



**OFFSHORE**

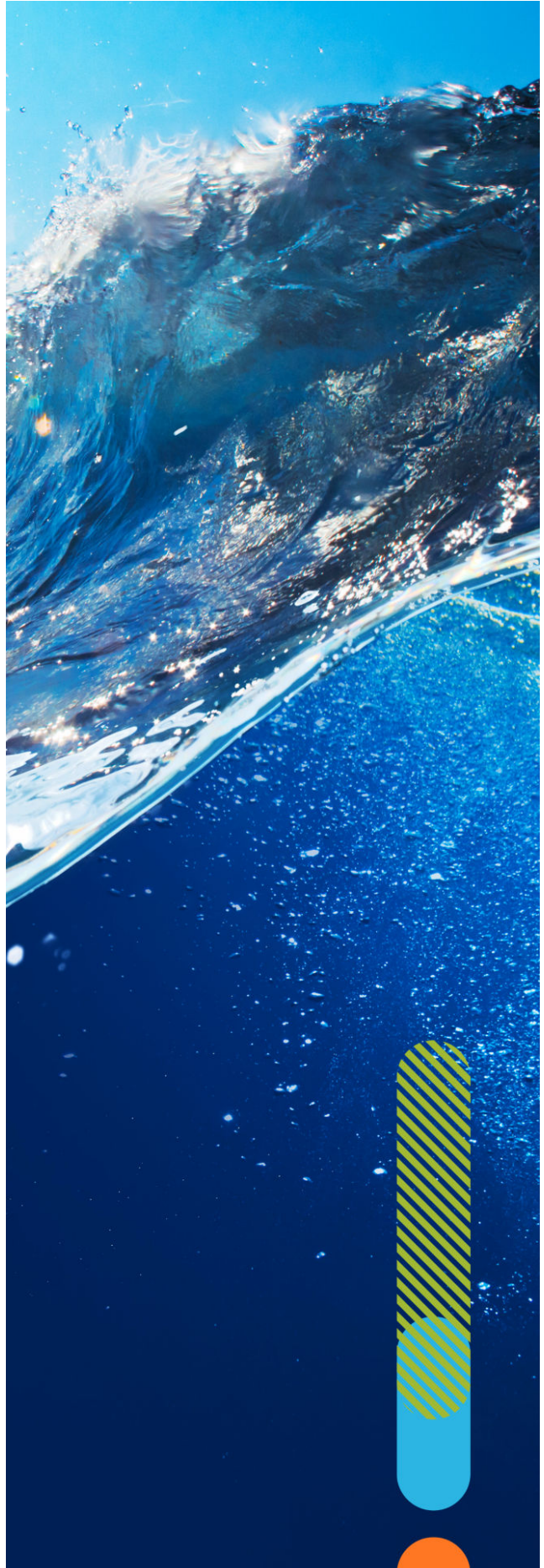
ENERGY. COMMITTED.

# ANNUAL REPORT 2021

### 1.3.3 VALUE CREATION

Supplying safe, sustainable and affordable energy from the oceans is the basis for long-term stakeholder value, which is defined by the 11 material topics and which form the basis for sustained value creation. Value is defined by the results achieved on the material topics, the associated benefits for SBM Offshore's stakeholders and the impact SBM Offshore has on Sustainable Development Goals. The outcomes are described in sections 2.1 and 2.2.

In order to create value for stakeholders, SBM Offshore assigns resources to activities along the project lifecycle. The value creation model, below, connects stakeholder expectations with SBM Offshore's activities and its overall impact on the external environment. For each material topic, the model describes how SBM Offshore deploys capital, which flows into the various activities of the business model. The outputs from the business model create value for stakeholders and have SDG contributions.



# VALUE CREATION MODEL

	MATERIAL TOPICS	KEY INPUTS	OUTPUTS/OUTCOME	IMPACT SDGs
	<b>ETHICS &amp; COMPLIANCE</b>	<ul style="list-style-type: none"> <li>Human: Training</li> <li>Intellectual: Systems</li> <li>Social: Partners</li> </ul>	<ul style="list-style-type: none"> <li>Training Completion</li> <li>0 confirmed cases of corruption</li> <li>Fine to close out legacy issue</li> <li>Revamped Speak Up Line</li> </ul>	
	<b>HEALTH, SAFETY &amp; SECURITY</b>	<ul style="list-style-type: none"> <li>Human: HSSE Training, Culture</li> <li>Intellectual: Life365</li> <li>Manufactured: Asset Integrity</li> </ul>	<ul style="list-style-type: none"> <li>Recordable Injuries better than target</li> </ul>	
	<b>HUMAN RIGHTS</b>	<ul style="list-style-type: none"> <li>Human: training &amp; Human Rights professionals</li> <li>Social: Vendor Screening</li> </ul>	<ul style="list-style-type: none"> <li>High risk vendors screened</li> <li>Vendors signed Supply Chain Charter</li> <li>Employee Training</li> </ul>	
	<b>OPERATIONAL EXCELLENCE &amp; QUALITY</b>	<ul style="list-style-type: none"> <li>Human: Training, Culture</li> <li>Intellectual: Right365, Fast4Ward®</li> <li>Manufactured: Fleet, Projects</li> <li>Social: Qualified Vendors</li> </ul>	<ul style="list-style-type: none"> <li>Uptime</li> <li>Project Delivery</li> <li>Cost of Non-Quality</li> <li>Certifications</li> </ul>	
	<b>RETAINING &amp; DEVELOPING EMPLOYEES</b>	<ul style="list-style-type: none"> <li>Human: SBMers</li> <li>Intellectual: LUCY HR System &amp; Capacity Planning</li> <li>Social: Contractors, Partners</li> </ul>	<ul style="list-style-type: none"> <li>Employee Turnover Rate</li> <li>Completion Performance Review Cycle</li> <li>Managed Gender Pay Gap</li> </ul>	
	<b>ECONOMIC PERFORMANCE</b>	<ul style="list-style-type: none"> <li>Financial: Project Funding</li> <li>Intellectual: Fast4Ward®, Technical Standards</li> <li>Manufactured: Fleet &amp; Projects</li> <li>Social: Clients, Partners, Investors</li> </ul>	<ul style="list-style-type: none"> <li>Cash Flow</li> <li>EBITDA</li> </ul>	
	<b>EMISSIONS</b>	<ul style="list-style-type: none"> <li>Intellectual: emissionZERO®</li> <li>Manufactured: Fleet &amp; Projects</li> <li>Natural: Energy Used</li> </ul>	<ul style="list-style-type: none"> <li>GHG Emission Reduction</li> <li>0 Oil Spills</li> </ul>	
	<b>DIGITALIZATION</b>	<ul style="list-style-type: none"> <li>Intellectual: Transformation Program</li> <li>Manufactured: Data</li> <li>Social: Vendors, Partners</li> </ul>	<ul style="list-style-type: none"> <li>CAPEX/OPEX Saved</li> <li>Increase of data signals</li> </ul>	
	<b>INNOVATION</b>	<ul style="list-style-type: none"> <li>Financial: R&amp;D Spend</li> <li>Intellectual: Patents</li> </ul>	<ul style="list-style-type: none"> <li>Market Readiness</li> </ul>	
	<b>ENERGY TRANSITION</b>	<ul style="list-style-type: none"> <li>Financial: R&amp;D Spend to Non-carbon</li> <li>Intellectual: FOW, WEC S3®</li> </ul>	<ul style="list-style-type: none"> <li>Projects under development</li> </ul>	
	<b>MARKET POSITIONING</b>	<ul style="list-style-type: none"> <li>Intellectual: Transformation Programs</li> <li>Manufactured: Fleet &amp; Projects</li> <li>Social: Sustainability Institutes</li> </ul>	<ul style="list-style-type: none"> <li># of Fleet</li> <li># of Projects</li> <li>Sustainability ranking</li> </ul>	

## SBM OFFSHORE LIFECYCLE

## VALUE PLATFORMS

As an ocean energy provider, SBM Offshore has a clear understanding of the role it plays in the industry value chain and continuously assesses the greatest possibilities from the marketplace.

At SBM Offshore, there is a belief that there is a value-premium for investing in the future. Business activities are organized to maximize the societal and financial values of SBM Offshore's stakeholders.

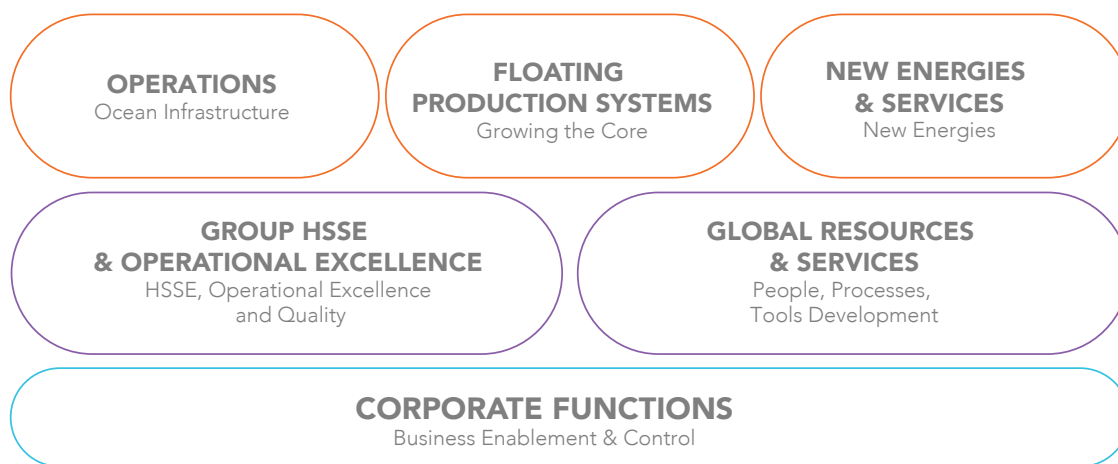
SBM Offshore sustains value through three value platforms: Ocean Infrastructure, Growing the Core and New Energies & Services.

- SBM Offshore's **Ocean Infrastructure** is represented by SBM Offshore's operations on behalf of its clients. These have become increasingly efficient, with a lower carbon footprint and a leading uptime and safety track record. This platform is evolving with new generations of products and the recordable contractual backlog provides cash flow visibilities up to 2050.

- **Growing the Core** is the value platform for business transformation of the FPSO business. The organization envisions itself as a leader and stays resilient in both competitiveness, with Fast4Ward®, and in having a low carbon footprint, with emissionZERO®. SBM Offshore continually brings to market improved value propositions.
- **New Energies** – Through the delivery of this third value platform, SBM Offshore takes ownership of the energy transition. SBM Offshore's strategy is to position itself in this growing market sector as the energy mix evolves to give renewables a more dominant role. SBM Offshore is investing in technology development for renewable energy, especially in floating offshore wind and wave energy. New Energies also covers activities that leverage SBM Offshore's operational data, digital solutions and expertise to continue to deliver value to its customers.

SBM Offshore's business model is structured around the above value platforms to ensure safety, cost optimization, product transformation and growth.

## ORGANIZATION MODEL



## LIFECYCLE VALUE

SBM Offshore's clients typically control the complete value chain, from the initial offshore exploration phase to the physical distribution of energy. SBM Offshore adds value along the full lifecycle of ocean infrastructure projects, including operations & maintenance services. SBM Offshore also provides energy distribution solutions, such as CALM buoys and digital solutions through its Smart Digital Services offering.

### R&D and Business Development

SBM Offshore engages in Research and Development. Business Development works on early market opportunities

and product development on further improvement of SBM Offshore's solutions and the commercial management of prospects. After commercial success, the Project Execution phase begins, during which SBM Offshore executes Engineering, Procurement, Construction & Installation (EPCI). Specific to the renewable energy business is the co-development of Floating Offshore Wind projects and securing seabed rights and relevant permits in cooperation with the client.

### EPCI

Engineering & Design delivers conceptual studies, basic design and detailed design through in-house resources.

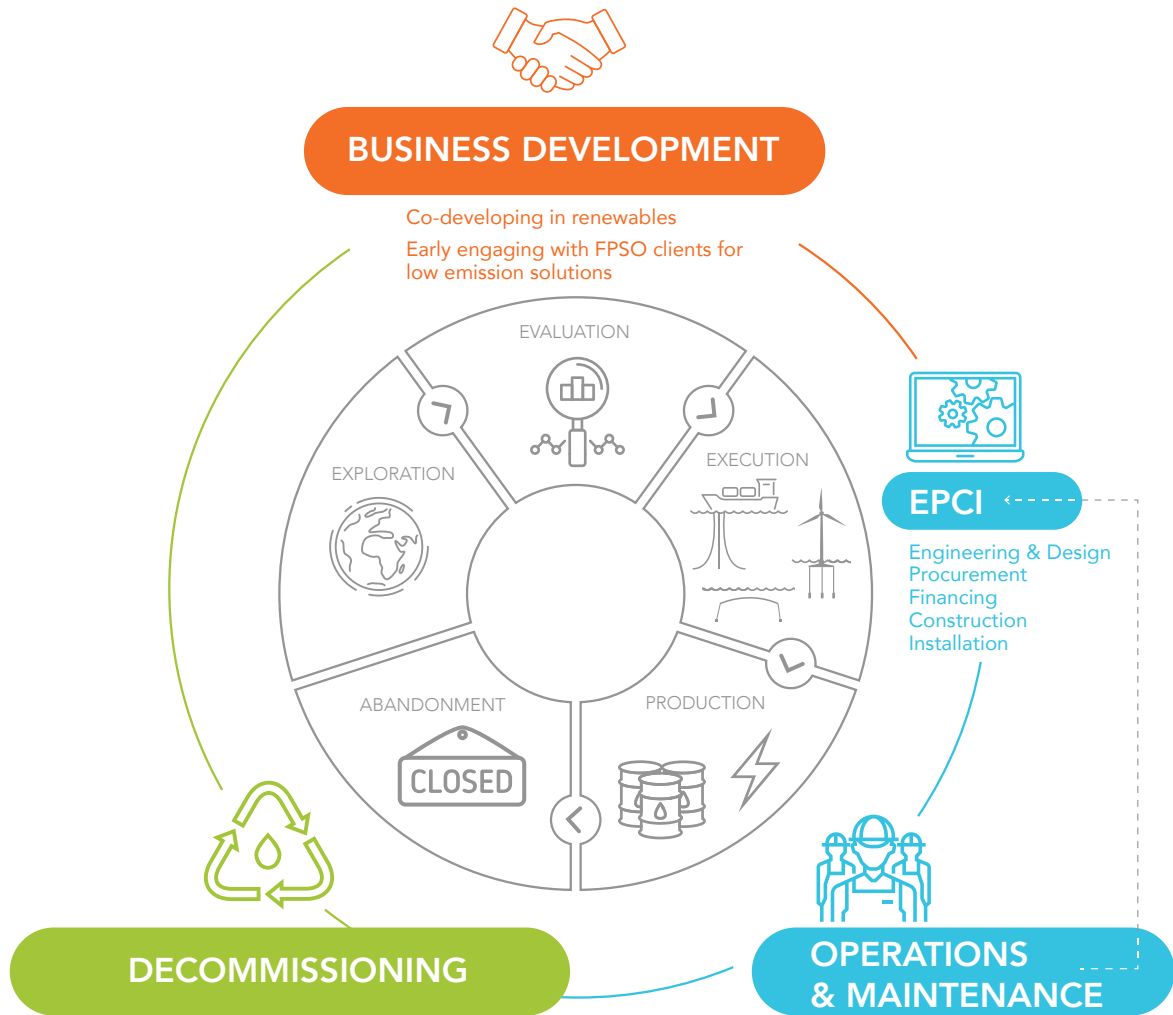
# 1 BUSINESS ENVIRONMENT

Procurement of equipment and services represents a substantial part of the total cost of constructing a floating production system. SBM Offshore has an integrated supply chain, in line with its Fast4Ward® principles, partnering with suppliers to execute projects.

While maintaining responsibility for delivery and project management, SBM Offshore outsources most construction

activities and has agreements in place with yards that allow delivery of floating production systems through different execution models and local content requirements. The installation of floating facilities is carried out using specialized installation vessels and requires specific engineering expertise and project management skills.

## SBM OFFSHORE'S BUSINESS MODEL



### Operations

SBM Offshore provides operation and maintenance services on behalf of its clients. This activity creates value for clients, as the uptime performance of the facility directly impacts the amount of energy produced.

For FPSOs these services can be based on fixed lump sum or reimbursable contracts.

### Decommissioning and Recycling

At the end of the lifecycle, facilities are decommissioned and recycled. For FPSOs, SBM Offshore applies the Hong Kong Convention rules and the principles of the EU Ship

Recycling Regulation – or equivalent standards should EU Ship Recycling Regulation not be applicable – to recycle its units, using certified and regularly audited recycling yards. The processes surrounding the end-of-life recycling of products are vital to sustainability and SBM Offshore works to ensure that green recycling is carried out and that internationally-recognized regulations are followed. SBM Offshore has a 'Vessel Decommissioning and Recycling Process', which details the key steps in conducting the green recycling of an offshore unit.

SBM Offshore works with recycling facilities that have adequately trained management and staff and the required health and safety procedures in place. SBM Offshore's process includes inspecting all vessels for hazardous materials and ensuring a controlled removal and disposal of such materials as part of the decommissioning and recycling of the vessel. SBM Offshore considers the environmental and social impacts related to the decommissioning and recycling activities of each vessel, with the objective of minimizing adverse impact.

### Financing

SBM Offshore ensures optimum results for clients by offering various financing models:

- Under a Lease & Operate contract, the facility is sold to asset-specific companies to charter the asset for the client throughout its lifecycle. The project debt-financing is arranged at the asset-specific company level, based on the facility's value (which is based on construction costs and a margin). SBM Offshore's Revolving Credit Facility is generally used to cover the period before project debt-financing is in place. SBM Offshore tends to optimize debt-financing in asset-specific companies on a 'non-recourse' basis, in order to optimize return on equity and achieve an appropriate balance of risk allocation. Upon acceptance of the production system by the client, generally upon production start, SBM Offshore's corporate guarantee is relinquished and the project debt becomes non-recourse to the parent.
- Under a direct sale, the construction is financed by the client, and a margin is generated from the turnkey sale.
- Under a hybrid of the two above, such as the build-operate-transfer (BOT) model, SBM Offshore builds and commissions the unit and operates it during a defined period (the crucial start-up phase). The transfer of ownership to the client then occurs at the end of this defined period.



# 1 BUSINESS ENVIRONMENT

## 1.4 RISK MANAGEMENT

### 1.4.1 RISK APPETITE

The Risk Appetite Statement 2021 sets the guidance and boundaries for the activities conducted by SBM Offshore in pursuit of its strategic objectives. The Management Board reviews the Risk Appetite Statement annually to ensure that SBM Offshore 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 Audit and Finance Committee.

The significant parts of SBM Offshore's Risk Appetite Statement are displayed below.

Material Topic	Activities guided by Risk Appetite, i.e. activities ...	Guidance
Ethics & Compliance	which are non-compliant with the Code of Conduct and related laws and regulations	Zero tolerance
	for which a country or business partner is sanctioned, and/or whose decision makers do not share the same compliance principles	Zero tolerance
Employee Health Safety & Security	causing harm to people, damage to assets or the environment	No appetite
Human Rights	which are violations of SBM Offshore's human rights standards	No appetite
Operational Excellence & Quality	resulting in 'non-quality' before, during and after a project	Limited appetite
Retaining and developing employees	impacting the retention, development and health of SBM Offshore's employees	Limited appetite
Economic Performance	resulting in balance sheet risk as a result of commercial opportunities for which the bankability cannot be reasonably confirmed	Limited appetite
	severely impacting profitability of SBM Offshore	Limited appetite
Emissions	resulting in an increase of emissions intensity of SBM Offshore's products and deviations from net-zero ambitions	Limited appetite
Digitalization	exposing SBM Offshore considerably to cybersecurity risks	No appetite
Innovation	exposing SBM Offshore to severe damage due to application of unproven technologies	Limited appetite
Energy Transition	exposing SBM Offshore to significant, unproven commercial models	Limited appetite
Market Positioning	resulting in M&A activities with high process safety risks and/or higher emissions	No appetite

#### Explanation of Guidance

Activities for which there is zero tolerance

Refusal to accept any activity breaching this risk appetite

Activities with risks for which SBM Offshore has no appetite

Risks within activities to be avoided with appropriate actions

Activities with risks with a limited appetite

Risks within activities to be mitigated and monitored