2024 ANNUAL REPORT

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construction, prior to putting a dedicated project finance facility in place. When a project finance facility is arranged and drawdowns have started, the RCF is repaid and a corporate guarantee from the Company is put in place for the construction period. When the project facility is drawn in full and the associated FPSO is producing, the corporate guarantee is recovered and the project finance becomes non-recourse debt.

As per December 31, 2024, all the debt associated with operating FPSOs is non-recourse.

The Company has limited appetite to decrease the existing debt in its structure, as this would involve breakage cost, through winding down the hedges and it would decrease the Company's return on equity. From time to time, it may decide to 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, 2024, and December 31, 2023, were as follows:

Capital risk management

	2024	2023
Total borrowings and lease liabilities	8,943	9,291
Less: net cash and cash equivalents	806	543
Net debt	**8,137**	**8,748**
Total equity	5,844	5,531
Total capital	**13,981**	**14,278**
Gearing ratio	58.2%	61.3%

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 3.4.1 Climate Change Impact, Risk and Opportunity:

- The RCP 8.5 scenario, a climate change scenario where climate mitigation actions are not taken and emissions continue to grow according to previous rates, i.e., a worst-case scenario;
- The RCP 2.6 scenario, a climate action scenario providing for strong commitment towards targets, as per the Paris Agreement, i.e., the scenario consistent with a 1.5 degrees scenario.

Through its strategy process the Company tests the resilience of its portfolio and business model against each of these scenarios. Financial and non-financial information are aligned in order to ensure that the financial impact of climate related risks is identified. The Company assessed the physical and transitional risks disclosed in 3.4.1. Climate Change Risk & Opportunity from a consolidated 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 nor contingent liabilities and assets in the 2024 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 reporting period.

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