



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

1 BUSINESS ENVIRONMENT

1.4 RISK MANAGEMENT

1.4.1 RISK APPETITE

The Risk Appetite Statement 2020 sets the boundaries within which SBM Offshore is willing to take risks in pursuit of its strategic objectives. The Management Board reviews the Risk Appetite Statement annually to ensure that the Company maintains the balance between risk and reward, relative to potential opportunities. The measurement of the underlying metrics is done every quarter and presented to the Supervisory Board. The Company has two explicit 'zero tolerance' criteria:

1. HSSE and Process Safety Management:

SBM Offshore has zero tolerance for harm to people from exposure to health, safety or security threats or for damage to its assets or the environment in the execution of its activities, of which the mitigating measures are explained in sections 2.1.2 and 2.1.3.

2. Compliance:

SBM Offshore has zero tolerance for activities that are non-compliant with the SBM Offshore Code of Conduct, its anti-corruption policy and any related applicable laws and regulations. The Company will not work with a business partner, contractor, vendor and/or client that is :

- sanctioned from business by the United Nations, and/or
- whose decision makers/company executive leaders do not share the same compliance principles as SBM Offshore, and/or
- do not have a compliance program proportioned to its size/activities and in accordance with the Foreign Corrupt Practices Act (FCPA) guide or national laws.

Mitigating measures are explained in sections 2.1.1 and 2.1.2.

Additional significant parts of SBM Offshore Risk Appetite Statement are displayed below.

SBM Offshore has no- or a well-defined limited appetite for ...	Mitigating measures explained in Material Topic
... deviations or violation of the Company's Sustainability and Human Rights commitments (including those to reduce emissions)	2.1.9 Energy Transition, 2.1.6 Emissions and 2.1.2.1 Human Rights
... corporate acquisitions/investments which could materialize into process safety risks	2.1.2 Employee Health Safety and Security
... projects or operational activities that do not anticipate environmentally-sound scrapping or recycling	
... Turnkey or Lease and Operate business below targeted profitability	
... balance sheet risk as a result of commercial opportunities for which the bankability cannot be reasonably confirmed	2.1.5 Economic Performance
... financial exposure from unallocated MPFs (i.e. without the MPF being financially committed to by a customer)	
... issuing Parent Company Guarantees (PCGs) on post-completion debt for our FPSO business	
... Cost of Non Quality for projects prior to and after warranty commencement	2.1.3 Operational Excellence and Quality
... engagement with vendors that are rated as unsatisfactory as a result of our vendor qualification process	
... activities outside its focus areas in terms of company and product strategy	
... disruption due to application of unproven technologies	2.1.8 Innovation
... conduct of its activities exposing the Company considerably to cyber security risks	2.1.7 Digitalization
... engagement in projects without the appropriate resourcing of key positions	2.1.4 Retaining and developing employees