



2024 ANNUAL REPORT



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1.4.2 SIGNIFICANT IMPACTS, RISKS AND OPPORTUNITIES TO THE BUSINESS

As SBM Offshore delivers on its opportunities and manages its risk appetite, it faces business risks with potential financial consequences, described in the table below. These risks are linked with SBM Offshore’s Business Topics and ESG Material Topics, as per its risk breakdown structure and the risk appetite mentioned above. The outcomes of risk management processes and tooling are used in the double materiality assessment explained in section 3.3.

For further details on the approach to impacts, risks and opportunities, please refer to sections 2.5 and 2.5.1.

Key opportunities for the business are related to the energy transition and flow from the reduction of emissions, the growth of alternative energies, innovation and

decommissioning of aging assets. These opportunities are incorporated in SBM Offshore’s strategy and explained under sections 1.5.1.2 and 1.5.2. The financial performance resulting from this strategy is detailed in chapter 4.

The key processes to manage impacts, risks and opportunities are:

- Risk Management and Internal Control System (see section 2.5)
- HSSE risk management.
- Human Rights Due Diligence, as part of supplier and yard qualifications.
- Environmental and Social Due Diligence, as part of project financing.
- Alignment with clients’ Environmental Impact Assessments.
- Client Relationship and Opportunity Management Process.

SIGNIFICANT RISKS TO THE BUSINESS

Assessed and mapped based on risk management processes and reports

RISK OVERVIEW 2024

| STRATEGIC | | FINANCIAL | |
|-----------------------------------|----|--|--------------------------|
| Climate change | ↑ | Funding | == |
| Geopolitical events | ↑ | | |
| Technological developments | == | COMPLIANCE RISKS | |
| Portfolio | == | Changes in laws and regulations | ↑ |
| Competitiveness | == | Governance, transparency and integrity | == |
| Third parties | == | | |
| OPERATIONAL | | RISK EXPOSURE * | |
| Process safety events | == | ↑ RISK IS INCREASING | ↓ RISK IS DIMINISHING |
| Project execution | == | | == RISK IS STABLE |
| Transformation | == | | |
| Cybersecurity and data protection | ↑ | | |
| Human capital | == | | |
| Supply Chain constraints | ↑ | | |
| Decommissioning | == | | |

* Management assessment of how the inherent risk exposure (i.e. excluding SBM Offshore’s mitigating measures) is expected to develop in the coming 3 years.

1 BUSINESS ENVIRONMENT

| RISK | DEFINITION | POTENTIAL IMPACT | MANAGEMENT OF IMPACT |
|----------------------------|--|--|--|
| Strategic Risks | | | |
| Climate change | Impact of an accelerated energy transition driven by climate change. | Miss opportunities if not succeeding (i) to market competitive technologies and/or (ii) enhance the energy efficiency of existing offerings. | SBM Offshore strive for playing a key role in the energy transition by developing competitive technology aiming to reduce emissions. This strategic ambition is supported by new technology development such as emissionZERO® program, carbon capture for FPSOs and floating offshore wind projects. SBM Offshore leverages R&D development, partnerships, and the EU Taxonomy framework to actively participate and propose long term solutions to the energy transition. See sections 1.5.2 and 3.4.2. |
| Geopolitical events | Direct or indirect impact of geopolitical events on activities of SBM Offshore globally. | Events impacting the successful completion of SBM Offshore's projects and/or impact the safe, affordable and sustainable operations of SBM Offshore's fleet. | SBM Offshore actively monitors worldwide situations and acts to avoid or reduce potential negative consequences. This includes pursuing diversification strategies, monitoring sanctions and incorporating suitable contract clauses for risk mitigation. |
| Technological developments | Deployment of immature new technologies or implementing proven technologies incorrectly. | Impact on safety, quality and/or schedule, business reputation or financial results. | SBM Offshore employs Technology Readiness Level (TRL) assessments of new technologies, which are verified at several stages during the development phase before being adopted on projects. A technical assurance function ensures compliance with internal and external technical standards, regulations and guidelines. See section 1.5.2. |
| Portfolio | Concentration of fossil-fuel related business activities in Brazil and Guyana. | Impact from changes in local legislative and business environment, affecting business results. | SBM Offshore continues to achieve a more balanced portfolio by developing low emission products and diversifying into new markets, with different products, such as alternative energies. SBM Offshore conducts risk assessments before any new country entry and actively engages with its clients to monitor and mitigate the respective country-related regulatory, commercial and technical risks. See section 1.5.2. |
| Competitiveness | SBM Offshore Business Units are in – or could be facing – harsh market conditions. | Impact to deliver projects in an affordable manner, leading to deterioration of financial results. | To drive better performance, delivered faster, SBM Offshore has taken various initiatives in relation to digitalization and standardization, which are the basis for SBM Offshore's Fast4Ward® approach. See section 1.5.2. |
| Third parties | Activities of financial, strategic and/or operational partners impact SBM Offshore's ability to build new business and execute projects. | Impact on safety, environment, people, quality and/or schedule, business reputation or financial results. | Through robust processes, executed by subject-matter experts within the relevant functions, SBM Offshore aims to select appropriate parties to work with. Examples of functions involved are Supply Chain, Construction, Compliance and Human Rights. See sections 2.5.2 and 3.5.3. |
| Operational Risks | | | |
| Process safety events | Potential acute or chronic exposure to hazards during SBM Offshore's product life cycle. | Impact on people, the environment or assets. This can have further impact on other risks (such as human capital and funding). | SBM Offshore aims to reduce major accident hazard exposure through the application of a Process Safety Management (PSM) framework to manage the risk under the pillars of People, Process and Plant. These are underpinned by a culture built on SBM Offshore's values of Care and Ownership, and supported by assurance and continuous improvement practices through the product lifecycle. See section 3.5.2. |

| RISK | DEFINITION | POTENTIAL IMPACT | MANAGEMENT OF IMPACT |
|-----------------------------------|---|--|--|
| Project execution | Inherent project risks exist, owing to a combination of potential effects of geo-political, regulatory, technical and third-party risks. | Impact on people, the environment, reputation, cost and schedule. | Proper business-case analysis, suitable project management capabilities and capacities, combined with SBM Offshore's ways of working, processes and procedures, mitigate project execution risk. Additional risk-mitigating measures are in place related to the knowledge and understanding of the countries in which project execution and delivery take place. See section 1.5. |
| Transformation | Benefits of SBM Offshore's Fast4Ward®, Float4Wind®, emissionZERO® and Digitalization programs are not realized. | Impact on SBM Offshore's competitiveness. | Change management is a key success factor of the main programs. Change management ambassadors have been appointed and are working closely with the business in the journey towards the new ways of working. |
| Cybersecurity and data protection | Intrusion into SBM Offshore's data systems affecting onshore and offshore activities as well as secondary risks such as theft of cash and/or confidential info. | Business interruption, loss of data and financial impact, such as recovery costs and/or fines. | The evolving nature of cybersecurity threats requires ongoing attention. There is continuous improvement to reduce risks through investment in hardware, software, monitoring and awareness training. The ability of the IT architecture and controls to withstand cyber-attacks and follow recognized standards is subject to 24/7 monitoring, independent testing and audits. |
| Human capital | Inability to attract and retain the correct capacity and capabilities of human resources to support projects, as well as to maintain the fleet. | Impact on SBM Offshore's operations and quality of execution of projects. | SBM Offshore remains focused on the health and wellbeing of employees. To maintain capacity and capabilities, SBM Offshore has streamlined its operating model and engages in partnerships. A talent development program is in place to engage and retain key personnel, thereby ensuring a sustainable future. See section 3.5.1. |
| Supply Chain constraints | Fluctuating energy prices and market constraints can put increased pressure on SBM Offshore's supply chain. | Increased prices and a shortage of critical equipment from SBM Offshore's suppliers and vendors, along with an inability to manage these costs and schedules. | To mitigate supply chain risks, SBM Offshore is taking measures to address those risks through leveraging Frame Agreements with key suppliers, anticipation of MPF and critical equipment ordering, and proactive supplier engagement across the whole supply value chain. SBM Offshore is also working across functions to build a strong foundation through an efficient organizational structure, innovative ways of working and strong technical and technological platforms. See section 1.5. |
| Decommissioning | Impacts arising from complex dismantling operations of ageing assets. | Decommissioning aging offshore oil and gas structures has complex impacts. Underestimating dismantling costs can lead to financial liabilities and overruns. Environmentally, improper disposal of materials can cause significant damage. Compliance with laws and regulations and addressing safety risks are crucial, while engaging stakeholders is vital to manage differing perspectives and social impacts. | SBM Offshore has gained significant experience in decommissioning assets after their useful life and it will continue to mature processes and competencies, including knowledge of applicable laws and regulations and selection of suitable partners for dismantling operations. |

1 BUSINESS ENVIRONMENT

| RISK | DEFINITION | POTENTIAL IMPACT | MANAGEMENT OF IMPACT |
|--|---|---|---|
| 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 and 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 financing, 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. New long-term financing tools are under development. |
| 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 Two, 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 and 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. Contractual protection mechanisms are sought where appropriate. The final assessment on Pillar Two legislation will be known only when final legislation, including all administrative guidance, is enacted in the domestic law of the relevant jurisdictions. The OECD has finalized its additional guidance but further discussions and consultations are taking place and will continue in 2025, which means that SBM Offshore has to continue with the efforts to assess and understand requirements accordingly. The financial risk of change in laws and regulations is mitigated as much as possible in contracts. Refer to section 2.6. |
| 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 2.5.2 and 3.6.1. |