SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

The outcome is used to future proof the current strategy against Physical & Transitional Climate Change related Risks and Opportunities. Identified risks and opportunities are embedded in SBM Offshore's Risk Management approach explained in section 3.6 and SBM Offshore's Strategic Planning processes.

RISK MANAGEMENT

Climate Change risks & opportunities are inherently identified and assessed against SBM Offshore's strategy in SBM Offshore's risk breakdown structure as deployed throughout SBM Offshore. When relevant, these risks are included in the detailed risk review and analysis is done for all tenders, projects and FPSO (asset) fleet operations which are part of SBM Offshore's portfolio. The Group Risk Manager facilitates the process of bottom-up Climate Change risk reporting to the Risk Assurance Committee (RAC) for consolidation purposes. The outcome of the review in the RAC results in heat-maps of risks which are presented in in a quarterly Risk report. This covers proposal, projects and fleet individual risks, as well as Group Functions and Execution Centers, and includes actions and managing measures in place to mitigate risk. The report provides an overview to the Management Board and Supervisory Board with the measurement SBM Offshore's Risk Appetite Statements and the latest Risk profile.

SCENARIO PLANNING

SBM Offshore defined two Climate Change scenarios to future proof current strategy and take subsequent action based on IEA and IPCC data:

1. A **Steady** Climate Change Scenario based on IEA's Stated Policy Scenario (STEPS) and IPCC's Representative Concentration Pathway (RCP) 4.5 and 6.0. This scenario reflects the impact of announced country policies across the globe. This trajectory is said to have positive impact on climate change, however to fall short of meeting Paris Agreement goals.
2. A **Bold** Climate Action Scenario based on IEA's Sustainable Development Scenario and IPCC's RCP 1.9 and 2.6. This scenario reflects a trajectory consistent with countries' shared sustainable energy goals. The trajectory provides for strong commitment towards targets as per Paris Agreement.

5.1.5 EU TAXONOMY DISCLOSURE

In accordance with European Regulation 2020/852 of June 18, 2020, SBM Offshore is subject to the obligation to disclose the part of its 2021 revenue, its capital expenditures, and operating expenses eligible under the EU Taxonomy on sustainable activities. In the future eligibility to the EU Taxonomy will need to be complemented with disclosure on the alignment with the EU Taxonomy. Taxonomy-*eligible* economic activity means an economic activity that is described in the delegated acts supplementing the Taxonomy Regulation irrespective of whether that economic activity meets any or all of the technical screening criteria required for *alignment*.

The EU Taxonomy is geared towards six environmental objectives that sustainable activities should pursue as indicated in the European Regulation, which are as follows:

i. Climate change mitigation.
ii. Climate change adaptation.
iii. Sustainable use and protection of water and marine resources.
iv. Transition to a circular economy, waste prevention and recycling.
v. Pollution prevention and control.
vi. Protection and restoration of biodiversity & ecosystems.

At this point the EU regulation is effective for objectives i and ii with further delegated acts to be published at a later stage.
SBM Offshore is strongly committed to facilitating the Energy Transition. As such SBM Offshore has put Environmental objectives in place that help mitigate and adapt to the impacts of climate change. SBM Offshore's Value Platforms are geared towards environmental objectives i. and ii. This is evidenced by the Material Topics of Energy Transition, Emissions and Innovation. Objectives set for these topics are explained in section 2.1.7 , 2.1.9 And 2.1.10.

In order to identify its business activities covered by the nomenclature of the European Taxonomy, the Group relied on the Delegated Act on Climate supplementing Regulation (EU) 2020/852 of the European Parliament , and Annex 1 & 2 to this Delegated Act. Eligible activity classification was done through codes of the Nomenclature statistique des Activités économiques dans la Communauté Européenne (NACE).
The evaluation of the eligibility of SBM Offshore's business activities has been conducted on the basis of the Taxonomy and Delegated Regulation (Annex I – KPIs of non-financial undertakings) and its definition of the denominator and nominator of the 3 KPIs which are Turnover, CAPEX and OPEX. It was performed through a methodological approach consisting of:

1. extracting total denominator for the 3 KPIs from the financial reporting and consolidation system used to prepare 2021 IFRS consolidated financial statements,
2. identifying those activities that might fall within the list of economic activities covered in 'Delegated Acts',
3. documenting and assessing for each of those economic activities their 'eligibility' to the first two environmental objectives: 'Climate Change Mitigation'and 'Climate Change Adaptation' included in the EU taxonomy in order to determine the nominator of each of the 3 KPIs.

- **Turnover** considered for this analysis covers all business activities of SBM Offshore Group as at December 31, 2021 and the denominator can be reconciled with the 2021 IFRS Total revenue recognized pursuant to IAS1 and disclosed in note 4.3.2 of the consolidated financial statements. It consists of the Revenues from Turnkey and Lease and Operate activities. A considerable part of this business relates to services to the industry of oil & gas extraction. Even if this part of SBM Offshore's business is addressing the net-zero path – e.g. through decarbonization and digitalization – it cannot be considered eligible for the EU Taxonomy as it is today. The only eligible part of the Turnover therefore relates to SBM Offshore's renewable energy products & services (EU Taxonomy activity: Manufacture of renewable energy technologies).
- **CAPEX** consists of additions to tangible and intangible assets during the financial year 2021 considered before depreciation, amortization and any re-measurements recognized by SBM Offshore pursuant to IAS16, IFRS16 and IAS38. The denominator can be reconciled with the sum of the lines 'Additions' disclosed in notes 4.3.13 and 4.3.14 of the consolidated financial statements. The majority of CAPEX is associated with services to the industry of oil & gas extraction and is therefore non-eligible for the EU Taxonomy – even if part of the CAPEX improves the energy efficiency and emissions profiles of these activities. The eligible part of CAPEX comes mainly from capitalized cost of the Wave Energy Converter, explained in section 2.1.9 (EU Taxonomy activity: Manufacture of renewable energy technologies).
- **OPEX** according to the EU Taxonomy is determined by the direct non-capitalized costs of research and development, building renovation measures, short-term leases, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third-party outsources that are necessary to ensure the continued and effective functioning of such assets (EU Taxonomy activity: Close to market research, development and innovation).

It is worth mentioning that the Delegated act for disclosures supplementing Article 8 requires companies to 'disclose the KPIs for each environmental objective and the total KPIs for all environmental objectives at the level of the undertaking or group across all environmental objectives while avoiding double counting'.

Maintenance and repair costs covering operating leased FPSOs is a service provided by SBM Offshore to its lessee. These expenses are direct 'cost of sales' (reported as such in the Consolidated Income Statement under IFRS) related to services already included in Turnover KPI as revenue from contracts with customers. To avoid double counting, these 'cost of sales' are therefore not included in theOPEX KPI.

The eligible part of OPEX relates mainly to R&D activities into non-carbon solutions as explained in section 2.1.9. Other items are non-capitalized investments into increased energy efficiency of office buildings.

Table 1 provides the basis for the numerator and denominator of EU Taxonomy eligibility for respectively Turnover, CAPEX and OPEX, whereas Table 2 shows the actual KPI related to the EU Taxonomy.

Table 1

	Turnover	CAPEX	OPEX
Numerator	Revenues derived from products and/or services associated with EU Taxonomy eligible activities.	Capital expenditures that are related to assets or processes associated with the EU Taxonomy eligible activities.	Operating expenses that are related to assets or processes associated with the EU Taxonomy eligible activities.
Denominator	Revenues recorded in the Consolidated Income Statement under IFRS as per Revenue Accounting policy described in section 4.2.7 of the consolidated financial statements.	Additions to tangible and intangible assets recorded in the Consolidated Statement of Financial Position under IFRS during the financial year, considered before depreciation, amortization and any re-measurements.	Direct non-capitalized costs recorded in the Consolidated Income Statement under IFRS that relate to R&D, building renovation measures, short-term lease, maintenance and repair (excluding expenses reported as Cost of Sales), and any other direct expenditures relating to the day-to-day servicing of assets of PP&E.

Table 2

	Turnover	CAPEX	OPEX
Taxonomy-Eligible Activities (%)	1.0	0.2	30.5
Taxonomy-Non-Eligible Activities (%)	99.0	99.8	69.5
Total (in millions of US$)	3,747.32	59.1	41.1

From fiscal year 2022 onwards, eligibility assessment will be complemented by alignment assessment as per the EU Taxonomy regulation.

5.2 REPORTING BOUNDARIES

SBM Offshore not only reports on impacts it causes, but also on impacts it contributes to, and impacts that are linked to its activities. In each of the following paragraphs SBM Offshore elaborates in detail on the boundaries of SBM Offshore's material topics. The boundary of a material topic relates to the parts of the organization and supply chain covered in the figures.

5.2.1 HEALTH, SAFETY AND SECURITY REPORTING

Our people work in demanding roles and conditions which have many different hazards to manage, whether in offshore locations or construction work in remote locations. The HSS performance indicators boundaries take into account:

- Employees, which include all direct hires, part-time employees, locally-hired agency staff ('direct contractors') in the fabrication sites, offices and offshore workers, i.e. all people working for SBM Offshore.
- Contractors which include any person employed by a contractor or contractor's subcontractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.

Until 2021, HSS incidents have been reported and managed through SBM Offshore's incident management tool (SRS – Single Reporting System) which is a web-based reporting system that is used to collect data on all incidents occurring in all locations where SBM Offshore operates. In 2021, SBM Offshore developed and began using the IFS Incident Management/Corrective Action Preventive Action (IM/CAPA) module for Brazil operations. IFS IM/CAPA module will be further rolled out to the remaining company locations to replace SRS.

SBM Offshore reports on all incidents classified as fatalities, injuries and high consequence injuries – work-related injuries that result in a fatality or in an injury from which the worker is not expected to recover from within six months. Safety incidents are reported based on the incident classifications as defined by the IOGP Report 2020s-May 2021. Health incidents are reported based on the occupational illnesses classification given in IOGP Report Number 393-2007. The main-type of work-related injury categories are related to manual handling injuries and slips, trips and falls – e.g. walking at same level & stairs. Investigations, based on the type, criticality and severity of the event, are performed by specifically identified personnel using methods among which TapRoot® and 5 Why.

Employees are provided HSSE trainings to familiarize themselves with the Company's health, safety, and security rules and regulations. The training topics are based on the hazards identified through the above identification process as well as the regulatory requirements. The promotion of a speak up culture – as described in section 2.1.1. – contributes to the identification process. Inclusion and non-retaliation are part of the Speak Up Policy.

5.2.2 ENVIRONMENTAL REPORTING

ATMOSPHERIC EMISSIONS

Emissions reported in SBM Offshore's records include:

- Scope 1 – Direct Emissions
- Scope 2 – Purchased Electricity
- Scope 3 – Business Travel
- Scope 3 – Purchased Goods & Services
- Scope 3 – Downstream Leased Assets

For all reported emissions goes that CO_2 equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO_2 that would have the same Global Warming Potential (GWP), when measured over a specified timescale (generally, 100 years).

Scope 1 – Direct Emissions

For the Natural Gas consumed in offices the Company takes an operational controlview and uses conversion factors from the Dutch Emission Authority and the website www.co2emissiefactoren.nl.

Scope 2 – Purchased Electricity

Scope 2 comprises GHG emissions from energy purchased for offices (market-based and location-based).

The reporting scope includes all locations where the headcount is over 10 and yards over which SBM Offshore has full operational control. SBM Offshore reports onshore emissions data for the following locations: Amsterdam,