Design specifications of units take into account the latest metocean simulations of extreme weather events.

ENERGY MIX UNDER STEADY AND BOLD SCENARIOS (INDEX 2021 = 100)





Risk type (relevant scenario])	Risks	Operational impact	Financial Impact	Management of Impact
Transitional (Bold)	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 in 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 bridge 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 environment al 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 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 developments effort in light of the changing energy landscape. It is enhancing products from its New Energies & Services (NES) portfolio through investments. See also the risk 'Climate change' in section 1.4.2 and project updates in section 2.1.4.