



**OFFSHORE**

ENERGY. COMMITTED.

# ANNUAL REPORT 2021

## 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 Chief Governance and Compliance Officer (CGCO) has the overall responsibility for compliance, risk and legal matters. The Group Risk & Compliance Function (GRCF) has a leadership role in proactively advising the

Management Board and Management on acting in a compliant manner, both from a strategic and an operational perspective.

The integrated Group Risk & Compliance Function comprises a globally diverse team of fourteen experienced risk and 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

The Group Risk & Compliance Function brings the skills to support 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) reviews the significant risks faced by the Company and the relevant control measures. The RAC oversees the integrated risk management approach and brings together the key heads of functions of the second and third line of defense.

## INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM REVIEW

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 its Key features, Achievements in 2021, Maturity assessment and the Company's Future ambitions.

COMPONENT	KEY FEATURES	ACHIEVEMENTS IN 2021	MATURITY ASSESSMENT according to Management Board	FUTURE AMBITIONS
<b>GOVERNANCE &amp; CULTURE</b> 	<ul style="list-style-type: none"> <li>Driven by Tone at the Top and Corporate Values</li> <li>Management takes responsibility of its risks and controls</li> <li>Letter of Representation process supports accurate financial results</li> </ul>	<ul style="list-style-type: none"> <li>Enlarged network thereby widened reach of Risk Management &amp; Internal Control</li> <li>Delivery of Risk Training to key positions</li> <li>Transitioned to new ways of working (i.e. online and remote) due to pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Management decision-making is performed with risk-based mindset</li> <li>Cross-functional teams discuss and share risk based insights</li> <li>Risk &amp; Internal Control support is efficiently organized</li> </ul>	<ul style="list-style-type: none"> <li>Build on business 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>
<b>STRATEGY &amp; OBJECTIVE-SETTING</b> 	<ul style="list-style-type: none"> <li>Risk Appetite is set by Management Board (MB) and is supported by the Supervisory Board (SB)</li> <li>Company's Material Topics are used to identify risks and prioritize assurance activities</li> <li>Risk bearing processes are identified and assessed by Internal Control</li> </ul>	<ul style="list-style-type: none"> <li>Conducted cross-functional risk assessments which are aligned with strategy (e.g. on Energy Transition, Digital Transformation and Fast4Ward<sup>®</sup>)</li> <li>Extension of the financial reporting scope with 2<sup>nd</sup> Level Review for Guyana and India</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 approach</li> </ul>	<ul style="list-style-type: none"> <li>Assess and quantify exposure per Material Topic to improve prioritization of assurance activities</li> </ul>
<b>PERFORMANCE</b> 	<ul style="list-style-type: none"> <li>Business is supported in delivering their objectives through Risk and Internal Control support</li> <li>Risk and Internal Control is performed in line with the Company's annual Strategy Cycle</li> <li>Digital tooling ensures efficient and effective management of risks and controls</li> </ul>	<ul style="list-style-type: none"> <li>Performed Taskforce for Climate related Financial Disclosures (TCFD) Risk &amp; Opportunity assessment</li> <li>Improved Risk Control Matrices (RCM) through increased frequency of review and with specifications on location of control activity</li> <li>Increased number of Maturity Level 1 controls</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>Improve analysis of connectivity between risks, and their opportunity side</li> <li>Leverage benefits of ERP into Internal Control activities</li> </ul>
<b>REVIEW &amp; REVISION</b> 	<ul style="list-style-type: none"> <li>The Risk Assurance Committee (RAC) includes Directors of Assurance functions</li> <li>RAC ensures a Company-wide integrated assurance approach and review of risks and controls</li> <li>Annually the MB and SB discusses Risk Management &amp; Control Systems</li> </ul>	<ul style="list-style-type: none"> <li>Risk and Internal Control enablers (e.g. policies and procedures, tooling) are regularly reviewed and improved as part of the Management Review</li> <li>Internal Control performed mapping exercise to anticipate changes within controls as result of ERP implementation</li> </ul>	<ul style="list-style-type: none"> <li>Risk and Internal Control enablers (e.g. policies and procedures, tooling) are thoroughly and regularly reviewed and improved as necessary (e.g. through Management Review process)</li> </ul>	<ul style="list-style-type: none"> <li>Continue to improve activities based on internal review and external feedback</li> </ul>
<b>INFORMATION, COMMUNICATION &amp; REPORTING</b> 	<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> </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> </ul>	<ul style="list-style-type: none"> <li>Digital reports and solutions operate adequately</li> </ul>	<ul style="list-style-type: none"> <li>Internal Control to use a designated tool for communication and documentation of Internal Control Campaign in 2022</li> <li>Digital solutions to be enhanced by analyzing its content for trends and relationships in data</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.

# 3 GOVERNANCE

## 3.6.2 COMPLIANCE PROGRAM

### STRATEGY

SBM Offshore aims to enable its employees and business partners to make the right decisions, with commitment to integrity at all levels. In recognition of this commitment, the Company has implemented a comprehensive Compliance Program applicable to the SBM Offshore group. Our leaders are responsible for ensuring that the company fulfils its commitment to integrity at all levels. They set the tone from the top and are there to respond to any questions, observations and suggestions in a responsible manner, in line with our Core Values and Code of Conduct.



**The Code of Conduct builds on the Company's Core Values and is based on four pillars:**

- Respecting the law – our fundamental rule.
- People, culture and behavior – how we work together and how we help each other to succeed.
- Our business activities – how we interact in the marketplace and help our clients to succeed.
- Wider community and corporate citizenship – how we fulfil our wider social responsibilities.



### Key elements of the Compliance Program

SBM Offshore's Compliance Program aims to promote an ethical culture throughout SBM Offshore and guides the Company's Management and employees in making values-led decisions, as well as strengthening the management control system to prevent, detect and respond to compliance risks and potential violations of our Code, the law and other wrongdoing. The program includes proper and independent oversight, risk management, policies and procedures, integrity reporting and investigations, risk-based training and communication to employees, auditing and monitoring.

## SBM OFFSHORE COMPLIANCE PROGRAM

### ENGAGE

Engagement, dialogue and coalitions with business, other functions and third parties.

### CONTROL

Data, processes and controls as tools to drive Responsible Business Conduct.

### ENABLE

Remote Risk-Based Learning Strategy to keep Connected with our Stakeholders.

### Speak Up

An important part of the program's role includes the focus on the prevention of misconduct through the Integrity Panel, which oversees and investigates reports of (potential) misconduct. The Company's reporting channels and Speak Up Line enable leadership to carefully listen to employees and partners in our value chain about their compliance concerns. On October 1, 2021 the revamped 'Speak Up Line' and Speak Up Policy were launched, in compliance with the EU Whistleblowing Directive, with the aim of simplifying the process of reporting concerns.

### MATURITY ASSESSMENT

The Management Board has assessed the Compliance Program against a basic maturity model and concludes that, at the end of 2021, the Company is transitioning from a rules-based approach towards a value-driven business approach. Certain elements of the Compliance Program, notably the focus on responsible leadership behavior, fall within the 'value-led business' maturity level.