

2022  
ANNUAL  
REPORT



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## 2 PERFORMANCE REVIEW AND IMPACT

As a result, cash and cash equivalents decreased from US\$1,059 million at year-end 2021 to US\$615 million at year-end 2022.

### Backlog

The Directional backlog, which is presented on a pro-forma basis in section 4.1.3, increased to a record total of US\$30.5 billion at December 31, 2022, compared with US\$29.5 billion at year-end 2021.

This increase was mainly the result of the awarded contract for the FPSO *ONE GUYANA* project partially offset by the turnover for the period, which consumed US\$3.3 billion of backlog. SBM Offshore's backlog provides cash flow visibility of 28 years, up to 2050.

### Statement of Financial Position

SBM Offshore's 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\$604 million at year-end 2021 to US\$1,078 million at year-end 2022. This was primarily due to (i) an increase of the hedging reserves of US\$510 million; (ii) a positive net result of US\$115 million in 2022; and (iii) dividend distributed to the shareholders decreasing equity by US\$180 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\$6,082 million from US\$5,401 million at year-end 2021. While the Lease and Operate segment continues to generate strong operating cash flow, SBM Offshore drew on project financing to fund continued investments in growth.

The majority of SBM Offshore's debt as of December 31, 2022 consisted of non-recourse project financing (US\$3.7 billion) in special purpose investees. The remainder (US\$3 billion) mainly comprised of borrowings to support the ongoing construction of five FPSOs, which will become non-recourse following project execution finalization and release of the Parent Company Guarantee. SBM Offshore's Revolving Credit Facility (RCF) was undrawn at year end and cash and undrawn committed credit facilities amounted to US\$3,037 million.

For a total overview of SBM Offshore's financials under IFRS, please see section 4.2 of the Annual Report.

### 2.1.7 EMISSIONS

#### MANAGEMENT APPROACH

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. SBM Offshore is reporting to CDP and considering IOGP statistics to ensure the right benchmarking.

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<sup>6</sup>, and for scope 3 – Downstream Leased Assets; a 50% reduction of GHG intensity<sup>7</sup> and zero routine flaring<sup>8</sup>. Following this, SBM Offshore set targets in 2022 to reduce flare emissions on its activities, continues to develop low- and non-carbon solutions and aims to have zero oil spills.

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 emissions<sup>9</sup>, gas flare<sup>10</sup>, energy consumption<sup>11</sup>.
- Oil in produced water<sup>12</sup>, oil spill per production<sup>13</sup>.

Emissions management and the mission to structurally bring emissions down builds on years of action. For example, gas flaring intensity in 2022 is 24% lower than in 2018, mainly due to target-setting and increased production efficiency. Through this approach, SBM Offshore is managing risks in the light of climate change and social license to operate, as mentioned in section 1.4.2.

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

<sup>6</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.

<sup>7</sup> Reduce GHG intensity of scope 3 downstream leased assets by 50% by 2030, compared to 2016 as a base year.

<sup>8</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.

<sup>9</sup> 125 tonnes of GHG emissions per thousand tonnes of hydrocarbon produced as reported by companies participating in the 2020 IOGP environmental performance indicators, Report p.19

<sup>10</sup> 8 tonnes of gas flared per thousand tonnes of hydrocarbon produced as reported by companies participating in the 2020 IOGP environmental performance indicators, Report p.30

<sup>11</sup> 1.4 gigajoules of energy for every tonne of hydrocarbon produced as reported by companies participating in the 2020 IOGP environmental performance indicators, Report p.28

<sup>12</sup> 11.1 tonnes of oil discharged to sea per million tonnes of hydrocarbon produced as reported by companies participating in the 2020 IOGP environmental performance indicators, Report p.32

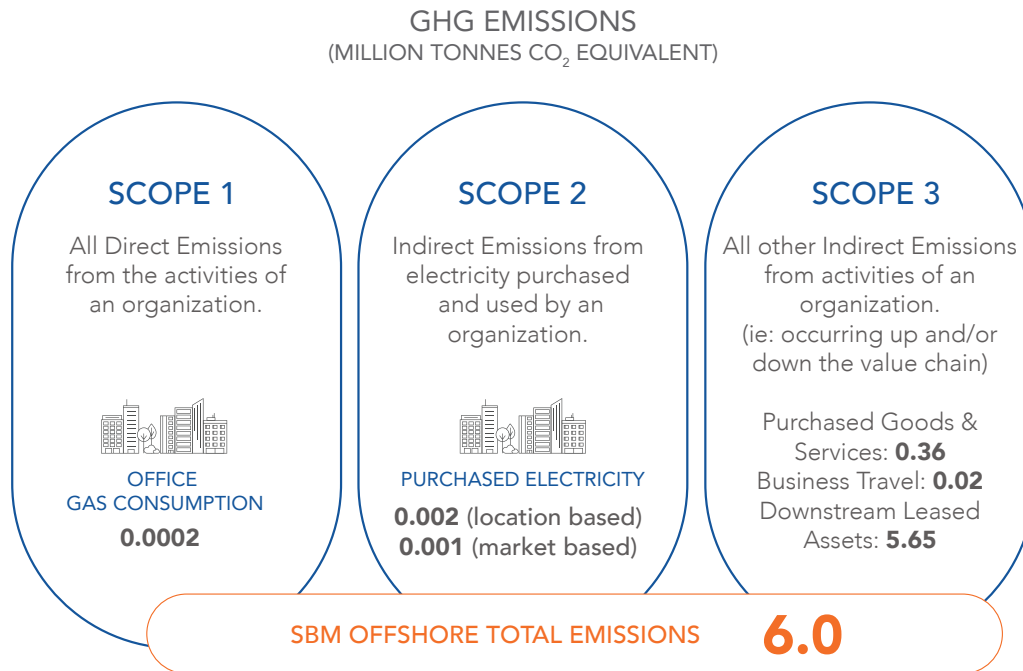
<sup>13</sup> 0.3 oil spills greater than one barrel per million tonnes of hydrocarbon produced as reported by companies participating in the 2020 IOGP environmental performance indicators, Report p.42

and non-GHG emissions. Further information can be found in sections 2.2 and 5.3.2.

total is 7% higher than in 2021, mainly driven by changes in scope 3 – Downstream Leased Assets.

## 2022 PERFORMANCE

During 2022 a total of 6.0 million tonnes of GHG emissions are reported, 99% of this being scope 3 emissions. The



### Scope 1 – Direct Emissions

Scope 1 emissions comprise the gas-powered heating in offices where SBM Offshore is the sole renter of an office building. In 2022 these emissions amounted to 172 tonnes GHG CO<sub>2</sub> equivalent. This is a decrease of 27% compared to 2021 due to better monitoring of heating systems and less heating demand during the year.

### Scope 2 – Purchased Electricity

Purchased electricity in offices accounts for 2,140 tonnes of GHG CO<sub>2</sub> equivalent, based on the average energy mix of each location, which is 1% higher than in 2021. There has been an increase of reported volumes due to increases in emissions accounting factors of some countries, furthermore there were fluctuations of emissions due to changes in business activity. Accounting for the electricity actually purchased through green contracts, the amount is 1,280 tonnes, an increase of 51% - driven by loss of a green energy certificate in one of the countries where the office location changed. SBM Offshore is taking follow-up actions.

### Scope 3 – Purchased Goods and Services

Emissions resulting from goods procured on FPSO projects were 356 thousand tonnes in 2022. The emissions mainly come from steel that is processed for bulk materials and equipment. Compared with 2021, the level of associated

emissions is 4% 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. SBM Offshore is proud to have sourced >90 tonnes of steel for one of its FPSO projects, manufactured through an electric arc furnace process driven by hydropower, reducing significantly the footprint on the purchase order.

### Scope 3 – Downstream Leased Assets

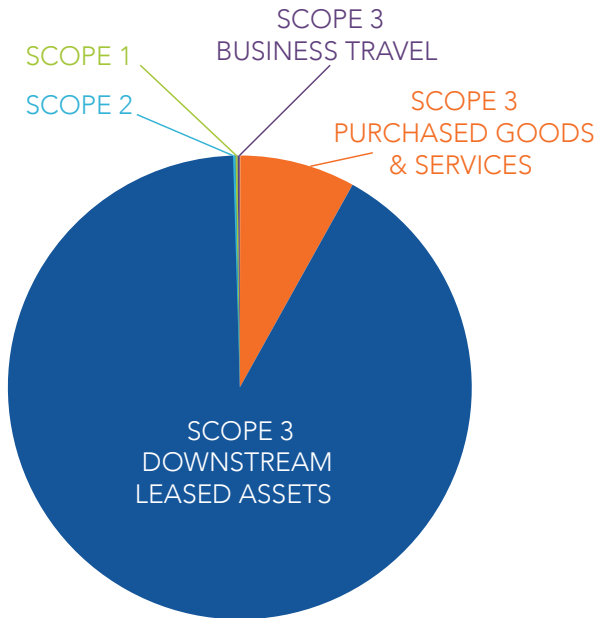
SBM Offshore provides operation and maintenance services for FPSOs on behalf of clients across the globe, on a finance-lease basis. Emissions from downstream leased assets mainly relate to the required production profile of the oil field and the subsequent energy production, e.g. from gas turbines (70%).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

Emissions from downstream leased assets account for the majority of the carbon footprint reported by SBM Offshore. Around 94% of total emissions, giving 5.6 million tonnes of GHG, were emitted by downstream leased assets. This volume is 7.7% higher compared with 2021, due to the addition of FPSO *Liza Unity* to the fleet. The carbon intensity of downstream leased assets is 108.8 tonnes of GHG emissions per thousand tonnes of hydrocarbon

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produced, which is 13% below the industry benchmark<sup>9</sup> and 2% lower than last year.

### SBM Offshore Reported Emissions 2022 – based on CO<sub>2</sub>e volumes



For 2022, 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 1.7 million standard cubic feet per day (scft/d) as an overall FPSO fleet average during the year. This was done for a specific part of the volume to which SBM Offshore expects to have the largest form of control, despite it being a scope 3 category. SBM Offshore over-performed on this overall target, the actual being 1.42 million scft/d, which is 14% lower compared with 2021. This performance is mainly attributed to a Flash Gas Compressor replacement and an efficient start-up of a new FPSO in Guyana. Also, improvements in West-Africa and the shutdown of *FPSO Cidade de Anchieta* (see section 2.1.4) contributed to the performance. Overall flaring on downstream leased assets was 21% higher than the industry benchmark<sup>10</sup>, which is mainly attributed to the start-up of a new asset.

In order to address future scope 3 emissions, SBM Offshore has targets for Innovation, Technology and Infrastructure, in line with SDG 9. In 2022, SBM Offshore spent 59% of its Group Technology R&D budget on technology eligible to the EU Taxonomy, above the 50% target set. Also, SBM Offshore developed all electric-drive FPSOs, so it can offer a lower carbon footprint to clients in the future.

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. SBM Offshore, however, is ready to lead, co-develop and deliver on such investments. SBM Offshore has therefore set a long-term engagement target for this as part of its SDG approach described in section 2.2.

### Scope 3 – Business Travel

Total air travel related emissions were 22.6K tonnes in 2022, roughly double the amount of 2021 as travel normalized after the COVID-19 pandemic. Compared with pre-pandemic levels (2019), the GHG volume related to business travel is 18% lower.

Other performance items relating to emissions:

- SBM Offshore is proud to have an A- rating in CDP, up from a B score in 2021, meaning SBM Offshore is 'implementing best practices'. Further explanation on climate change is given in section 1.4.3.
- SBM Offshore's energy intensity on downstream leased assets is 14% lower than the industry benchmark<sup>11</sup>. 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 3.44 tonnes per million tonnes of hydrocarbon produced, 70%<sup>14</sup> below the IOGP benchmark<sup>12</sup> (see also section 2.2).
- Downstream leased assets had 3 spills as per IOGP definition<sup>13</sup>. 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, and investment in a mangrove project will contribute, amongst other things, to additional sequestration of carbon. More information can be found in section 2.2.

### EMISSIONZERO®

In early 2020, SBM Offshore announced the emissionZERO® program targeting near-zero emissions. The development of an emissionZERO®-based FPSO is a key element of the program and is planned in three phases: Phase 1 consists of including existing low-carbon solution alternatives in win-phase; Phase 2 focuses on an all-electric drive FPSO to maximize energy efficiency, the feasibility of carbon capture technology integration and hybrid forms of power generation – for instance importing renewable energy from shore or floating renewable energy solutions; and Phase 3 will look at power-from-shore technologies and carbon-free fuel power generation.

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,

<sup>14</sup> Excluding Thunder Hawk, as SBM Offshore does not provide operational services

with financiers of projects and with suppliers during qualification processes.

Key achievements on the emissionZERO® FPSO have been:

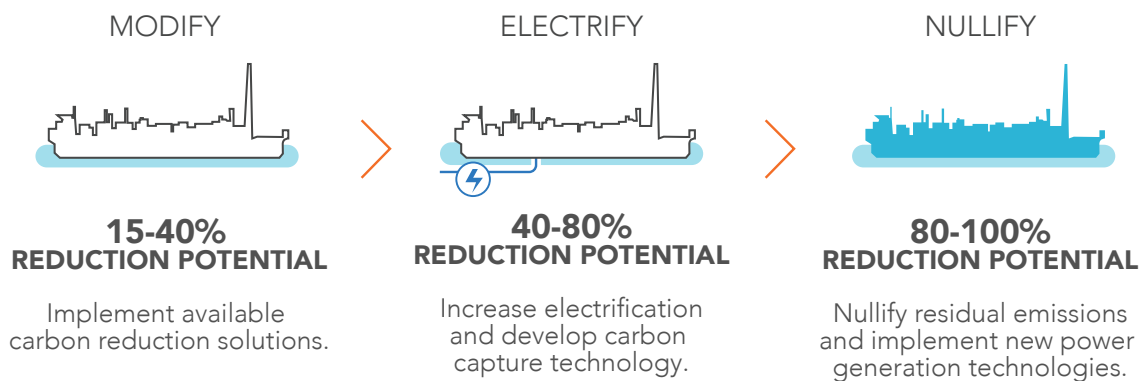
- The engagement with strategic and key client accounts and suppliers during the year.
- The enrichment of SBM Offshore’s product catalogue with an all-electric drive FPSO.
- The use of digital technologies (advanced analytics and predictive maintenance) to optimize energy consumption, reduce equipment trips and associated flaring.

- The establishment of a portfolio of ideas and projects to further reduce the carbon footprint of SBM Offshore’s activities.

This builds on progress in past years, 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.



### THE PATH



### 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. Furthermore, SBM Offshore continues to expand the work under TCFD (see section 1.4.3).

To reduce flaring in 2023, SBM Offshore has set a target for reduction in section 2.2. This target reflects the lessons learned from the achievements and challenges in 2022. For scope 1 and 2 emissions, SBM Offshore will define an approach to climate neutral office energy, explained in section 2.2.

Furthermore, SBM Offshore remains committed to achieve better environmental performance than the 2021 IOGP industry benchmark for energy consumption and oil spills per production; and 50% better than the 2021 IOGP industry benchmark for oil produced in water.

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 SDG commitments (section 2.2.).