

2022  
ANNUAL  
REPORT



TRUE.  
BLUE.  
TRANSITION.

## 3 GOVERNANCE

### 3.6 RISK & COMPLIANCE

#### GOVERNANCE

The Management Board is responsible for:

- determining the Company's risk profile and policy, which are designed to achieve the Company's objectives, to assess and manage the Company's risks and to ensure that sound internal risk management and control systems are in place, and
- ensuring that the entire SBM Offshore organization operates within its clearly defined Compliance Program.

The Management Board monitors the operation of the Compliance Program and the internal risk management and control systems and performs an annual systematic assessment of their design and effectiveness. The results are discussed with the Supervisory Board. This monitoring covers all material control measures relating to strategic, operational, financial, compliance and reporting risks. Among other considerations, attention is given to observed weaknesses, instances of misconduct and irregularities and indications from whistle blowers.

#### MANAGEMENT APPROACH

The Group General Counsel has managerial responsibility for compliance, insurance and legal matters. The Compliance Function, headed by the Group Compliance

Director, has a leadership role in proactively advising the Management Board and Management on acting with integrity and in a compliant manner, both from a strategic and an operational perspective.

The Compliance Function comprises a globally diverse team of experienced compliance professionals located within the Company's most prominent locations worldwide. Business leadership has accountability and responsibility to manage compliance and integrity risks within their fields of management control.






#### 3.6.1 DESIGN AND EFFECTIVENESS OF THE INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM

##### MANAGEMENT APPROACH

Group Risk & Control facilitates the business in identifying and managing risks, thereby ensuring the risks are managed within the Risk Appetite (see section 1.4.1) in order for the Company to achieve its strategic goals and objectives. The Risk Assurance Committee (RAC) brings together the heads of assurance functions and reviews the significant risks faced by the Company and its relevant control measures. It also oversees the integrated risk management approach.

## Design and Effectiveness of Internal Risk Management and Control System

The Management Board reviewed and assessed its Internal Risk Management & Control System framework and discussed it with the Supervisory Board. This is performed against five related components which are derived from COSO's framework 'Enterprise Risk Management – Integrating with Strategy and Performance'\*. Its relevance to SBM Offshore is explained in Key features, Achievements in 2022, Maturity assessment and the Company's Future ambitions.

COMPONENT	KEY FEATURES	ACHIEVEMENTS IN 2022	MATURITY ASSESSMENT according to Management Board	FUTURE AMBITIONS
<p>GOVERNANCE &amp; CULTURE</p> 	<ul style="list-style-type: none"> <li>Management takes responsibility of risks and controls</li> <li>Letter of Representation process supports accurate financial results</li> <li>Independent testing of Internal Control Framework by Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>Merged teams of Risk and Internal Control</li> <li>Delivery of Project Risk Training to key positions</li> </ul>	<ul style="list-style-type: none"> <li>Management decision-making is performed with risk-based mindset</li> <li>Risk and Internal Control support and its integration in the organization is effectively organized</li> </ul>	<ul style="list-style-type: none"> <li>Build on ownership while monitor and support</li> <li>Expand 2<sup>nd</sup> line of defense in countries where the Company is expanding its business</li> </ul>
<p>STRATEGY &amp; OBJECTIVE-SETTING</p> 	<ul style="list-style-type: none"> <li>Risk Appetite is set by Management Board (MB) and is endorsed by the Supervisory Board (SB)</li> <li>Risks, impacts and their assurance activities are organized according to Material Topics</li> <li>Risk bearing processes are identified and reflected in the Internal Control Framework</li> </ul>	<ul style="list-style-type: none"> <li>Conducted cross-functional risk assessments which are aligned with strategy (e.g. on Energy Transition, Climate Change, Digital Transformation and Human Rights)</li> <li>Extension of the Internal Control scope with 2<sup>nd</sup> Level Review for Guyana and India, and for Supply Chain</li> </ul>	<ul style="list-style-type: none"> <li>Strategy and its Material Topics are well integrated in the Company's Risk and Internal Control Framework</li> </ul>	<ul style="list-style-type: none"> <li>Assess and quantify impact per Material Topic to improve prioritization of assurance activities.</li> <li>Align Risk and Internal Control activities with Corporate Sustainability Reporting Directive (CSRD) requirements</li> </ul>
<p>PERFORMANCE</p> 	<ul style="list-style-type: none"> <li>Business achieves their objectives through Risk and Internal Control support</li> <li>Risk and Internal Control activities are performed in line with the annual Strategy Cycle</li> </ul>	<ul style="list-style-type: none"> <li>Performed Taskforce for Climate related Financial Disclosures (TCFD) Risk &amp; Opportunity assessment</li> <li>Updated and used Risk Control Matrices (RCM) in line with new ERP processes</li> <li>High and stable level of controls conformity rate as per Internal review campaign</li> </ul>	<ul style="list-style-type: none"> <li>Risk and Internal Control activities are adequately performed, providing sufficient information for discussion and prioritization of assurance</li> </ul>	<ul style="list-style-type: none"> <li>Following TCFD guidance, continue to improve assessment of financial impact from Climate Change</li> <li>Leverage benefits of ERP and new End-2-End processes to further improve Internal Control environment</li> </ul>
<p>REVIEW &amp; REVISION</p> 	<ul style="list-style-type: none"> <li>The Risk Assurance Committee (RAC) includes heads of Assurance functions</li> <li>RAC reviews risks and controls and ensures an integrated assurance approach</li> <li>Annually the MB and SB discuss Risk Management &amp; Control Systems</li> </ul>	<ul style="list-style-type: none"> <li>Risk and Internal Control policies and procedures and tooling are regularly reviewed and improved by the RAC</li> <li>Internal Control performed mapping exercise to anticipate changes within controls as result of implementation of new ERP</li> </ul>	<ul style="list-style-type: none"> <li>Risk and Internal Control policies and procedures and tooling are annually discussed and reviewed with the Supervisory Board</li> </ul>	<ul style="list-style-type: none"> <li>Continue to improve activities based on internal review and external feedback</li> </ul>
<p>INFORMATION, COMMUNICATION &amp; REPORTING</p> 	<ul style="list-style-type: none"> <li>The Company keeps track of their risks, controls, and actions in digital solutions</li> <li>Risk and Internal Control results are regularly discussed with the business and in the RAC, MB and SB</li> <li>Risk and Internal Control results are disclosed according to relevant regulatory frameworks</li> </ul>	<ul style="list-style-type: none"> <li>Internal Control activities of Supply Chain Management started to use dedicated tool for communication and documentation</li> <li>Improved disclosure of Climate Change related Risks &amp; Opportunities, including its financial impacts</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of information, through digital support and solutions operates adequately</li> </ul>	<ul style="list-style-type: none"> <li>Leverage on digital solutions for controls automation and data analytics</li> </ul>

\* Committee of Sponsoring Organizations of the Treadway Commission (COSO)  
COSO is dedicated to providing thought leadership through the development of frameworks and guidance on ERM designed to improve organizational performance, oversight and to reduce the extent of fraud.