



**OFFSHORE**

ENERGY. COMMITTED.

ANNUAL REPORT 2020

## 3.6 RISK & COMPLIANCE

### GOVERNANCE

The Management Board is responsible for :

- determining the Company's risk profile and policy, which are designed to realize 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. An important part of its role includes the focus on the prevention of misconduct through the Integrity Panel, which oversees and investigates reports of (potential) misconduct. The Company's Validation Committee reviews and approves of high-risk third-parties before engaging in a business relationship.

The integrated Group Risk & Compliance Function comprises a global diverse team of fifteen 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 guards an integrated risk management approach by bringing together the key heads of functions across the second and third line of defense.










# 3 GOVERNANCE

## 2020 PERFORMANCE

### RISK MANAGEMENT MATURITY ASSESSMENT

The Management Board has assessed its Risk Management framework against a basic maturity model (from 'implemented' to 'future ambitions') across five interrelated components. The components are derived from COSO's framework 'Enterprise Risk Management - Integrating with Strategy and Performance'. The table below displays the Risk Management activities in their maturity level of robustness, as per end of 2020. Overall, the Risk Management framework is deemed to be at an 'improved' level, with the exception of 'Information, Communication & Reporting', which is assessed to be at a 'managed' level. The items in grey are the actions envisioned to be focused in the future.

The table below displays the highlights of the assessment as per end of 2020.

MATURITY	RISK MANAGEMENT COMPONENT				
	 Governance & Culture	 Strategy & Objective-setting	 Performance	 Review & Revision	 Information, Communication & Reporting
<b>FUTURE AMBITIONS</b>	Continue to strengthen Risk by connecting various Risk disciplines and expand global span of Risk, Assurance and Internal Control	Continue to assess risks of the Energy Transition and Climate Change. Improve focus on upside potential (opportunities)	Continue to improve the quality of emerging risk identification and assessments methodologies. Analyze relationships between risks	Continue to improve Risk Management activities and function. Further align assurance activities in the business	Outlook 2022: Develop and implement risk indicators to facilitate real-time scenario tracking
<b>IMPROVED</b>	Risk based decision making is part of the corporate culture. Tone at the top set clear guidance, based on our corporate values	Cross-functional risk assessments, are aligned with strategy (e.g. on Climate Change, Process Safety, Fast4Ward, Digital Transformation and Fraud risk)	Continuous improvement takes place on quality of risk assessments, e.g. in area of Energy Transition and Climate Change. Improved tracking of action plans increases the net result of risk mitigation	Risk enablers (e.g. policies and procedures, risk tooling) are regularly reviewed and improved under the leadership of the RAC	Continue to improve the quality, alignment and impact of risk reporting across the organization, jointly with Internal Control results
<b>MANAGED</b>	The RAC meets monthly. It includes Directors of assurance functions, such as: HSSE, Operational Excellence, Finance (incl. Internal Control), Compliance, and Internal Audit	Project Life Cycle is the foundation of the Risk Appetite Statements. These are updated annually based on company strategy and applied to business decision making	Risk Management and Internal Control activities are performed on a frequent basis and aligned with the company's strategy cycle	RAC ensures an integrated risk management approach across the assurance functions. It periodically assesses the effectiveness of risk management, control framework	Issued special risk reports on COVID-19. Risk reports can be derived real-time and with cross functional insights from an online platform updated by the organization.
<b>REPEATED</b>	Management Board meets senior management for discussion on performance, realization of objectives and responses to emerging issues	Company's Risk Appetite Statement is set in agreement with the Management Board and is supported by the Supervisory Board	Strategy is leading in risk identification and risk assessment. Internal Control matrices are improved with specifications on where control activity takes places	Digital functionalities are in place in risk management for the documentation and assessment of risks, as well as for the facilitation of risk workshops	Every quarter a risk report is drawn up that contains measurement of the Risk Appetite Statement, the significant risks and its mitigating measures
<b>IMPLEMENTED</b>	Management of (financial) risks are Management's responsibility and are carried out with the support of dedicated resources	Risk bearing financial processes are identified and risks and controls are listed in the Internal Control matrices	A yearly review of the Internal Control matrices is performed to assess controls in different locations including review by the Finance Internal Audit	Letter of Representation process, whereby senior management confirms on a quarterly basis that for their responsible area, the financial reports fairly present the position and results of the Company	Organizational units and departments keep track of their risks and actions in risk registers. Its owned by respective management and updates are performed ad hoc

 Achievements before- and in 2020.  Future ambitions