SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

Table 2

	Turnover	CAPEX	OPEX
Taxonomy-Eligible Activities (%)	1.0	0.2	30.5
Taxonomy-Non-Eligible Activities (%)	99.0	99.8	69.5
Total (in millions of US$)	3,747.32	59.1	41.1

From fiscal year 2022 onwards, eligibility assessment will be complemented by alignment assessment as per the EU Taxonomy regulation.

5.2 REPORTING BOUNDARIES

SBM Offshore not only reports on impacts it causes, but also on impacts it contributes to, and impacts that are linked to its activities. In each of the following paragraphs SBM Offshore elaborates in detail on the boundaries of SBM Offshore's material topics. The boundary of a material topic relates to the parts of the organization and supply chain covered in the figures.

5.2.1 HEALTH, SAFETY AND SECURITY REPORTING

Our people work in demanding roles and conditions which have many different hazards to manage, whether in offshore locations or construction work in remote locations. The HSS performance indicators boundaries take into account:

- Employees, which include all direct hires, part-time employees, locally-hired agency staff ('direct contractors') in the fabrication sites, offices and offshore workers, i.e. all people working for SBM Offshore.
- Contractors which include any person employed by a contractor or contractor's subcontractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.

Until 2021, HSS incidents have been reported and managed through SBM Offshore's incident management tool (SRS – Single Reporting System) which is a web-based reporting system that is used to collect data on all incidents occurring in all locations where SBM Offshore operates. In 2021, SBM Offshore developed and began using the IFS Incident Management/Corrective Action Preventive Action (IM/CAPA) module for Brazil operations. IFS IM/CAPA module will be further rolled out to the remaining company locations to replace SRS.

SBM Offshore reports on all incidents classified as fatalities, injuries and high consequence injuries – work-related injuries that result in a fatality or in an injury from which the worker is not expected to recover from within six months. Safety incidents are reported based on the incident classifications as defined by the IOGP Report 2020s-May 2021. Health incidents are reported based on the occupational illnesses classification given in IOGP Report Number 393-2007. The main-type of work-related injury categories are related to manual handling injuries and slips, trips and falls – e.g. walking at same level & stairs. Investigations, based on the type, criticality and severity of the event, are performed by specifically identified personnel using methods among which TapRoot® and 5 Why.

Employees are provided HSSE trainings to familiarize themselves with the Company's health, safety, and security rules and regulations. The training topics are based on the hazards identified through the above identification process as well as the regulatory requirements. The promotion of a speak up culture – as described in section 2.1.1. – contributes to the identification process. Inclusion and non-retaliation are part of the Speak Up Policy.

5.2.2 ENVIRONMENTAL REPORTING

ATMOSPHERIC EMISSIONS

Emissions reported in SBM Offshore's records include:

- Scope 1 – Direct Emissions
- Scope 2 – Purchased Electricity
- Scope 3 – Business Travel
- Scope 3 – Purchased Goods & Services
- Scope 3 – Downstream Leased Assets

For all reported emissions goes that CO_2 equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO_2 that would have the same Global Warming Potential (GWP), when measured over a specified timescale (generally, 100 years).

Scope 1 – Direct Emissions

For the Natural Gas consumed in offices the Company takes an operational controlview and uses conversion factors from the Dutch Emission Authority and the website www.co2emissiefactoren.nl.

Scope 2 – Purchased Electricity

Scope 2 comprises GHG emissions from energy purchased for offices (market-based and location-based).

The reporting scope includes all locations where the headcount is over 10 and yards over which SBM Offshore has full operational control. SBM Offshore reports onshore emissions data for the following locations: Amsterdam,

Houston, Kuala Lumpur, Marly, Monaco, Rio de Janeiro, Schiedam, Shanghai, Carros lab, Georgetown, Bangalore, Brazil Shorebases, Luanda Shorebase and Malabo Shorebase. The Singapore office is excluded as SBM Offshore has no visibility on energy breakdown usages as the energy is included in the lease.

For the purchased electricity usage, SBM Offshore uses conversion factors to calculate CO_2 equivalents from energy consumed (kWh). Sources used for these conversion factors are amongst others the European Environmental Agency, European Investment Bank and The Association of Issuing Bodies.

Scope 3 – Business Travel

This scope entails GHG emissions from flights invoiced and paid for via SBM Offshore's standard travel system in 2021 and the data covers all operating companies. Business travel is determined based on flight data communicated by travel agencies, including mileage per invoice date and a calculated extrapolation of data for the last 2 weeks of the year. In a few cases mileage data is missing, completed with mileage from a similar route. In cases where the Company has indications that a flight is multi-legged, total distance mileage is divided by two. Emission calculations are done as if it were two separate flights, using subsequent emission conversion factors. The GHG emissions relating to business flights are based on third-party documentation on distances, the conversion to CO_2-equivalent is based on CO_2emissiefactoren.nl.

Scope 3 – Purchased Goods & Services

This category consists of GHG emissions associated with the procurement of (capital) goods and services for FPSO projects (hereafter 'projects') that SBM Offshore is executing on behalf of its clients. The following parts of FPSO are considered in the calculations of the GHG emissions for this category:

- Hull (in Fast4ward® this is Multi purpose floater or MPF) – the marine structure of an FPSO .
- Topsides – the processing facility of an FPSO. Other parts of the FPSO (mooring structure, integration etc.) are not accounted for in this initial GHG calculation due to the data limitations and the limited percentage they add in weight as-build.

SBM Offshore calculates the GHG emissions of its projects via the GHG protocol's average data method. In this phase of raising understanding of emissions during project (EPC) stage, SBM Offshore has chosen a pragmatic approach to assess which components and materials used in projects contribute most to GHG emissions. The outcome of the analysis is initially focused on identifying GHG hot spots. Once theses GHG hotspots are identified SBM Offshore can increase accuracy of the GHG inventory via supplier engagement and with that, abate emissions.

Estimated weight topside

For Topsides the breakdown in materials is based on proposal estimates and not actuals. For the Topside SBM Offshore used two variants, one for the Guyana and one for the Brazil field, as the basis for calculation for all topsides.

Estimated weight MPF

For MPF the breakdown in materials is based on latest actuals. The MPF's are, based on the Fast4Ward®, sister Hulls and are similar in design and weight. Since the Hulls are based on the same design the same material weights are assumed for each FPSO project that uses the MPF.

To derive to the total GHG emission related to projects under construction, SBM Offshore uses the completion rates in a given year. The percentage completed in a given year, determines the total allocated emissions in that year.

Calculations for MPF and Topside were done as follows:

1. Break down MPF/Topside into the components it is made off.
2. Analyze materials & weights for each component.
3. Retrieve GHG conversion factors of the materials for each component.
4. Apply the following calculations:
   a. Gross/estimated component weight X GHG conversion – GHG emissions per component.
   b. SUM GHG emissions of each component – GHG emissions per project.
   c. GHG emissions per project X annual completion – GHG emissions per projects for the year.
   d. SUM GHG emissions projects for the year – GHG emissions for all projects for the year.
5. SUM GHG emissions for all Item types – Total GHG emissions for Scope 3.1 Procured (Capital) Goods & Services.

SBM Offshore is applying the following standards & sources for above calculations:

- GHG Protocol – Scope 3 Corporate Value Chain Accounting & Reporting Standard.
- Conversion factors from EcoInvent database to convert volumes & weights to GHG emissions for the various procured (capital) goods and services.
- SBM Offshore Project Weight Control Reports for the various Items.

Scope 3 – Downstream Leased Assets

SBM Offshore reports on emission from assets producing and/or storing hydrocarbons under lease contracts. GHG emissions come from the energy consumed (steam boilers, gas turbines and diesel engine) and from gas flared.

The environmental performance of SBM Offshore is reported by region or management area: Brazil, Angola,

North America & Caribbean, Asia & Equatorial Guinea. Based on the criteria stated above, SBM Offshore reports on the environmental performance for the following 14 units:

- Brazil – *FPSO Espirito Santo*, *FPSO Capixaba*, *FPSO Cidade de Paraty*, *FPSO Cidade de Anchieta*, *FPSO Cidade de Ilhabela*, *FPSO Cidade de Marica*, *FPSO Cidade de Saquarema*
- Angola – *FPSO Mondo*, *FPSO Saxi Batuque* and *N'Goma FPSO*
- North America & Caribbean – *Liza Destiny* (FPSO), *Thunder Hawk* (*Note that SBM Offshore does not provide operation & maintenance services to *Thunder Hawk*)
- Asia & Equatorial Guinea – *FPSO Kikeh, FPSO Aseng*

The environmental offshore performance reporting methodology was chosen according to the performance indicators relative to Greenhouse Gas Protocol, GRI Standards, IOGP and IPIECA guidelines. This includes:

- Greenhouse Gases, referred to as GHG which are N_2O (Nitrous Oxide), CH_4 (Methane) and CO_2 (Carbon Dioxide).
- GHG emissions per hydrocarbon production from flaring and energy generation.
- Non-Greenhouse Gases which are CO (Carbon Monoxide), NO_x (Nitrogen Oxides), SO_2 (Sulphur Dioxide) and VOCs (Volatile Organic Compounds).
- Gas flared per hydrocarbon production.
- Energy consumption per hydrocarbon production.
- Oil in Produced Water per hydrocarbon production.

The calculation of air emissions from offshore operations units uses the method as described in the EEMS-Atmospheric Emissions Calculations (Issue 1.810a) recommended by Oil & Gas UK. SBM Offshore reports some of its indicators as a weighted average, calculated pro rata over the volume of hydrocarbon production per region. This is in line with the IOGP Environmental Performance Indicators.

OFFSHORE ENERGY CONSUMPTION

The energy used to produce oil and gas covers a range of activities, including:

- Driving pumps producing the hydrocarbons or reinjecting produced water.
- Heating produced oil for separation.
- Producing steam.
- Powering compressors to reinject produced gas.
- Driving turbines to generate electricity needed for operational activities.

The main source of energy consumption of offshore units is Fuel Gas and Marine Gas Oil.

OIL IN PRODUCED WATER DISCHARGES

Produced water is a high volume liquid discharge generated during the production of oil and gas. After extraction, produced water is separated and treated (de-oiled) before discharge to surface water. The quality of produced water is most widely expressed in terms of its oil content. Limits are imposed on the concentration of oil in the effluent discharge stream or discharge is limited where reinjection is permitted back into the reservoir.

The overall efficiency of the oil in water treatment and as applicable reinjection can be expressed as tonnes of oil discharged per million tonnes of hydrocarbon produced.

Incidental environmental releases to air, water or land from the offshore operations units are reported using the data recorded in SBM Offshore Incident Management tool. SBM Offshore has embedded a methodology for calculating the estimated discharge and subsequent classification within the Incident Management tool.

CHANGES IN REPORTING

As emissions reporting is key for stakeholder engagement on the Energy Transition and Climate Change, providing the starting point towards a net-zero future, SBM Offshore has reassessed disclosure of emissions performance in alignment with the GHG Protocol. As the topic of emissions is material to the business, it is important to explain where SBM Offshore has direct control and where SBM Offshore has indirect or no control. Also, it is key to leverage the proper standards substantiating such explanation. In summary, for the 2021 Annual Report – SBM Offshore chooses to:

a. **Continue Operational Control** as the basis for emissions reporting as it represents a view that
    a. Provides a complete picture on the emission profile of its business.
    b. Enables the best engagement with key stakeholders, most notably clients, suppliers, financers & joint venture partners.
b. **Further align accounting with accountability** – i.e. to reflect the reality of direct control, indirect control and no control on emissions and emission reduction. As a result:
    a. SBM Offshore expands its Scope 3 disclosure with additional GHG Protocol Scope 3 categories 1 & 13 – on top of category 6 as per previous years.
    b. Part of the emissions – related to services to the hydrocarbon production industry – historically captured as Scope 1 are accounted for as Scope 3, category 13 (downstream leased assets) – key reasons being:
        i. The ambition to increase action and stakeholder engagement to reduce emissions in SBM Offshore's value chain.

ii. Misalignment between accounting and accountability for emissions reductions on downstream leased assets (FPSO):
    1. **Previous Emissions accounting approach:** considers all FPSO emissions under direct control of SBM Offshore.
    2. **Emissions accountability as per current emissions approach:** considers emissions related to leased FPSOs not under direct control, including control to reduce those emissions – as the technical specification and operational requirements for these FPSOs are driven by hydrocarbon reservoir characteristics and client criteria.
iii. Reduction of unnecessary double count based on engagement with clients, suppliers & financers on the topic of emissions accounting regarding downstream leased assets.

Above is aligned with IFRS treatments of leased assets, reflected as finance lease receivables in the Consolidated Statement of the Financial Position of this Report (sections 4.1 and 4.2).

c. **Further adjustments to its emissions calculations** as part of continuous improvement.
    a. Applying Global Warming Potentials from the IPCC fifth assessment report.
    b. Reducing previous double count in CO_2 from flaring.
    c. Using data from the SBM Offshore Operations Emissions Dashboard launched in 2021 – This removed the manual extraction step from daily reports. To ensure data accuracy in this year's transition period SBM Offshore decided to use 2020 average gas density figures.

Updates in calculation and reporting methods

As a result of the above the following elements have been updated in 2021:

1. Additional disclosure on Scope 3 – e.g. Purchased Goods & Services and Capital Goods – in section 2.1.7 and below table for 2020.
2. The emissions from assets operated on behalf of clients are described under Scope 3 GHG Emissions (downstream leased assets), compared to Scope 1 in previous years, explained in section 2.1.7. – which leads to inclusion of Thunderhawk in the disclosed emissions data.
3. The Global Warming Potential factors have been updated in line with IPCC's Fifth Assessment Report.
4. Part of the CO_2 flared in downstream leased assets was removed from the calculations. Deeper analysis with technical teams led to the conclusion that CO_2 flared was already included in the daily total flaring figure. This affects the following assets: *FPSO Cidade de Ilhabela, FPSO Cidade de Paraty, FPSO Cidade de Marica, FPSO Cidade de Saquarema* and *Liza Destiny* (FPSO).

Items 1 and 2 lead to subsequently an addition and re-categorization in the table in section 5.3.2 including emissions data for Thunderhawk. Items 3 and 4 lead to respectively:

- 0.15% decrease on the total GHG emissions expressed in tons of CO_2 eq: 5,653,549.52 vs 5,662,163.37 originally.
- 0.7% decrease of total CO_2 emissions (Tons): 5,211,452.14 vs 5,248,326.35 originally.

Furthermore, SBM Offshore Operations launched the Emissions Dashboard to even better monitor and steer on insight from the assets SBM Offshore operates on behalf of its clients. This lead to:

- Time-saving due to no manual input in emissions calculations.
- Removing potential human error at calculation level.
- More time for trend analysis.

To ensure data accuracy in this year's transition period SBM Offshore decided to use 2020 average gas density figures. Using one density figure reduced the complexity whilst running two systems – old and new – in parallel at the same time validating the calculations between the two systems.

5.2.3 PROCESS SAFETY REPORTING

A Loss of Primary Containment (LOPC) is defined as an unplanned or uncontrolled release of any material from primary containment, including non-toxic and non-flammable materials (e.g. steam, hot condensate, nitrogen, compressed CO_2 or compressed air).

A Tier 1 or Tier 2 PSE is defined as an LOPC from a process system that meets criteria defined in API RP 754.

LOPC events are reported in SBM Offshore's Reporting System as highlighted in sections 2.1.2 and 5.3. This system includes a built-in calculation tool to assist the user in determining the release quantity of LOPC events. All LOPCs are analysed to identify those considered to be PSEs as per API RP 754. Process Safety KPIs used by SBM Offshore include the number of Tier 1 and the number of Tier 2 PSEs.

5.2.4 HUMAN RESOURCES REPORTING

SBM Offshore's Human Resources (HR) data covers the global workforce and is broken down by region (continents) and employment type. The performance indicators report on the workforce status at year-end December 31, 2021. They include all staff assigned on unlimited or fixed-term contracts, employee new hires and departures, total number of locally-employed staff from agencies, and all