SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

1.1.3 OVERALL VIEW

SBM Offshore believes the oceans will provide the world with safe, sustainable and affordable energy for generations to come. We share our experience to make it happen. The challenge in producing safe, sustainable and affordable energy is well recognized, particularly by SBM Offshore's stakeholders, with whom SBM Offshore works on areas important to them, called material topics, to address that challenge. These topics are the basis for SBM Offshore's objectives and strategy, and are the criteria against which it measures its performance. The table below shows the connection between these elements and are explained in the rest of the Annual Report.

CONNECTIVITY TABLE

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Business Context (section 1.2)	Strategy & Value Creation (section 1.3)		Performance Review & Impact (sections 2.1 & 2.2)		
Material Topics	**Key Objectives**	**Key Strategy Element**	**Key Outputs**	**Key Outcomes**	**SDGs**
1. Ethics & Compliance	▪ **Zero tolerance** for bribery, corruption, fraud or any other form of misconduct ▪ 2021: >92% completion of Compulsory Compliance Tasks	**Optimize:** Target Excellence in business ownership & control of compliance risks **Transform:** Digitilization to manage compliance risks	▪ 96% Completion of Compulsory Compliance Tasks (onshore) ▪ 0 confirmed cases of corruption ▪ 1 fine to close legacy issue in Switzerland	▪ No negative impact to SBM Offshore's licence to operate ▪ Credibility & reputation for trustworthiness ▪ Express recognition remedial measures by Swiss authorities	8
2. Employee Health Safety & Security	▪ **No Harm, No Defects, No Leaks** ▪ 2021: Total Recordable Injury Frequency Rate (TRIFR) <0.18	**Optimize:** HSSE and Process Safety Management approach, human rights governance; Life365; adopting industry best practices and guidance	▪ TRIFR: 0.06	▪ A safe working environment ▪ Ability to manage during the pandemic	3, 8
3. Human Rights	▪ **Fully embed human rights and social performance within SBM Offshore to achieve no harm** ▪ 2021: 90% vendor screening on human rights for high risk vendors	**Optimize**: executing due diligence cycle and taking action through human rights program governance	▪ 97% vendor screening on human rights for high risk vendors ▪ 94% e-Learning completion	▪ Respecting human rights	8
4. Operational Excellence & Quality	▪ **No Harm, No Defects, No Leaks** ▪ 2021: Uptime at or above 99% ▪ Project schedule, cost, quality ▪ Certifications	**Optimize:** Target Excellence program, Right365 and Process Safety Management approach **Transform:** Digitalization, Fast4Ward®	▪ 99.1% Uptime ▪ Project delivery ▪ Renewed ISO certification ▪ 0 significant operational fines	▪ Client value ▪ Compliance with regulations	8
5. Retaining & Developing Employees	▪ Hire, retain & develop a **diverse workforce** with a wide range of competencies ▪ 2021: People Development Cycle	**Optimize**: HR learning and development	▪ 99% completion performance appraisals ▪ 14% employee turnover rate	▪ A diverse, learning & developing workforce able to deliver energy supply related projects and activities	4, 8
6. Economic Performance	▪ **Ambition: Grow free cash flow** ▪ 2021: Directional EBITDA around US$900 million	**Optimize:** Backlog & cash preservation, global response **Transform:** Fast4Ward®, Digitalization, emissionZERO® **Innovate:** New Energies projects	▪ Underlying EBITDA US$931 million ▪ Return to shareholders US$343 million	▪ Resilient returns in volatile times ▪ Long-term viability ▪ Investment capability for innovation	8, 9

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7. Emissions	▪ **emissionZERO®** ▪ 2021: 1.6 MMSCF/D Average flaring ▪ 2021: Launch of 4 Low carbon Modules in F4W catalogue ▪ 2021: 20% Reduction Airtravel Related Emissions versus 2019 ▪ 2021: >50% better than water discharge benchmark	**Optimize:** energy efficiency **Transform:** emissionZERO® **Innovate:** New Energies & Services development	▪ 1.66 MMSCF/D Average flaring ▪ Launch of 6 Low Carbon Modules ▪ 61% Reduction Airtravel Related Emissions versus 2019 ▪ 66% better than water discharge benchmark	▪ Emission reduction trend ▪ Industry benchmark performance ▪ New business ▪ Lower climate change risk	7, 9, 13, 14
8. Digitalization	▪ Leveraging data & digital technology to **increase lifecycle value** ▪ 2021: Digitalization Milestones – e.g. ERP, project management, operations tooling	**Transform:** Digital Transformation program	▪ Go-live ERP pilot ▪ Work Fronts Management tooling ▪ Launch of emissions e-dashboard ▪ 18% increase of data signals	▪ Business Continuity ▪ Improved efficiencies ▪ New business opportunities	8, 9
9. Innovation	▪ Develop and introduce new technologies in line with net-zero & energy transition ambitions of SBM Offshore ▪ 2021: 44 Technology Readiness Level (TRL) qualifications	**Innovate:** technology development, open innovation	▪ 35 TRL qualifications ▪ 11 innovations reached TRL 4	▪ Contribute to the energy transition ▪ Long-term sustainability	7, 9, 13, 14
10. Energy Transition	▪ >2GW FOW Installed Capacity by 2030 ▪ 2021: 50% Non-carbon R&D	**Transform:** emissionZERO® **Innovate:** New Energies & Services development	▪ FOW project progress ▪ FOW Joint Venture established ▪ 60% Non-carbon R&D	▪ Decline of future carbon footprint ▪ New business ▪ Address climate change	7, 9, 13
11. Market Positioning	▪ **2+ FPSOs per year** average between 2019-2030 ▪ 2021: Sustainability performance	**Optimize:** Target excellence, Business continuity **Transform:** Fast4Ward®, Digitalization, emissionZERO® **Innovate:** New Energies & Services development	▪ 6 FPSO Projects under construction ▪ 15 assets in the fleet ▪ US$29.5 billion directional proforma backlog ▪ 95th percentile S&P Global ESG rating	▪ Industry leadership, being a reference for stakeholders with global & local impact ▪ SDG related performance	3, 4, 7, 8, 9, 13, 14

Overall Impact

The continuing pandemic turned 2021 into a challenging year. Executing large scale projects and managing a client fleet required the stamina of SBM Offshore's employees and stakeholders across the world. SBM Offshore has been managing stakeholder interests and subsequent dilemmas such as environmental footprint, risk of injuries and trade-offs with shorter schedules and lower costs, while keeping and improving on quality levels. A key challenge and an opportunity for SBM Offshore is to make a real and meaningful contribution to the energy transition. SBM Offshore is aware of the time pressure building for the world to achieve a responsible transition in which energy stays affordable to those in need, while mitigating the climate change impact of greenhouse gas emissions from traditional forms of energy. SBM Offshore is committed to this goal, through significantly reducing emissions in client operations alongside developing decarbonized solutions, including cleaner forms of energy. SBM Offshore's values are key enablers in addressing such dilemmas and increasing SBM Offshore's contribution to Sustainable Development Goals.

SBM Offshore has been able to balance 'business as usual'with a global response to COVID-19 and its economic impact, at the same time making progress on **safe, sustainable and affordable energy for generations to come**.

SBM Offshore takes pride in being able to leverage SBM Offshore's people's capabilities to deal with complexity, develop technologies for the energy transition, deliver projects on time and within budget and operate assets safely and sustainably. In other words: **sharing our experience to make it happen.**

1.2 BUSINESS CONTEXT

1.2.1 MARKETS AND ACTIVITIES

SBM Offshore provides floating production solutions to the offshore energy industry, both in hydrocarbon and in renewable market segments. SBM Offshore's main activities to date are the design, supply, installation, operation and life extension of Floating Production Storage and Offloading (FPSO) vessels. These are either leased to clients or supplied on a turnkey sale basis. SBM Offshore is also active in the renewable energy market, with a dedicated New Energies & Services (NES) division working on floating offshore wind and wave energy solutions, as well as investing in research and development of products for future markets.

In order to maintain its leading position in its core markets, SBM Offshore focuses on:

- Leveraging SBM Offshore's experience and business model to strengthen its position and to develop sustainable business in new areas.
- Transformation programs to increase return for customers: Fast4Ward®, focusing on better performance, delivered faster; emissionZERO®, focusing on the decarbonization of products; and Digital Transformation, to optimize SBM Offshore's ways of working and create new services.
- SDG-related targets for the short- and long-term, and delivering on the roadmaps to achieve these targets.

Based on these guidelines, SBM Offshore is developing its product portfolio within the various energy sectors.

MARKET SEGMENTATION

Hydrocarbon Energy

FPSO

SBM Offshore delivers FPSOs with production volumes typically around 200,000 barrels of oil per FPSO per day. A FPSO processes well fluids into stabilized crude oil for temporary storage on board, before being transferred to a shuttle tanker for export from the field. Oil and gas enhanced recovery systems – such as water injection, gas injection, chemical injection and gas lift systems – are used to improve production levels. SBM Offshore's latest FPSO designs include CO_2 removal from gas streams for reinjection into the well offshore.

SBM Offshore is taking a disciplined and selective approach to market opportunities focusing on the main FPSO markets of Brazil and Guyana that provide for double resiliency – i.e. both relatively low break-even prices and low GHG-emission intensity. SBM Offshore is also looking to develop business in other adjacent regions. Looking ahead, around 25 FPSO projects could reach FID between 2022-2024.

To contribute to double resiliency – SBM Offshore executes its Fast4Ward® and emissionZERO® programs, of which further detail is provided in sections 2.1.4 and 2.1.7.

Other Products and Services

SBM Offshore also has dedicated product lines to provide offshore installation services as well as specific floating equipment and products such as Turret Mooring Systems (TMS) and offshore (off)loading Terminals.

TMS

SBM Offshore is the recognized technology provider for Turrets and Mooring Systems (TMS). The Company provides the offshore industry with a complete range and variety of solutions delivered through a full EPCI product lifecycle.

Terminals

The Catenary Anchor Leg Mooring (CALM) or Single Point Mooring (SPM) terminal is a floating buoy that performs the dual function of keeping a tanker moored and transferring fluids while allowing the ship to weathervane.
SBM Offshore provides full lifecycle solutions for terminals including design, engineering, construction, installation and aftersales services.

Installation Services

SBM Offshore delivers tailored solutions for floating unit mooring, flexible flowline and subsea structure installation works. SBM Offshore, together with its joint venture partner, own and operate a dedicated multi-purpose deep water construction vessel, the Normand Installer.