



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

4 FINANCIAL INFORMATION 2021

4.3.5 EXPENSES BY NATURE

The table below sets out expenses by nature for all items included in EBIT for the years 2021 and 2020:

	Note	2021	2020
Expenses on construction contracts		(1,732)	(1,245)
Employee benefit expenses	4.3.6	(669)	(614)
Vessels operating costs		(413)	(378)
Depreciation, amortization and impairment		(88)	(439)
Selling expenses		(16)	(24)
Other costs		(114)	(189)
Total expenses		(3,032)	(2,891)

In 2021, expenses on construction contracts significantly increased as a result of the further ramp-up of the activity on Turnkey projects since the Company has five FPSO's under construction and FEED activities on the FPSO for the Yellowtail development project.

Vessel operating costs have increased mainly as a result of (i) an increase in the net incremental costs from the implementation of additional safety measures linked to COVID-19, (ii) some repair costs incurred in 2021 on damaged mooring lines on one Unit (for which compensation from insurance is not yet secured) and (iii) higher maintenance and repair activities, including maintenance campaigns postponed to 2021 due to the COVID-19 new pandemic context in 2020;

The significant decrease of depreciation, amortization and impairment in 2021 in comparison to 2020 mainly relates to the previous year specific events being (i) the full depreciation of Deep Panuke MOPU due to the redelivery of the unit, (ii) the requalification as finance lease of the *FPSO Espirito Santo* following lease contract extension and (iii) some impairments on one installation vessel and two units of the Company's fleet.

Expenses related to short-term leases and leases of low value assets amounted to US\$4 million in 2021 (2020: US\$5 million).

The decrease in Other costs is mainly driven by the prior year impact of restructuring costs of US\$46 million.

4.3.6 EMPLOYEE BENEFIT EXPENSES

Information with respect to employee benefits expenses are detailed as follows:

	Note	2021	2020
Wages and salaries		(353)	(353)
Social security costs		(49)	(53)
Contributions to defined contribution plans		(35)	(35)
Contributions to defined benefit plans		(2)	(1)
Share-based payment cost		(27)	(27)
Contractors costs		(139)	(84)
Other employee benefits		(64)	(60)
Total employee benefits	4.3.5	(669)	(614)

Contractors costs include expenses related to contractor staff not on the Company's payroll. The increase in contractors' costs compared with previous year reflects the general ramp-up of Turnkey activities and the Company's strategy aiming to maintain flexibility in its workforce monitoring. Other employee benefits mainly include commuting, training, expatriate and other non-wage compensation costs.

DEFINED CONTRIBUTION PLAN

The contributions to defined contribution plans includes the Company participation in the Merchant Navy Officers Pension Fund (MNOFF). The MNOFF is a defined benefit multi-employer plan, which is closed to new members. The fund is managed by a corporate Trustee, MNOFF Trustees Limited, and provides defined benefits for nearly 22,830 (2020: 23,447) Merchant Navy Officers and their dependents out of which approximately 29 (2020: 29) are SBM Offshore former employees.

The Trustee apportions its funding deficit between Participating Employers, based on the portions of the Fund's liabilities, which were originally accrued by members in service with each employer. When the Trustee determines that contributions are unlikely to be recovered from a Participating Employer, it can re-apportion the deficit contributions to other Participating Employers.

Entities participating in the MNOPF are exposed to the actuarial risk associated with the current and former employees of other entities through exposure to their share of the deficit those other entities default. As there is only a notional allocation of assets and liabilities to any employer, the Company is accounting for the MNOPF in its financial statements as if it was a defined contribution scheme. There are no contributions to the plan agreed at present.

DEFINED BENEFIT PLANS AND OTHER LONG-TERM BENEFITS

The employee benefits provisions recognized in accordance with accounting principles, relate to:

	Note	2021	2020
Pension plan		2	6
Lump sums on retirement		9	11
Defined benefit plans		11	17
Long-service awards		16	17
Other long-term benefits		16	17
Employee benefits provisions	4.3.25	26	34

The defined benefit plan provision is partially funded as follows:

Benefit asset/liability included in the statement of financial position

	31 December 2021			31 December 2020		
	Pension plans	Lump sums on retirement	Total	Pension plans	Lump sums on retirement	Total
Defined benefit obligation	33	9	42	39	11	50
Fair value of plan assets	(31)	-	(31)	(33)	-	(33)
Benefit (asset)/liability	2	9	11	6	11	17

The main assumptions used in determining employee benefit obligations for the Company's plans are shown below:

Main assumptions used in determining employee benefit obligations

in %	2021	2020
Discount rate	0.25-1.25	0.00-1.00
Inflation rate	2.00	1.75
Discount rate of return on plan assets during financial year	0.25	0.00
Future salary increases	1.00 - 3.00	1.00 - 3.00
Future pension increases	-	-

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL OF THE COMPANY

The remuneration of key management personnel of the Company paid during the year, including pension costs and performance related Short-Term Incentives (STI), amounted to US\$20 million (2020: US\$19 million). There are no loans outstanding to the members of the key management or guarantees given on behalf of members of the key management.

The performance-related part of the remuneration of the Management Board, comprising Value Creation Stake and STI components, was 67% (2020: 68%). The Management Board's remuneration (which is Euro denominated) decreased in 2021