OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

CHAPTER1
BUSINESS ENVIRONMENT

1 BUSINESS ENVIRONMENT

1.1.1 MESSAGE FROM THE CEO

"We are not in the energy business, we are in the energy transition business. And it is not just about switching to renewables. It is a radical transformation, starting with lowering the impact of fossil fuel, while developing new means to replace it.
At SBM Offshore, we put our marine expertise and oil & gas experience at the service of a responsible future."

Bruno Chabas
Chief Executive Officer

2021 has been a landmark year for SBM Offshore. We have performed well in progressing our project portfolio, increasing our order book, advancing on our ambitions, and managing significant growth. All of this while taking on the challenges that came with the COVID-19 pandemic.

What we have achieved over the last year is down to the dedication and commitment of SBMers to getting the job done. It has been an intense year, and many of our employees have withstood immense pressure and stress in such difficult circumstances. We have done and will continue to do all we can to support and care for our teams across the globe. They can be rightly proud of their achievements this year.

Overall, our project portfolio is going well: we finalized the construction of FPSO *Liza Unity* in Singapore at the end of the summer and are now at the commissioning stage, in line with the pre- COVID-19 schedule commitment. On FPSO *Sepetiba*, we had some significant challenges during construction, but the project is adapting well to these new conditions. We won two new awards in Brazil: the FPSOs *Almirante Tamandaré* and *Alexandre de Gusmão*. The construction of these and the FPSO *Prosperity* are on track and the Fast4Ward® hull allocated to the Yellow Tail project has been successfully delivered, despite COVID-19 and the consequent supply-chain challenges.

By adding the production capacity of the FPSOs under construction to those we already operate, we expect to produce above 2% of the world's oil with a significantly lower environmental footprint compared to the wider industry. This is testament to the technology developed through our Fast4Ward® program and the imagination of the people who embarked on this journey in 2014. Reducing our environmental impact is also the premise of our emissionZERO® program.

The ongoing digitalization of our operating experience is also sustaining our performance, enabling us to continually learn and refine the operations and environmental footprint of our assets around the world. This gives us a competitive edge and helps us bring new solutions and new ways of working to our clients, both in fossil and renewable energies.

Financially, we delivered results in line with expectations set during the year. The new awards saw our backlog of contracted orders increase to a record year-end level of US$29.5 billion. These contracts, supporting fields with very low break evens and lower than average emissions, provide a cashflow foundation for the next three decades.

On the funding side, we managed to secure US$4.8 billion of debt, all related to facilitating the funding of growth through our FPSO construction projects in hand. This demonstrates the confidence of our financing stakeholders in SBM Offshore's current and future strength. This year, we also increased our dividend by 10% to US$165 million and in addition we completed a US$180 million share repurchase: this aggregate US$345 million marks a record annual return to shareholders and brings the total we returned over the past six years to over US$1.2 billion. This further illustrates the robustness of the Company, the quality of our execution and the appropriateness of our strategic positioning.

The solid management of our traditional portfolio is what enables SBM Offshore to invest in tomorrow's technologies: our performance today underpins our future success. We are not in the energy business; we are in the energy transition business. We are firmly focused on radically transforming our business to accompany the energy industry as it evolves away from fossil fuels towards a renewable future.

Our strategy is two-fold: firstly, to reduce emissions, and secondly, to develop solutions for renewable energy production. It's not just about making clean energy, it's about making all energies safer, cleaner, and accessible.

On the first goal, enhanced by our emissionZERO® program, we are steadily reducing our environmental footprint. FPSOs under construction are already set to achieve lower levels of CO_2 per barrel of oil produced, and we continue to invest in reducing this footprint even further in the future. At the same time, we are working to bring existing assets up to a better standard. In this way we are reducing the environmental impact of hydrocarbons through the inevitable transition period.

On the second goal, we have made significant progress this year on our floating offshore wind offer. We are building the first three TLP (Tension-Leg Platform) facilities for the Provence Grand Large project, on behalf of client *EDF Renouvelables*. Development now is about honing costs to make floating wind competitive, to enable the transition to be accelerated.

We believe there is a significant market potential for floating offshore wind, which dovetails neatly with our strengths in engineering and technology, project management, operations, and financing. We are confident that our skills and experience in complex engineering in a marine environment will be needed throughout the years of radical transformation in the energy industry. We have anticipated and prepared for the future and we are ready to support the transition, both in terms of improving today's technologies and in developing tomorrow's.

In the coming ten years, we expect to see the beginning of a commercially viable market for floating offshore wind and a shift in our activities from FPSOs towards this new market. By the mid-2030s, we can even envisage a tipping point, where more new activity will come from floating offshore wind than our traditional portfolio.

As a company, we have embraced the energy transition and have plotted our path into the future. We are well-positioned; we are challenging ourselves to become better every day and we are improving all the time. We are firmly establishing the long-term future of SBM Offshore by being profitable and investing at the right time in the technologies of the future that complement our skills and expertise.

I am confident in our ability to meet the energy challenge and to be at the forefront of the transformation!

COMPANY HIGHLIGHTS

15 ASSETS LEASED TO CLIENTS

FLEET PRODUCTION UPTIME **99.1%**

34 TRAINING HOURS PER EMPLOYEE

0.06 TOTAL RECORDABLE INJURY FREQUENCY RATE (per 200,000 hours)

6,426 PEOPLE

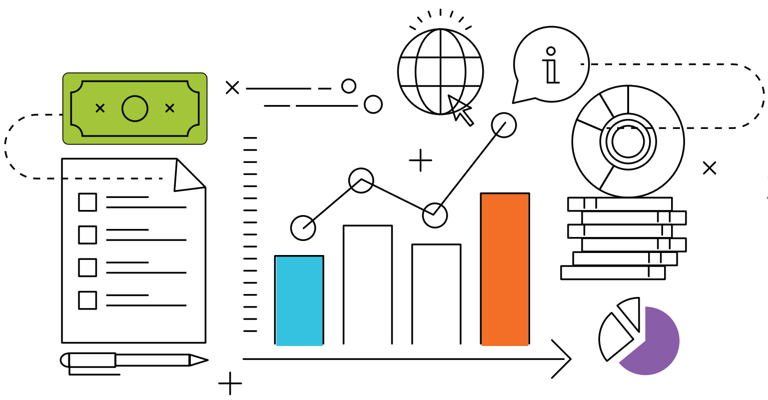
96% COMPLETION RATIO FOR ONSHORE COMPLIANCE TRAINING TO DESIGNATED STAFF

UNDERLYING DIRECTIONAL EBITDA
US$931 million

DIRECTIONAL TOTAL ASSETS
US$9.7 billion

MARKET CAPITALIZATION
US$2.7 billion

UNDERLYING DIRECTIONAL NET PROFIT
US$126 million



CASH RETURNED TO SHAREHOLDERS
US$343 million

RECORD PROFORMA DIRECTIONAL BACKLOG
US$29.5 billion

UNDERLYING IFRS NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
US$405 million

UNDERLYING IFRS EBITDA
US$906 million

2021 IN BRIEF

FIRST QUARTER

A US$850 million non-recourse senior secured notes transaction was successfully priced. The issuer of the notes is the subsidiary company Guara Norte, which owns *FPSO Cidade de Ilhabela* and in which SBM Offshore has a 75% interest.

Full Year 2020 Earnings: guidance was delivered, year-on-year net increase in backlog of almost US$1 billion and a dividend of US$165 million being an increase of 10% on the previous year.

SBM Offshore signed a Letter of Intent (LoI) with Petrobras for a 26.25 year lease and operate contract for the *FPSO Almirante Tamandaré*, to be deployed at the Búzios field offshore Rio de Janeiro, Brazil. We will design and construct the FPSO using our industry leading Fast4Ward® program.

SECOND QUARTER

During the Annual General Meeting Douglas Wood was re-appointed as member of the Management Board and Chief Financial Officer and Ingelise Arntsen was appointed as member of the Supervisory Board.

First Quarter 2021 Trading Update: despite COVID-19 strong operating performance and major projects under construction progressing as expected. Fleet operational uptime was 98.6% over the quarter. Financial guidance was maintained.

SBM Offshore completed the project financing of the *Prosperity* (FPSO) for a total of US$1.05 billion.

THIRD QUARTER

SBM Offshore signed, following a binding Letter of Intent (LoI), contracts with Petrobras for the 26.25 year lease and operation of *FPSO Almirante Tamandaré.*

SBM Offshore signed a Letter of Intent (LoI) with Petrobras for a 22.5 year lease and operate contract for the *FPSO Alexandre de Gusmão*, to be deployed at the Mero field offshore Arraial do Cabo, Rio de Janeiro state, in Brazil. We will design and construct the FPSO using our industry leading Fast4Ward® program.

Half Year 2021 Earnings: financial results in line with management expectation, with record-level US$29.5 billion backlog and increased shareholder returns thanks to launch of EUR150 million share repurchase program.
Announcement of the Company's renewable energy ambition to co-develop or participate as a Floating Offshore Wind technology or turnkey provider in 2GW of projects over the next decade.

SBM Offshore completed the project financing of *FPSO Sepetiba* for a total of US$1.6 billion, which is the largest project financing in our history.

We also secured a US$635 million bridge loan facility for the financing of the construction of *FPSO Almirante Tamandaré*.

Liza Unity (FPSO) was the first FPSO in the world to be awarded a SUSTAIN-1 notation.

FOURTH QUARTER

SBM Offshore completed its EUR150 million 2021 share repurchase program.

Third Quarter Trading Update: strong performance despite ongoing COVID-19 challenges, financial results in line with management expectations.

SBM Offshore was awarded contracts by ExxonMobil to perform Front End Engineering and Design (FEED) for an FPSO for the Yellow Tail development project in Guyana. Subject to Guyana government approvals and project sanction and release of second phase of work by the client, SBM Offshore will design and construct the FPSO using its industry leading Fast4Ward® program.

Following the binding Letter of Intent (LoI), SBM Offshore signed contracts with Petrobras for the 22.5 years lease and operation of *FPSO Alexandre de Gusmão.*

SBM Offshore secured a US$620 million bridge loan facility for the financing of the construction of *FPSO Alexandre de Gusmão.*

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

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. – Energy. Committed.

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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Material Topics	**Key Objectives**	**Key Strategy Element**	**Key Outputs**	**Key Outcomes**	**SDGs**
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.

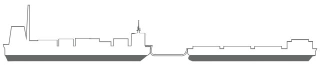
Terminals

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.

DEEP WATER EXPERIENCE BY WATER DEPTH



		bpd	
475m	*FPSO Serpentina*	110k	Equatorial Guinea
720m	*FPSO Saxi Batuque*	100k	Angola
728m	*FPSO Mondo*	100k	Angola
960m	*FPSO Aseng*	80k	Equatorial Guinea
1,221m	*FPSO Cidade de Anchieta*	100k	Brazil
1,250m	*N'Goma FPSO*	100k	Angola
1,365m	*FPSO Kikeh*	120k	Malaysia
1,485m	*FPSO Capixaba*	100k	Brazil
1,525m	*Liza Destiny* (FPSO)	120k	Guyana
1,600m	*Liza Unity** (FPSO)	220k	Guyana
1,780m	*FPSO Espirito Santo*	100k	Brazil
1,850m	*Thunder Hawk*	60k	USA
1,900m	*Prosperity** (FPSO)	220k	Guyana
1,900m	*FPSO Alexandre de Gusmão**		Brazil
2,000m	*FPSO Sepetiba**	180k	Brazil
2,000m	*FPSO Almirante Tamandaré**		Brazil
2,100m	*FPSO Cidade de Paraty*	120k	Brazil
2,120m	*FPSO Cidade de Maricá*	150k	Brazil
2,130m	*FPSO Cidade de Saquarema*	150k	Brazil
2,140m	*FPSO Cidade de Ilhabela*	150k	Brazil

** under construction*

SHALLOW WATER
< 500m

DEEP WATER
500m to 1,500m

ULTRA DEEP WATER
>1,500m

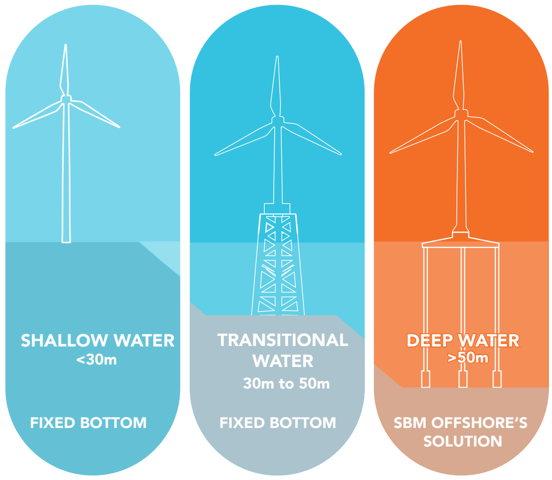
Renewable Energy

Floating Offshore Wind (FOW)
Floating Offshore Wind is opening new possibilities for wind power production locations and will play a critical role in the transition to a cleaner energy supply. Floating offshore wind turbines enable access to deeper water compared to conventional fixed-bottom wind turbines, which expands the viable area for wind energy development, reduces visibility from shore, and can potentially be located in areas with higher and steadier wind characteristics. The FOW market is developing worldwide, in anticipation of future commercial projects.

SBM Offshore has been working on Floating Offshore Wind since 2014 and is currently executing its first pilot project, leveraging its experience in EPCI of floating solutions and mooring systems. SBM Offshore is also co-developing Floating Offshore Wind projects and securing seabed rights and relevant permits, together with partners.

1 BUSINESS ENVIRONMENT

SEGMENTATION OF OFFSHORE WIND ENERGY SOLUTIONS



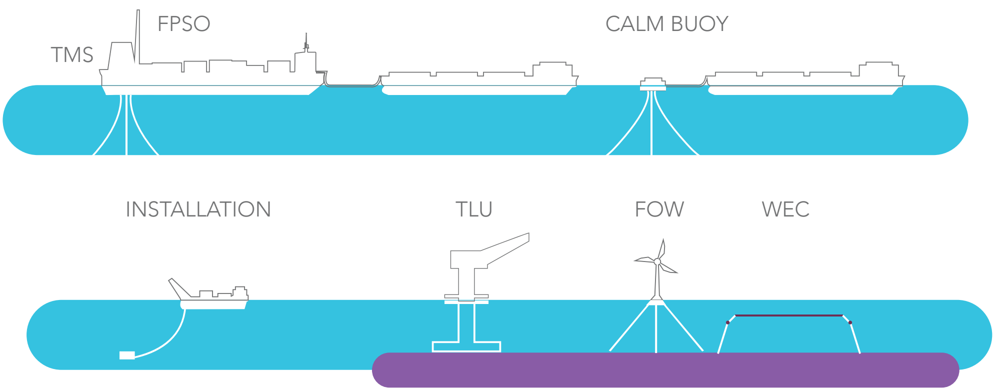
Wave Energy
While the worldwide resources of coastal wave energy are abundant, successful attempts to harness this energy from the oceans have remained elusive. Since 2009, SBM Offshore has been developing the next generation of wave energy conversion technology, called WEC S3®. Through direct conversion of the kinetic wave energy into electricity using Electro Active Polymers (EAP), this breakthrough technology addresses the limitations identified in conventional wave energy devices.

The WEC S3® technology has been successfully developed and tested in SBM Offshore's own R&D Laboratory in France. The next step towards scale up and industrialization is to successfully deploy and test a prototype at sea, that will be connected to the electricity grid. SBM Offshore has secured a test location offshore Monaco and is working diligently towards achieving this milestone.

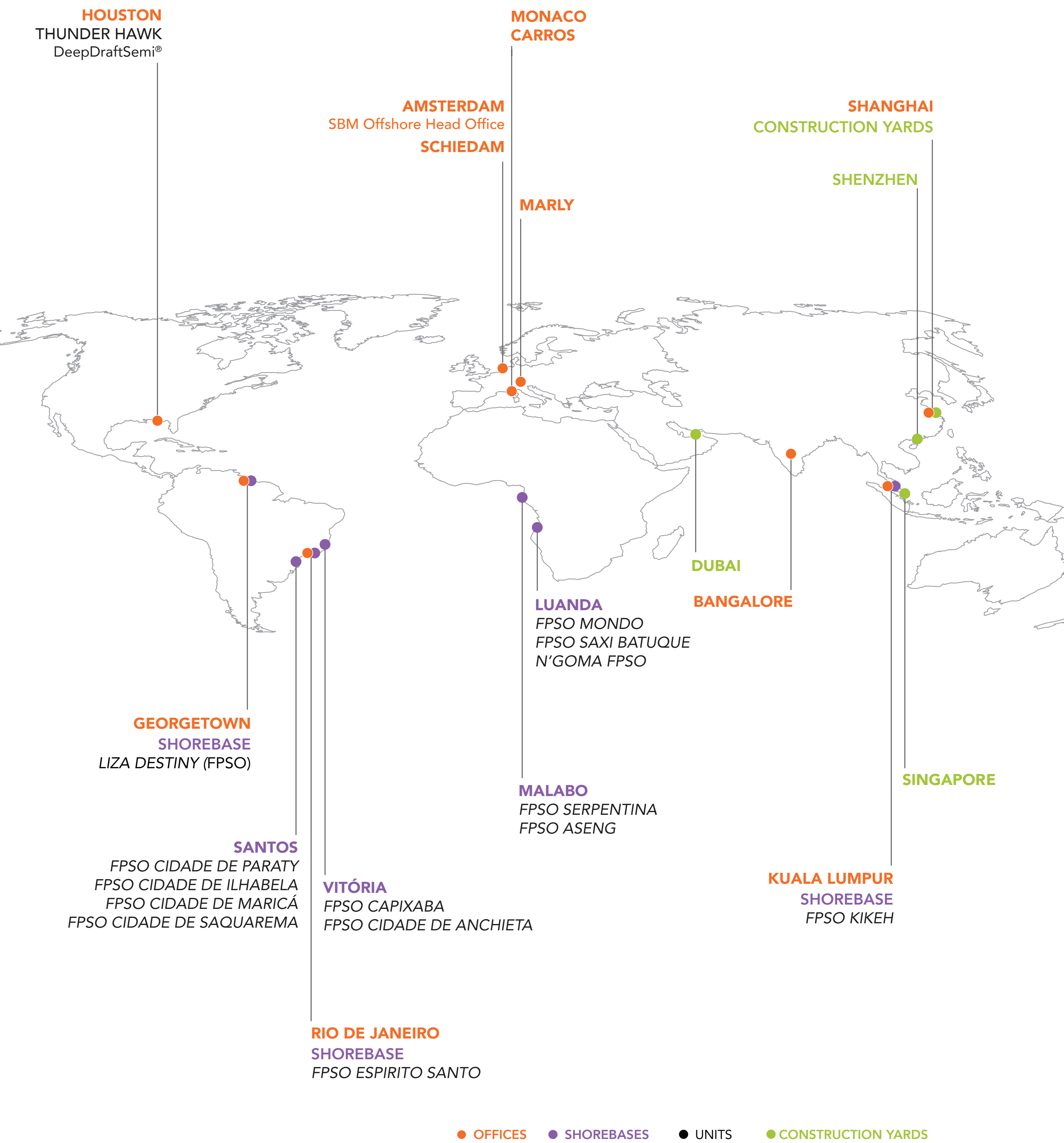
Future Energy Markets
The world's demand for sustainable energy solutions is increasing and energy transition has been put in the spotlight since climate change is largely recognized as an urgent agenda globally. The energy system is in evolution. Solar PV, wind energy, hydrogen-based technology, bio-fuels and Carbon Capture Utilization and Storage are recognized and envisioned as the frontiers going forward. SBM Offshore is investing in research and development of products within selected segments that support this energy transition.

SBM Offshore commits to a strategy that is compatible with the transition to net-zero by 2050 and takes meaningful actions, not only for new technology development, but also to re-purpose oil & gas facilities and solutions to be used in the decarbonization business. In this way, the technology and experience are transferred in the fastest way to contribute to the energy transition. For example, SBM Offshore has developed a jetty-free Tower Loading Unit (TLU) which can aid in remote areas, such as islands, to switch from coal to gas, producing power from cleaner fuel. This jetty-less fluid transfer solution can have applications in nascent energy markets, among which Carbon Capture Utilization and Storage and Ammonia Transport are the areas of particular promise.

SBM OFFSHORE ACTIVITIES



CALM Buoy	Catenary Anchor Leg Mooring Buoy	**TLU**	Tower Loading Unit
FOW	Floating Offshore Wind	**TMS**	Turret Mooring System
FPSO	Floating Production Storage and Offloading	**WEC**	Wave Energy Convertor


HOUSTON
THUNDER HAWK
DeepDraftSemi®
MONACO
CARROS
AMSTERDAM
SBM Offshore Head Office
SCHIEDAM
MARLY
SHANGHAI
CONSTRUCTION YARDS
SHENZHEN
DUBAI
BANGALORE
LUANDA
FPSO MONDO
FPSO SAXI BATUQUE
N'GOMA FPSO
GEORGETOWN
SHOREBASE
LIZA DESTINY (FPSO)
MALABO
FPSO SERPENTINA
FPSO ASENG
SINGAPORE
SANTOS
FPSO CIDADE DE PARATY
FPSO CIDADE DE ILHABELA
FPSO CIDADE DE MARICÁ
FPSO CIDADE DE SAQUAREMA
VITÓRIA
FPSO CAPIXABA
FPSO CIDADE DE ANCHIETA
KUALA LUMPUR
SHOREBASE
FPSO KIKEH
RIO DE JANEIRO
SHOREBASE
FPSO ESPIRITO SANTO
OFFICES
SHOREBASES
UNITS
CONSTRUCTION YARDS

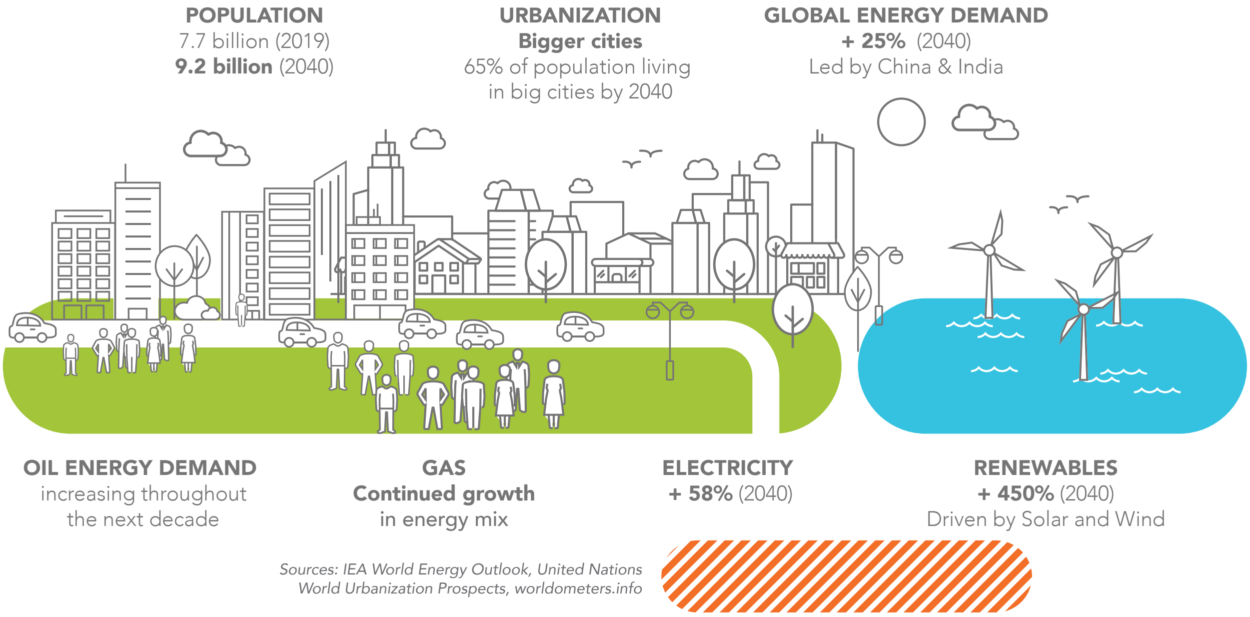
1 BUSINESS ENVIRONMENT

CURRENT, NEAR-TERM AND FUTURE IMPACTS ON SBM OFFSHORE'S ACTIVITIES

Almost two years after the COVID-19 pandemic changed the world, the demand for oil recovered to near pre-COVID-19 levels and oil prices reached multi-year highs. Whereas in 2020, there were only three FPSOs awarded in the market, in 2021 this figure increased to nine FPSOs. Most of these projects are in SBM Offshore's key regions of Brazil and Guyana.

During 2021, the energy transition and the demand for lower-emission solutions have been accelerating, with clients repositioning and adjusting their strategies towards operating in a carbon-neutral environment. In addition, there is an increasing focus across most sectors on Environmental, Social and Governance (ESG) targets.

OUTLOOK OF WORLD ENERGY DEMAND



Sources: IEA World Energy Outlook, United Nations World Urbanization Prospects, worldometers.info

MACRO TRENDS

According to the United Nations' world population projection, by 2040, the world population will surpass 9 billion people, with 65% of the total population living in big cities close to the oceans. Global energy demand is set to grow by more than 25% in the coming decades. While oil and natural gas will still play a significant part in the primary energy mix, renewable energy is increasing its share. The demand for oil is expected to continue to grow in the coming years, after which it should plateau towards the end of the decade. Despite this, field depletion plays an important role for new greenfield projects to be sanctioned. Supply gaps are probable and offshore deep water oil production will continue in the years to come. Geopolitical events make energy supply and demand inherently volatile. Section 1.4.3 presents climate change scenarios which provide insight into various possible developments relating to decelerated and accelerated energy transition paths.

SBM Offshore expects that, in the coming years, a combination of a robust technology portfolio, strong project management and engineering capabilities, operations expertise and financing capabilities will be needed to deliver sizeable deep-water projects across the energy mix. In addition, its success will depend on partnering with other companies similarly committed to its energy transition strategy and activities, with a focus on lifecycle value of projects, from early client engagement until end of field recycling phases.

1.2.2 STAKEHOLDERS AND MATERIAL TOPICS

SBM Offshore values its stakeholder network, which consists of people and organizations with high standards in life and business. This network is the basis for a sustained and sustainable business.

The main stakeholders are SBM Offshore' clients, employees, business partners, suppliers, shareholders and banks (lenders). Other important stakeholders are regulators, class society organisations, yards, export credit agencies, local communities, non-governmental organizations (NGOs), industry associations, universities, researchers and potential investors. Throughout the year, SBM Offshore engages with these stakeholders and listens to their feedback, as part of its daily business.

In 2021, engagement through digital means was key as the pandemic continued. The process is explained in section 5.1.2, with example engagement mentioned in below table.

Example engagements during 2021

Stakeholder Group	Engagement
All key stakeholders	Materiality update video-calls.
Employees	Pulse Survey, Management Calls & Virtual Townhalls.
Shareholders	Virtual Annual General Meeting. Engagement with representative groups – e.g. VBDO (Dutch Association of Investors for Sustainable Development).
Project lenders	Online 'Sustainability Day' addressing energy transition, the shift to renewable energy markets; emissionZERO® and recycling.

MATERIALITY ANALYSIS

In order to understand stakeholder interests and the impact SBM Offshore has, SBM Offshore conducts interviews with stakeholders to understand which topics are of importance to stakeholders. This assists in determining which topics become the Material Topics against which SBM Offshore measures and assesses its performance, with the outcome explained in this report. These are topics considered a) to influence stakeholder decisions and b) to have significant economic, environmental and social impact. The interviews are carried out to reinforce SBM Offshore's strategy and amend if necessary, in order to obtain an updated overview of the Material Topics. The below figure illustrates the process. Further explanation is given in section 5.1.2.

The **11 material topics** are Ethics & Compliance; Employee Health, Safety & Security; Human Rights; Energy Transition; Economic Performance; Market Positioning; Operational Excellence; Emissions; Innovation; Digitalization and Retaining & Developing Employees. Definition of these and other key topics are found in section 5.1.2. Compared with 2020, the material topics of Energy Transition and Emissions increased in importance and the key topic, Climate Change Management & Adaptation, increased in importance as well. Human Rights became a Material Topic, where previously it was addressed as part of the Employee Health, Safety & Security (HSS) topic. In interviews with some stakeholders at yards and client organizations, Human Rights was mentioned specifically when discussing employee health and safety. Furthermore, the management of SBM Offshore has evaluated this topic as having a higher economic and social impact, owing to increased construction activity and the effects of the COVID-19 pandemic (see section 2.1.3).

Ethics & Compliance and **Employee Health, Safety & Security** are seen as prerequisites to be in business. Vendors and partners especially rank both topics very highly and aspire to comply with SBM Offshore's high standards. The regulatory and NGO institutions ranked Ethics & Compliance as the most important topic. Clients put Employee Health, Safety & Security first, with Ethics & Compliance in the top five. Clients see Process Safety Management as a critical topic in ensuring high safety standards and mitigating the risk of hazardous accidents. Employee Health remains a critical topic during the COVID-19 pandemic, with increased attention now needed for Mental Health & Well-being.

On **Human Rights**, SBM Offshore commits to high standards, the Company being aware of potential risks in its supply chain. SBM Offshore is carrying out a Human Rights Program, including supply chain screening and due dilligence activities. Further detail is provided in section 2.1.3.

1 BUSINESS ENVIRONMENT

A topic that has gained importance is the **Energy Transition**. Many stakeholders agree that it is one of the key challenges this industry faces, and is critical in dealing with climate change-related challenges, as well as providing a source of future economic value.

Stakeholders see a role for SBM Offshore in applying its experience, technology and capability to make the energy transition happen. Employees value the commitment of SBM Offshore as it allows them to work on renewable energy and other innovative, lower carbon solutions. Furthermore, investors and lenders are interested in working with industry players on the development of new energy solutions. Supply chain partners of SBM Offshore are typically involved in gas and renewable energy developments that contribute to cleaner energy supply.

When it comes to **Economic Performance**, SBM Offshore's integrated business model is seen as a strength. Clients and lenders see strong benefits in an integrated contractor that can manage complex projects and risks plus offer financing solutions to enable large offshore developments. A robust business model is critical in navigating shorter market cycles and increased volatility. **Market Positioning** is seen as driver for future economic performance and is referred to as key enabler in attracting and retaining talent. Strong ranking in ESG ratings is seen as a positive contributor to market positioning.

For most stakeholders, **Operational Excellence & Quality** drive predictability, which is especially sought after in CAPEX- and resource-intensive projects with a global footprint. The same applies for fleet operation services and managing a global supply chain. Class society companies – providers of classification and certification services – take a specific interest in this area. Joint venture partners of SBM Offshore also value operational excellence & quality as they enable predictable benefits from their stake in the asset.

Emissions, both air- and ocean-related emissions, and particularly greenhouse gas (GHG) emissions, dominate concerns on this topic. Clients and vendors are increasingly committing to net-zero ambitions, in line with the Paris Agreement, with programs in place to reduce CO_2 and methane emissions.

Innovation matters to SBM Offshore's stakeholders as a source of future value. Stakeholders refer generally to technology development – although innovation is seen as broader. For instance, stakeholders see business model transformation – such as SBM Offshore's Fast4Ward® program – as innovation. Regarding **Digitalization**, stakeholders see strong potential in leveraging data and digital technology to define new businesses and ways of working, as well as partially mitigating the challenge of attracting talent to the industry.

Retaining & Developing Employees is a material topic for multiple reasons, most importantly because large resource-intense projects such as offshore field developments rely heavily on best practices and past experience. Experienced staff increase efficiency and reduce risk in projects.

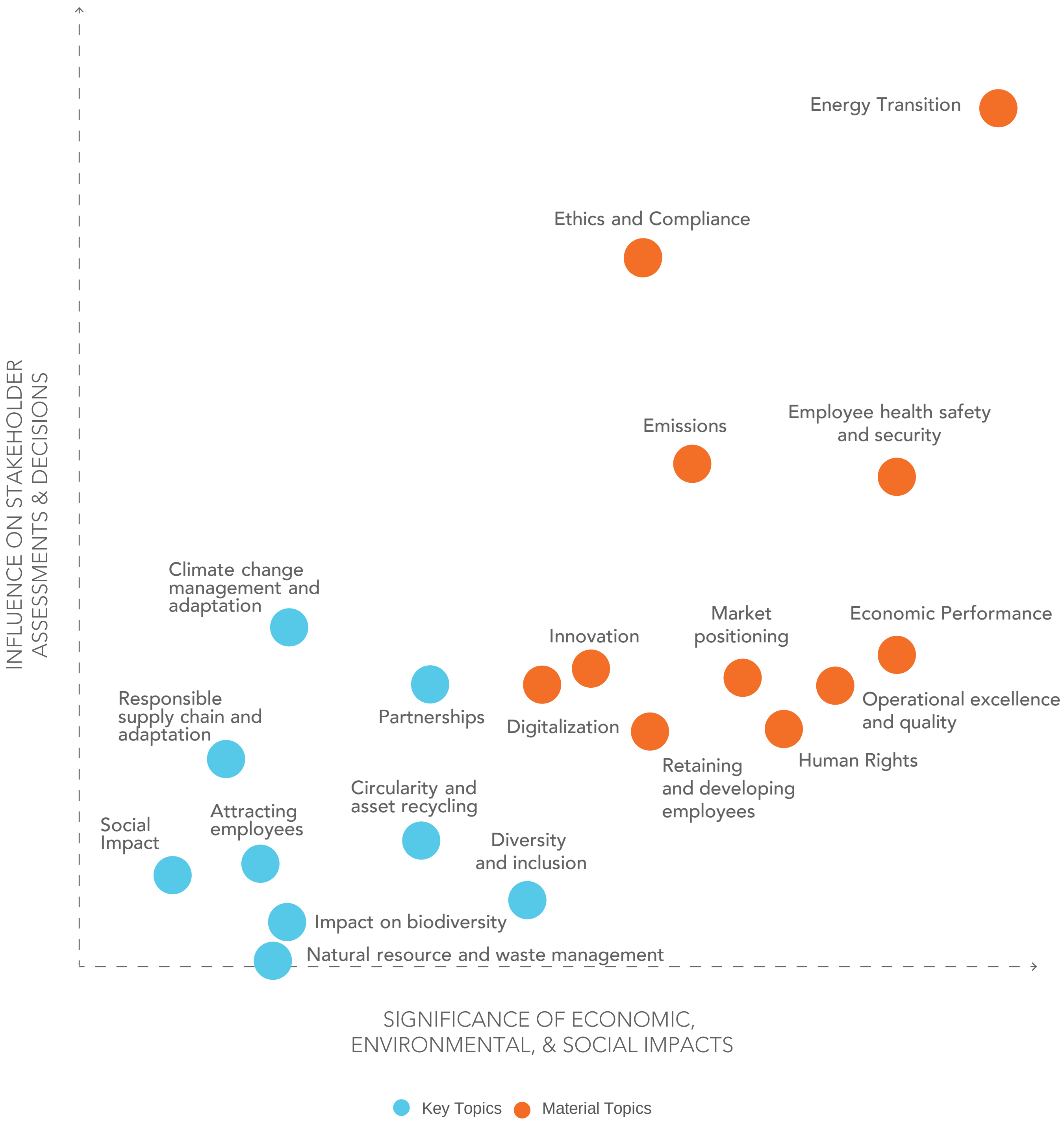
SBM Offshore's ongoing engagement with stakeholders, as well as the interviews, has reinforced SBM Offshore's vision, values and strategy. It also confirms some of the risk mitigations undertaken by SBM Offshore, as highlighted in section 1.4.

Above all, the Material Topics indicate potential conflicting dilemmas, the key ones being:

1. The trade-offs between *safe, sustainable* and *affordable* in developing energy projects, especially the continued need for increasingly sustainable hydrocarbon-based energies against global ambitions on climate change. The trade-offs are carefully balanced in taking a course compatible with net-zero by no later than 2050.
2. The trade-offs within and between different stakeholders as interests differ between groups, but also at times, within same stakeholder groups.

Having the right vision and values provides a strong framework for balancing these trade-offs, setting objectives, defining a strategy and managing performance accordingly.

MATERIALITY MATRIX



1.3 STRATEGY AND VALUE CREATION

1.3.1 VISION AND VALUES

OUR VISION

Through its vision and subsequent actions, SBM Offshore helps societies and other stakeholders to accomplish the energy transition. **Safe, sustainable and affordable energy for generations to come** will require renewable energy and cleaner forms of fossil energy – provided by leading companies with the right ethics. SBM Offshore is committed to this, by addressing climate change without interrupting the essential supply of energy needed to support societies. The contribution and participation of global energy companies and service providers such as SBM Offshore are essential to achieve a responsible energy transition. Many people, especially in less developed economies, depend on the relevant experience and resources of those companies. This is where SBM Offshore's products can play a role. SBM Offshore is partnering with others for this purpose, **sharing experience to make it happen**.

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.

OUR VALUES

SBM Offshore's core values reflect its long history of industry leadership. They are the essence of SBM Offshore, defining who each SBMer is and how SBM Offshore works. The values create the company culture, which guides each employee to help achieve SBM Offshore's vision wherever SBM Offshore operates around the world.

Integrity

SBMers act professionally and in an ethical, honest and reliable manner. Transparency, doing the right thing and consistency are essential to the way SBM Offshore behaves towards all of its stakeholders.

Care

SBMers respect and care for each other and for the community. Employees value teamwork and diversity. SBM Offshore listens to all its stakeholders. Health, safety, security and the environment are paramount in everything SBM Offshore does.

Entrepreneurship

SBMers have an entrepreneurial mindset in everything they do. They deliver innovative and fit-for-purpose solutions with passion. In doing so, SBM Offshore aims to exceed its clients' expectations and proactively achieve sustainable growth through balancing risks and rewards.

Ownership

SBMers are all accountable for delivering on their commitments and pursuing SBM Offshore's objectives with energy and determination. Quality is of the essence. SBMers say what they do and do what they say.

1.3.2 AMBITION AND STRATEGY

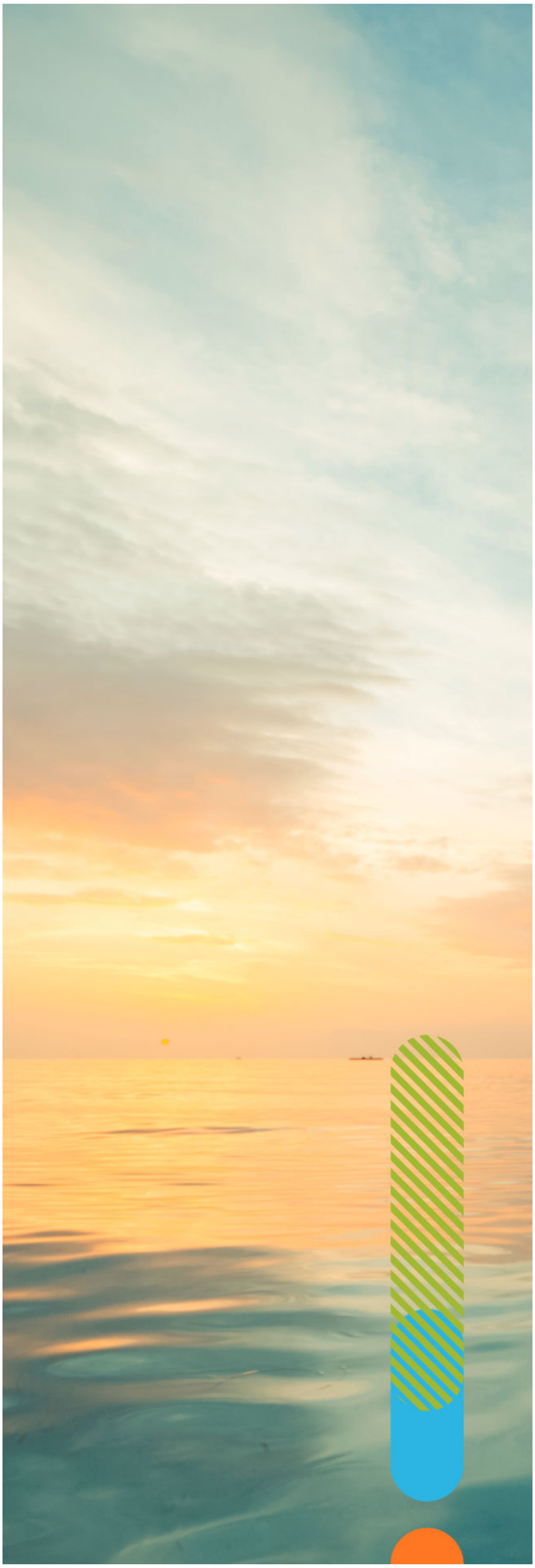
SBM Offshore has developed its ambition and a strategy framework by developing a strong understanding of mega trends, with associated scenario-planning and detailed strategies. Combined with feedback from stakeholders, as defined in 1.2.2, SBM Offshore's strategy ensures stakeholder needs are addressed.

SBM Offshore's ambition between now and 2030 is to grow and create long-term value for its stakeholders. We refer to this as Ambition 2030. In order to do so, it has set targets and indicators in three main areas: grow free cashflow over the period, ensure a steady flow of new contracts within SBM Offshore's core business (2+ FPSOs a year) and position SBM Offshore in the gas and renewables market (to achieve >2 gigawatt (GW) floating offshore wind installed or under construction by 2030).

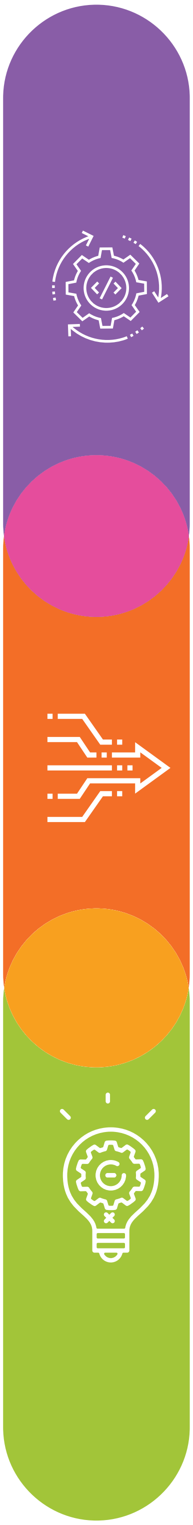
In line with its vision and ambition, SBM Offshore's strategy is based on three strategic pillars: Optimize, Transform and Innovate:

- Optimize – Improving competitiveness and delivering the backlog, with HSSE and process safety as main priorities; ensuring the highest standards of compliance, operational excellence and quality; focusing on business continuity and on cash generation and preservation.
- Transform – Investing in transformation programs and unlocking value for SBM Offshore's stakeholders: Fast4Ward®, Digital Transformation, Sustainability and emissionZERO®.
- Innovate – Preparing for the future, investing in technology and innovation, and focusing on the energy transition.

SBM Offshore manages its performance through a balanced scorecard framework.



OUR STRATEGY AND MATERIAL TOPICS



OPTIMIZE

OPERATIONAL EXCELLENCE & QUALITY
Target Excellence program

HUMAN RIGHTS
SBM Offshore's Human Rights Standards

RETAINING & DEVELOPING EMPLOYEES
People Development program

ECONOMIC PERFORMANCE
Ambition: Grow free cashflow

ETHICS & COMPLIANCE
Zero Tolerance for deviations

HEALTH, SAFETY & SECURITY
No Harm, No Leaks, No Defects

TRANSFORM

MARKET POSITIONING
Fast4Ward®

Ambition:
2+ FPSOs per year

Sustainability
Action

EMISSIONS
emissionZERO®

DIGITALIZATION
Digital Transformation program

INNOVATE

ENERGY TRANSITION
>2GW floating offshore wind installed
or under construction by 2030

INNOVATION
>50% of R&D budget spent
in non-carbon technology in 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
ETHICS & COMPLIANCE	• Human: Training • Intellectual: Systems • Social: Partners	• Training Completion • 0 confirmed cases of corruption • Fine to close out legacy issue • Revamped Speak Up Line
HEALTH, SAFETY & SECURITY	• Human: HSSE Training, Culture • Intellectual: Life365 • Manufactured: Asset Integrity	• Recordable Injuries better than target
HUMAN RIGHTS	• Human: training & Human Rights professionals • Social: Vendor Screening	• High risk vendors screened • Vendors signed Supply Chain Charter • Employee Training
OPERATIONAL EXCELLENCE & QUALITY	• Human: Training, Culture • Intellectual: Right365, Fast4Ward® • Manufactured: Fleet, Projects • Social: Qualified Vendors	• Uptime • Project Delivery • Cost of Non-Quality • Certifications
RETAINING & DEVELOPING EMPLOYEES	• Human: SBMers • Intellectual: LUCY HR System & Capacity Planning • Social: Contractors, Partners	• Employee Turnover Rate • Completion Performance Review Cycle • Managed Gender Pay Gap
ECONOMIC PERFORMANCE	• Financial: Project Funding • Intellectual: Fast4Ward®, Technical Standards • Manufactured: Fleet & Projects • Social: Clients, Partners, Investors	• Cash Flow • EBITDA
EMISSIONS	• Intellectual: emissionZERO® • Manufactured: Fleet & Projects • Natural: Energy Used	• GHG Emission Reduction • 0 Oil Spills
DIGITALIZATION	• Intellectual: Transformation Program • Manufactured: Data • Social: Vendors, Partners	• CAPEX/OPEX Saved • Increase of data signals
INNOVATION	• Financial: R&D Spend • Intellectual: Patents	• Market Readiness
ENERGY TRANSITION	• Financial: R&D Spend to Non-carbon • Intellectual: FOW, WEC S3®	• Projects under development
MARKET POSITIONING	• Intellectual: Transformation Programs • Manufactured: Fleet & Projects • Social: Sustainability Institutes	• # of Fleet • # of Projects • Sustainability ranking

SBM OFFSHORE LIFECYCLE

IMPACT SDGs

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

OPERATIONS
Ocean Infrastructure

FLOATING PRODUCTION SYSTEMS
Growing the Core

NEW ENERGIES & SERVICES
New Energies

GROUP HSSE & OPERATIONAL EXCELLENCE
HSSE, Operational Excellence and Quality

GLOBAL RESOURCES & SERVICES
People, Processes, Tools Development

CORPORATE FUNCTIONS
Business Enablement & Control

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

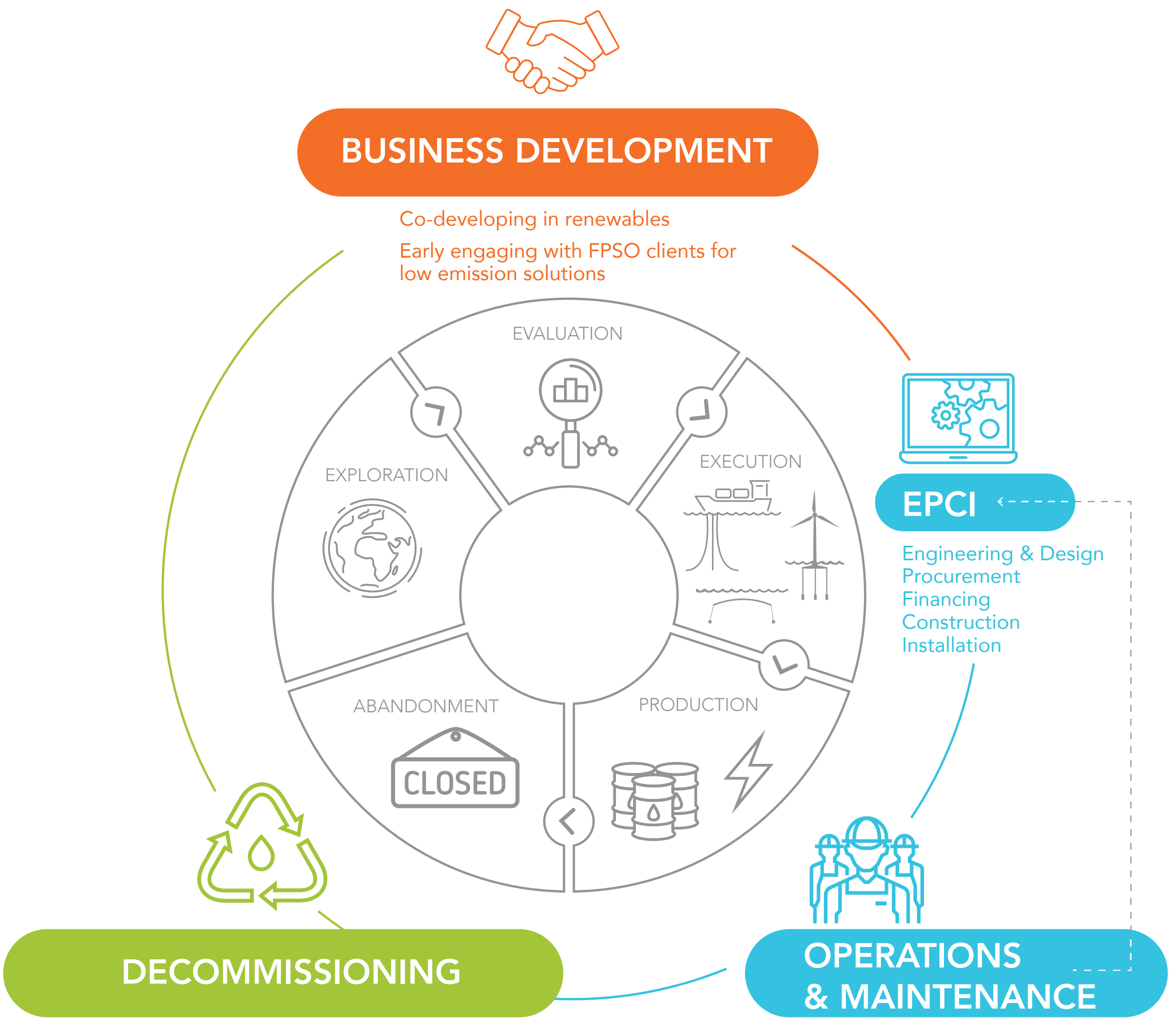
Engineering & Design delivers conceptual studies, basic design and detailed design through in-house resources.

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.

1.4 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	Activities with risks for which SBM Offshore has no appetite	Activities with risks with a limited appetite
Refusal to accept any activity breaching this risk appetite	Risks within activities to be avoided with appropriate actions	Risks within activities to be mitigated and monitored

1.4.2 SIGNIFICANT RISKS TO THE BUSINESS

SIGNIFICANT RISKS TO THE BUSINESS

Assessed and mapped against Material Topics and internal risk reports

RISK OVERVIEW 2021

STRATEGIC	
Climate Change	↑
Technological developments	=
Portfolio	=
Competitiveness	=
3rd parties	=
Oil price	↓
OPERATIONAL	
Process safety events	=
Project execution	=
Transformation	↓
Cybersecurity and data protection	=
Enduring effects of the COVID-19 pandemic	=
Human capital	↑
Supply Chain constraints	↑

FINANCIAL	
Funding	↑
COMPLIANCE RISKS	
Changes in laws and regulations	↑
Governance, transparency and integrity	=

RISK EXPOSURE *

↑	↓	=
RISK IS INCREASING	RISK IS DIMINISHING	RISK IS STABLE

** Management assessment of how the inherent risk exposure (i.e. excluding our mitigating measures) is expected to develop in the coming 3 years*

RISK	DEFINITION	RESPONSE MEASURES
Strategic Risks		
Climate change	SBM Offshore could face the impact of an accelerated energy transition driven by climate change. SBM Offshore may miss opportunities if it does not succeed i) in marketing competitive, sustainable technologies and/or (ii) enhancing the energy efficiency of its existing offerings.	SBM Offshore continuously updates its offerings in light of the changing energy landscape. It is enhancing products from its New Energies & Services (NES) portfolio through investment in new technology. In addition, SBM Offshore is reducing the emissions of its existing units through emissionZERO®. See sections 1.4.3 and 2.1.10.
Technological developments	SBM Offshore is committed to pioneering new technologies, incl. digitalization and New Energies products, and maintaining a high level of technical expertise. Main risks include the possibility of deploying immature new technologies or implementing proven technologies incorrectly, potentially causing damage to SBM Offshore's business results and reputation.	SBM Offshore employs a rigorous Technology Readiness Level (TRL) assessment of new technologies, which are verified and controlled at several stages during the development phase before being adopted on projects. A strong technical assurance function ensures compliance with internal and external technical standards, regulations and guidelines. See section 2.1.9.
Portfolio	SBM Offshore has a concentration of fossil-fuel related business activities in Brazil and Guyana. SBM Offshore could thus have impact from changes in local legislative and business environments, potentially affecting SBM Offshore's business results.	SBM Offshore aims to achieve a more balanced portfolio by diversifying into new markets, with different products, such as in New Energies & Services (NES) and developing low emission products. SBM Offshore conducts thorough risk assessments before any new country entry and actively engages with its clients to monitor and mitigate the respective country-related regulatory, commercial and technical risks. See section 1.2.1.
Competitiveness	Some of SBM Offshore's Product Lines are in – or could be facing – harsh market conditions. To win projects, SBM Offshore needs to remain competitive in terms of price (by reducing costs), schedule (by shortening the date to first oil) and quality (by providing best-in-class products).	To drive better performance, delivered faster, SBM Offshore has taken various initiatives in relation to digitalization and standardization, which are the basis for SBM Offshore's Fast4Ward® approach. See section 2.1.
3rd parties	SBM Offshore's activities leverage financial, strategic and operational partners in order to build new business and execute projects. Partnerships which do not live up to SBM Offshore's expectations may affect the performance of projects and overall ambitions of SBM Offshore.	Through robust processes, executed by subject matter experts within the relevant functions of SBM Offshore, SBM Offshore aims to select appropriate parties to work with. Examples of functions involved are Supply Chain, Construction, Compliance and Human Rights. See sections 2.1.4.3 and 2.1.3.
Oil price	A limited headroom between the actual oil price and the breakeven oil price is an inherent risk for upcoming projects. These projects could be put under scrutiny as well as investments to achieve SBM Offshore's emissionZERO® ambition.	SBM Offshore aims to maintain double resiliency in the volatile market environment by focusing on offering clients cost competitive and low carbon footprint solutions. SBM Offshore is also actively diversifying the product portfolio, e.g. to have >2GW of Floating Offshore Wind (FOW) installed or under construction by 2030. See section 2.1.11.

RISK	DEFINITION	RESPONSE MEASURES
Operational Risks		
Process safety events	Potential acute or chronic exposure to hazards during SBM Offshore's product life cycle can trigger an impact on people, the environment or assets. This can have further impact on other risks identified (such as human capital, access to funding).	SBM Offshore manages its HSSE-related risks under three streams: i) engagement through development of a positive and proactive culture of care and leadership; and ii) alignment of practices as defined by management systems (this is supported by assurance of competency); and iii) predictive maintenance and proactive management of asset integrity to ensure suitability of critical plant systems. SBM Offshore enables learning, whereby lessons learned in operational experience facilitate risk-based decision-making in the Win and Execute phase, bringing safer design options, predictive maintenance and a focus on safety and environmentally critical equipment and tasks. See section 2.1.2.
Project execution	Inherent project risks exist, owing to a combination of potential effects of the COVID-19 pandemic, geo-political, regulatory, technical and third-party risks. This could lead to a potentially negative impact on people, the environment, reputation, cost and schedule.	Managing projects is part of SBM Offshore's DNA. Proper business-case analysis, suitable project management capabilities and capacities, combined with SBM Offshore's professional ways of working, processes and procedures mitigate project execution risk. Additional risk-mitigating measures are in place related to the knowledge and understanding of the countries in which project execution and delivery take place. See section 2.1.4.
Transformation	SBM Offshore needs to ensure that the benefits of its Fast4Ward®, emissionZERO® and Digitalization program are reaped. Failure to achieve the anticipated benefits could damage SBM Offshore's competitiveness.	Change management has been identified as a key success factor of the Fast4Ward®, emissionZERO® and Digitalization programs. Change management ambassadors have been appointed and are working closely with the business in the journey towards the new ways of working. See sections 2.1.8 and 2.1.9.
Cybersecurity and data protection	SBM Offshore relies on data, much of which is confidential and is stored and processed in electronic format. Intrusion into SBM Offshore's data systems may affect onshore and offshore activities. Secondary risks include theft of cash, proprietary and/or confidential information, with potential loss of competitiveness and/or business interruption as a consequence.	The evolving nature of cybersecurity threats, including personnel working from home as a result of COVID-19, requires ongoing attention. There is continuous improvement to reduce risks through investment in hardware, software, monitoring and awareness training. The ability of the IT architecture and associated processes and controls to withstand cyber-attacks and follow recognized standards is subject to 24/7 monitoring, independent testing and audits.
Enduring effects of COVID-19	Continuation of the effects of COVID-19 could cause an impact on employees and their families, and on aspects of the project life-cycle and supply chain. Globally, this could cause disruption in the execution of projects and fleet operations.	When the consequences of the COVID-19 were felt in 2020, SBM Offshore put in place a robust oversight framework which sought to mitigate the impact on SBM Offshore and its employees. In 2021, SBM Offshore has been optimizing measures based on experience from 2020 to focus on areas such as protecting employees from COVID-19, offshore job rotation and mental health. See section 2.1.5.
Human capital	SBM Offshore aims to source and retain the correct capacity and capabilities of its human resources to support existing and upcoming projects, as well as to maintain the operational fleet. Failure to attract, care for physical/mental health and retain staff, especially in light of COVID-19, could have an adverse impact on SBM Offshore's operations and quality of execution of projects.	SBM Offshore remains focused on the health and well-being of employees. To maintain capacity and capabilities, SBM Offshore has streamlined its operating model and engages in partnerships. A talent development program is in place to engage and retain key personnel, thereby ensuring a sustainable future. See section 2.1.5.

RISK	DEFINITION	RESPONSE MEASURES
Supply Chain constraints	A ramp-up of the post-COVID economy puts increased pressure on SBM Offshore's supply chain, resulting in increased demand, limited availability and eventually increased prices charged by SBM Offshore's suppliers and vendors.	Management of supply chain risks is a cross-functional activity, in order to build flexibility, redundancy and ultimately resilience. Through strategic sourcing programs, SBM Offshore aims to mitigate the exposure from supply-chain-related risks. See section 2.1.4.3.
Financial Risks		
Funding	Financial institutions are facing increasing scrutiny on their exposure to fossil fuel related projects. Access to debt and equity funding is essential to the execution of FPSO projects, and failure to obtain funding could hamper SBM Offshore's growth and ultimately prevent it from taking on new Lease & Operate projects. Financial covenants may need to be met with SBM Offshore's Revolving Credit Facility (RCF) lenders, as well as under certain project financing facilities. Failure to comply with the covenants may adversely affect SBM Offshore's ability to finance its ongoing activities.	SBM Offshore aims to maintain an optimal capital structure and actively monitors its short- and long-term liquidity position, including the RCF and cash in hand. SBM Offshore aims to have sufficient headroom in relation to the financial ratios agreed with RCF lenders. The covenants are monitored continuously, with a short- and a long-term time-horizon. Adequate access to debt and equity funding is secured through use of SBM Offshore's existing liquidity, by selling equity to third-parties, the use of bridge loans and long-term project financing. Debt funding is sourced from multiple markets, such as international project finance banks, capital markets transactions and Export Credit Agencies.
Compliance Risks		
Changes in laws and regulations	Changes in tax- and regulatory frameworks, for example the implementation of the Global Anti-Base Erosion Proposal (GloBE) – Pillar 2, or laws that require certain levels of local content, may expose SBM Offshore to financial impact. If not properly identified and taken into account, these changes may result in fines, sanctions or penalties.	SBM Offshore takes great care to carry out its activities in compliance with laws and regulations, including international protocols or conventions that apply to its specific segments of operation. SBM Offshore values public perception, good relationships with authorities and is committed to acting as a good corporate citizen. The monitoring of laws and regulations is carried out continuously with attention and substantive changes are escalated. The impact on the Company as a result of GloBE, if any, will only be known with sufficient accuracy when the OECD has released the commentary associated to the Model Rules and after the EU has reached an agreement on the Pillar 2 directive. The financial risk of change in laws and regulations is mitigated as much as possible in contracts. See section 3.7.
Governance, transparency and integrity	Fraud, bribery or corruption could severely harm SBM Offshore's reputation and business results. Failure by employees or business partners to live up to SBM Offshore's values could lead to SBM Offshore incurring financial penalties, reputational damage and other negative consequences.	SBM Offshore's Compliance Program provides policy, training, guidance and risk-based oversight and control of compliance, to ensure ethical decision-making. The use of digital tools supports the continuous development of SBM Offshore's Compliance Program. SBM Offshore's Core Values, Code of Conduct and Anti-Bribery and Corruption Policy provide guidance to employees and business partners on responsible business conduct in line with SBM Offshore's principles, which are further reinforced by contractual obligations where applicable. See section 2.1.1.

1.4.3 CLIMATE CHANGE RISK & OPPORTUNITY

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 climate change impacts from greenhouse gas emissions from more traditional forms of energy.
SBM Offshore's vision for safe, sustainable and affordable energy is founded upon the belief that it has a role to play in the physical and transitional challenges that climate change brings.

SBM Offshore commits to a strategy and actions compatible with its ambition to achieve net-zero by no later than 2050, including emissions in Scope 1, Scope 2 and Scope 3 – Downstream Leased Assets. SBM Offshore envisages to apply a science-based approach, using key frameworks such as below, or equivalent:

1. Assess the impact on the business using frameworks from the Task Force on Climate-Related Financial Disclosures (TCFD).
2. Set targets, using guidance from the Science Based Targets initiative.
3. Measure performance, based on guidance from the Greenhouse Gas Protocol and the EU Taxonomy.
4. Disclose performance, leveraging above standards to disclose in this Report and the CDP Benchmark.

Through the above, SBM Offshore contributes to a responsible energy transition, where the safety, affordability and sustainability of energy are balanced to benefit the world.

Climate Change Management and Adaptation is a key topic and discussed at Management Board level.This is the case for regular performance management meetings – where performance of New Energies and the emissionZERO® transformation program is reviewed. On a quarterly basis, progress on the UN SDGs is discussed, including climate-change-related company targets. Climate change risk and opportunities are also discussed as per the risk-management cycle described in section 3.6. Outcomes of these meetings are, for example, the risk appetite statement mentioned in section 1.4.1, the long-term goals described in section 2.2 and the climate change ambitions and scenarios described in this paragraph. These scenarios are part of an ongoing process to challenge perspectives on the future business environment, rather than predictions of outcomes. Above ambitions reflect current understanding of the business and are subject to further development in the future.

Climate change impact assessments are also undertaken for client projects, in close co-operation with project lenders and external consultants, and provide insight on the physical and transitional risks on these projects. Examples of the physical risk metrics used are the exposure to flooding in yards under different climate scenarios and the number of storms in offshore locations. Transitional risk metrics examine the exposure to oil & gas supply/demand changes under various scenarios and the potential impact of carbon pricing.

SBM Offshore applies these insights to its strategy development and actions as part of its Enterprise Risk Management process. The sections below cover the mitigation of significant risks relating to climate change and portfolio risk, as explained in section 1.4.2.

SBM OFFSHORE'S STRATEGY AND CLIMATE CHANGE

Taking part in the energy transition and decarbonization of business operations are key elements of SBM Offshore's strategy. SBM Offshore sets targets accordingly – most notably Ambition 2030, explained in section 1.3, and specific targets under SDGs 7, 9 and 13, as per section 2.2.

Under the strategy pillar ***Optimize***, SBM Offshore focuses its efforts towards Target Excellence over the lifecycle of its assets, including asset integrity and operational readiness in the various weather conditions these assets are designed for. Furthermore, SBM Offshore is working to optimize its disclosure under the TCFD framework.

The strategic pillar of ***Transform*** includes the emissionZERO® program, under which SBM Offshore addresses decarbonization of its solutions, hence contributing to reduction of greenhouse gases.

Finally, under its ***Innovate*** strategic pillar, SBM Offshore focuses on the energy transition, i.e. bringing lower and non-carbon energy production solutions to market, such as floating offshore wind, wave energy and hydrogen, as explained in section 2.1.10.

FUTURE-PROOFING: CLIMATE CHANGE SCENARIOS

SBM Offshore has adopted two climate change scenarios to future-proof current strategy and take appropriate action. The scenarios are based on the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) data, as explained in section 5.1.4.

1. A **steady** Climate Change Scenario with a positive impact on climate change, but which falls short of meeting the Paris Agreement goals.

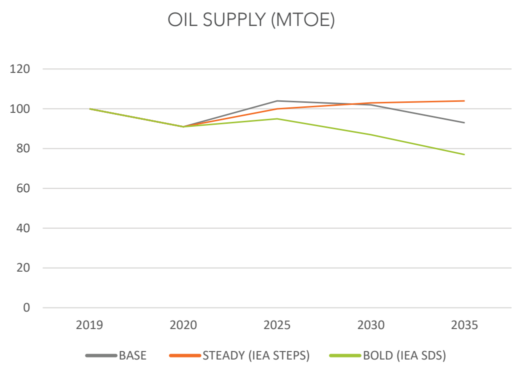
2. A **bold** Climate Action Scenario providing for strong commitment towards targets, as per the Paris Agreement.

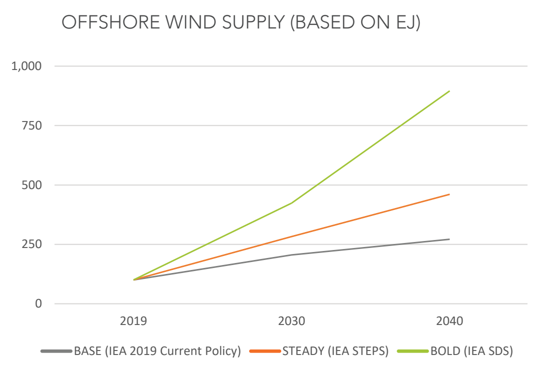
A number of conclusions can be drawn from the two scenarios, based on indicators such as the energy mix, demand for oil, carbon pricing and weather-related indicators such as sea levels, floods, storms and heat waves.

In a **steady** scenario, oil demand would keep growing until 2040 – beyond SBM Offshore's assumptions in section 1.2. In this scenario, there would be prolonged demand for oil- and gas-related floating energy production solutions. At the same time, the market for wind energy would more than triple between 2019 and 2040. The world would face a greater adverse physical impact from climate change. Global sea levels might rise between 44 and 101 cm by 2100, with rainfall extremes and the number of hot days increasing by 36% and 25% respectively. The physical risk for SBM Offshore is a disruption of onshore operations due to extreme weather events and climate patterns, either in its offices or at yard locations. Physical risks are less likely to impact offshore operations, as the units are equipped to withstand and/or avoid extreme weather events as was seen, for example, in the case of *Turritella* (FPSO) during the 2020 Atlantic hurricane season, where SBM Offshore helped its client Shell to ensure safe operations by leveraging disconnectable technology and associated procedures to activate these in order to mitigate extreme weather events. SBM Offshore mitigates risks via specific emergency response plans tailored to specific scenarios in each location and more generally, through the mitigation of process safety events and project execution risks, as explained in section 1.4.2. Response plans came into effect during the pandemic, and have proven their value, for example, extended rotation schedules for offshore workers, remote office working and dealing with potential disruption in construction activities. Physical impacts could provide opportunities for SBM Offshore – i.e. by providing floating energy production systems with high resiliency. This is supported by the climate change impact assessment undertaken for FPSO financing projects.

In the **bold** scenario, the energy mix would change more rapidly towards lower and non-carbon energy sources than is assumed today. The demand for wind energy would increase more than sevenfold between 2019 and 2040. This scenario assumes that peak oil will have happened at this stage, with oil supply decreasing by 34% between 2019 and 2040. According to the IEA, this scenario would require a carbon price for advanced economies of US$100 per tonne CO_2 by 2030, leading to additional costs for SBM Offshore customers, adding to CAPEX and OPEX requirements and increasing the break-even prices of specific field developments. Given the relatively low break-even prices and low carbon intensity of the projects SBM Offshore is typically involved in, SBM Offshore expects its markets would suffer a relatively lower impact. This view is supported by the climate change impact assessment undertaken for FPSO projects. Physical risks in this scenario would still be present, but to a lesser extent than in the **steady** scenario.

Energy mix under steady and bold scenarios (Index 2020 = 100)





CLIMATE CHANGE RISK, OPPORTUNITY & IMPACT

Steady scenario

- **Key risks** in this scenario are: insufficient resources to keep up with demand in core markets; and lower new-market development owing to reduced need for diversification and the introduction of local carbon prices. Even if the demand for hydrocarbons grows, access to high-rated funding for these projects might become more challenging.
- **Key opportunities** in the **steady** scenario are: the need for resilient ocean energy solutions owing to increased weather events, a sustained demand for FPSOs and a larger opportunity for renewable energy solutions.

The bottom-line **impact** of the scenario is limited, namely a slight improvement in revenue potential through a stronger FPSO demand outlook and an opportunity for resilient energy production solutions and projects. Any contingency investments needed for weather-related CAPEX investments and operations disruption would need to be borne by project pricing, with potential disruptions being mitigated by force-majeure and emergency response plans. Also, in a **steady** scenario the growth of the renewable energy demand remains robust and supportive to the growth of SBM Offshore's New Energies value platform.

Bold scenario

- **Key risks** in this scenario are: the decrease in demand and access to funding for FPSOs with a traditional emissions profile; insufficient internal resources to address the energy transition; and increasing carbon taxes.
- **Key opportunities** in the **bold** scenario are: the development of new ocean energy solutions that address the energy transition; increased customer demand for zero-emission oil & gas solutions; and the ability to attract new investors supporting SBM Offshore's sustainability agenda. An increased carbon price would also lead to a more favorable business case for renewable energy and emissionZERO® products.

The bottom-line **impact** of the scenario on demand for SBM Offshore's traditional markets could be significant if unmitigated and, as such, it is covered by scenario planning under SBM Offshore's Group Strategy Development and Performance Management approach. In particular, the Growing the Core value platform is important in this respect, as it aims for 'double-resiliency', with:

- emissionZERO® ensuring a lower carbon footprint of SBM Offshore's products and
- Fast4Ward® increasing the affordability of SBM Offshore's solutions.

For the New Energies value platform, a **bold** scenario would mean an increased market size and opportunity for higher revenues. This would require further growth of CAPEX & OPEX into EU Taxonomy-eligible activities, as described in section 5.1.5.

SBM Offshore Strategy and additional measures explored per climate change scenario

SBM Offshore Strategy	Steady scenario	Bold scenario
A strategy and action plan that is compatible with the transition to net-zero by no later than 2050, including:	Key impact: Slight improvement in FPSO demand outlook; opportunity for resilient energy production solutions and projects. Additional potential response by SBM Offshore versus current strategy:	Key impact: Decline of demand for traditional products; leading to declines in revenue potential. Demand for renewable energy projects brings further significant revenue potential. Additional potential response by SBM Offshore versus current strategy:
▪ **Targets:** Ambition 2030, SDGs 7, 9 & 13 ▪ **Optimize:** Target Excellence approach – including emissions management & asset integrity. TCFD-based disclosure. ▪ **Transform:** Fast4Ward®, Digitalization & **emissionZERO®** ▪ **Innovate:** investment in New Energies and associated technology development & services.	▪ **Business Model/Portfolio Mix:** Increased focus on asset integrity in light of climate change, alignment of engineering designs with potential change to Metocean data models. ▪ **Capabilities & Technologies:** Further invest in resources & people development perspective in light of emissionZERO® FPSO. Explore further product development to address Climate Change Adaptation & Management.	▪ **Business Model/Portfolio Mix:** Increased partnering within the value chain on renewable energy & decarbonization, leveraging increased carbon price. Decelerate traditional products. ▪ **Capabilities & Technologies:** Increased investment in alternative products and positions within the value chain for energy transition.


OFFSHORE

CHAPTER 2
PERFORMANCE REVIEW & IMPACT

INTEGRATED BUSINESS PERFORMANCE OVERVIEW

MATERIAL TOPIC	KEY OBJECTIVES	KEY OUTPUTS
ETHICS & COMPLIANCE	• Zero tolerance for bribery, corruption, fraud or any other form of misconduct • 2021: >92% completion of Compulsory Compliance Tasks	• 96% Completion of Compulsory Compliance Tasks (onshore) • 0 confirmed cases of corruption • 1 fine to close legacy issue in Switzerland
EMPLOYEE HEALTH, SAFETY & SECURITY	• No Harm, No Defects, No Leaks • 2021: Total Recordable Injury Frequency Rate (TRIFR) <0.18	• TRIFR : 0.06
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	• 97% vendor screening on human rights for high risk vendors • 94% e-Learning completion
OPERATIONAL EXCELLENCE & QUALITY	• No Harm, No Defects, No Leaks • 2021: Uptime at or above 99% • Project schedule, cost, quality • Certifications	• 99.1% Uptime • Project delivery • Renewed ISO certification • 0 significant operational fines
RETAINING & DEVELOPING EMPLOYEES	• Hire, retain & develop a diverse workforce with a wide range of competencies • 2021: People Development Cycle	• 99% completion performance appraisals • 14% employee turnover rate
ECONOMIC PERFORMANCE	• Ambition: Grow free cash flow • 2021: Directional EBITDA around US$900 million	• Underlying EBITDA US$931 million • Return to shareholders US$343 million
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	• 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
DIGITALIZATION	• Leveraging data & digital technology to increase lifecycle value • 2021: Digitalization Milestones – e.g. ERP, project management, operations tooling	• Go-live ERP pilot • Work Fronts Management tooling • Launch of emissions e-dashboard • 18% increase of data signals
INNOVATION	• Develop and introduce new technologies in line with net-zero & energy transition ambitions of SBM Offshore • 2021: 44 Technology Readiness Level (TRL) qualifications	• 35 TRL qualifications • 11 innovations market ready
ENERGY TRANSITION	• >2GW FOW Installed Capacity by 2030 • 2021: 50% Non-carbon R&D	• FOW project progress • FOW Joint Venture established • 60% Non-carbon R&D
MARKET POSITIONING	• 2+ FPSOs per year average between 2019-2030 • 2021: Sustainability performance	• 6 FPSO Projects under construction • 15 assets in the fleet • US$29.5 billion directional proforma backlog • 95th percentile S&P Global ESG rating

Throughout 2021, the continuing challenging circumstances due to the COVID-19 pandemic have been observed globally, and SBM Offshore's priority has continued to be the health and safety of its staff and contractors, along with ensuring safe operations across all the Company's activities. The global task force, in place since 2020, has continued to monitor the situation, on a daily basis, across all locations worldwide. Mental health support initiatives as well as a vaccination promotion campaign have been rolled out to mitigate some of the effects or consequences of the virus for individuals and collectivity.

As the pandemic evolved, the Company witnessed improvements in the general operating environment, especially though the reduction in quarantine requirements, for offshore personnel in particular, towards the end of the year, which had a positive impact on fatigue management and associated operational risk, as the vaccination rates increased worldwide. The rise of the Omicron variant in Q4 2021/early 2022 led further revision of protocols for offshore populations.

OVERALL IMPACT

Looking at SBM Offshore's performance on the Material Topics explained in section 2.1, SBM Offshore feels confident it was able to live up to stakeholder expectations. Moreover, SBM Offshore has been able to balance ongoing business with a global response to COVID-19 and its economic impact.

For clients SBM Offshore was able to deliver operational excellence and quality and demonstrate solid economic performance – both in SBM Offshore's projects and fleet, which also benefitted SBM Offshore's partners in co-owned companies. SBM Offshore is proud to have achieved a strong health, safety and security performance during the COVID-19 pandemic.

For employees, it has been a challenging year where SBM Offshore needed to manage an increased work load and a need to raise efficiency. SBM Offshore maintained an open communication line to employees during this challenging time, remaining focused on the development of people while giving increased attention to mental health and well-being, as explained in section 2.1.5.

SBM Offshore has been able to finance projects while maintaining an open dialogue on ESG performance with key lenders. An enhanced supplier-collaboration approach, explained under 2.1.4, is benefiting SBM Offshore's vendors and yards. The integrated approach of SBM Offshore led to shareholder value in 2021.

Beyond this, SBM Offshore has made significant steps forward regarding the energy transition, in its approach to reducing emissions and further investing in renewable energy.

In summary, 2021 has been a challenging year for the world, and SBM Offshore is no exception. COVID-19 keeps posing risks and challenges to the business and has caused operational disruptions and well-being impacts.
SBM Offshore is involved in multiple large-scale ocean infrastructure projects, has ambitions to succeed in the energy transition and wants to achieve healthy financial returns at the same time. Balancing these various elements in a time of disruption has tested the organization and its stakeholders once again. Nonetheless, SBM Offshore has been able to maintain operations and a solid performance against targets set at the beginning of the year. Overall, SBM Offshore is a company with solid market positioning, a robust backlog generating long-term cashflow, a strong operational track record and the ability to leverage its experience and capabilities to play an active role in energy transition.

2 PERFORMANCE REVIEW & IMPACT

2.1 PERFORMANCE REVIEW

This section gives an overview of SBM Offshore's performance on the Material Topics as presented in section 1.2.2, categorized in Optimize, Transform and Innovate sections, as visualized in section 1.3.2.

The execution of this work is delegated to the business and functions as mentioned in this section, with performance management supervised by the Management Board. For further details on governance, refer to chapter 3.

2.1.1 ETHICS & COMPLIANCE

MANAGEMENT APPROACH

In all communities in which SBM Offshore operates, SBM Offshore is committed to conducting its business honestly, ethically, and lawfully, which is vital to maintain the trust and confidence of stakeholders in SBM Offshore's long-term value creation. SBM Offshore does not tolerate bribery, corruption, fraud, or violations of trade sanctions, anti-money laundering or anti-competition laws, or any other illegal or unethical conduct in any form by anyone working for, or on behalf of, SBM Offshore.

All employees, and those working for or on behalf of SBM Offshore, must embrace and act in accordance with the core values of SBM Offshore (see section 1.3.1), the Code of Conduct and SBM Offshore's internal policies and procedures.

SBM Offshore fosters a culture of trust and fairness, where dilemmas are openly addressed. SBM Offshore's aim is to enable its employees and business partners to make the right decisions, with commitment to integrity at all levels. SBM Offshore is an active member of International Chambers of Commerce Nederland and Transparency International NL.

For further details on SBM Offshore's management approach, its purpose and its assessment, refer to sections 1.4.1, 3.6 and 3.6.2.

How SBM Offshore measures performance

SBM Offshore uses a single and integrated platform to manage compliance tasks. This platform is continuously improved and uses data to predict and avoid compliance risks. It allows SBM Offshore to standardize and automate processes where possible, aiming for a high level of quality, effectiveness, and efficiency.

The compliance platform includes the following tools:

- Compliance e-Learning, with training hours and completion ratio data available by employee target group.
- Automated continuous monitoring of third parties (due diligence process).
- Registration and approval of charitable contributions and sponsorships.
- Gifts, hospitality and entertainment registration and approval.
- Annual compliance statements of designated staff.

As part of performance management processes, SBM Offshore sets, monitors and reports on compliance KPIs. Integrated quarterly group risk and compliance reports are discussed with the Management Board and the Audit and Finance Committee of the Supervisory Board.

2021 PERFORMANCE

Notable developments and achievements in 2021

- CGU officially released SBM Offshore from reporting duties in Brazil, ending the monitoring period.
- Revamped Speak Up Policy and Speak Up Line.
- Team organized in accordance with business needs and priorities.
- Annual (virtual) training for all staff (including offshore).
- Tailored training for high-risk functions embedded in business programs.
- Expanded reach through nomination of offshore compliance ambassadors.
- Target group for annual compliance statement expanded to cover all onshore staff.

Metrics

The number of employees eligible to file the Annual Compliance Statement was in 2021 substantially higher than in 2020 (4,357 employees in 2021 versus 1,083 in 2020). The number of Compliance training courses completed in 2021 is substantially higher than in 2020 (11,011 training courses in 2021 versus 7,380 in 2020).

Annual Compliance Statements	Designated Staff[1]
Number of employees per year-end	4,357
Onshore Completion ratio	96%
Offshore Leadership Completion ratio	76%

1 Designated Staff reflects all onshore staff and offshore leadership

Compulsory Compliance Tasks Completion[1]	All Staff
Number of employees per year-end	4,188
Onshore Completion ratio	96%
Offshore Leadership Completion ratio	79%
Offshore non-Leadership Completion ratio[2]	40%

1 Including Code of Conduct, theme based e-Learning courses and annual compliance statements

2 New audience, completion ratio impacted by reachability, subject to continuous improvement

Overall number of Compliance Trainings conducted in 2021 worldwide	Trainings	Training hours
Face to face trainings[1]	1,839	1,998
e-Learnings[2]	9,172	6,804
Total	**11,011**	**8,802**

1 An employee can have attended multiple face to face trainings
2 An employee can have completed multiple Compliance e-Learning courses

Face to face training categories	Trainings	Training hours
Annual Code of Conduct training	33	58
Targeted Compliance topic training[1]	1,713	1,851
Training of third parties[2]	93	89
Total	**1,839**	**1,998**

1 Training on relevant Compliance topics for risk based target audiences
2 Mainly strategic vendors, contracted yards and manpower agencies

Speak Up Line reports	Total
Reports received under SBM Offshore's Speak Up Policy	88

No confirmed instances of corruption occurred during 2021.

FUTURE

In 2022, SBM Offshore aims to continuously strengthen compliance management and control by focusing on the importance of the right behavior and through continuous alignment with business needs and priorities. SBM Offshore will continue to embed Compliance by:

- Promoting a speak up culture and responsible business conduct.
- Further developing digital tools.
- Increasing monitoring and reporting capabilities by progressing to data-driven compliance.
- Applying a risk-based approach to third-party screening.

2.1.2 EMPLOYEE HEALTH SAFETY & SECURITY

MANAGEMENT APPROACH

SBM Offshore is committed to safeguarding the health, safety and security of its employees, subcontractors and assets, as well as to minimizing the impact of SBM Offshore's activities on local ecosystems and proactively protecting the environment. SBM Offshore applies controls and safeguards based on a lifecycle hazard management process and an integrated management system, the Global Enterprise Management System (GEMS), underpinned by SBM Offshore's Health, Safety, Security & Environment (HSSE) culture development program. In line with SBM Offshore's HSSE Human Rights and Process Safety Policy statement endorsed by the Management Board, SBM Offshore defines its HSSE requirements relative to its hazard exposure in compliance with applicable legal requirements and ISO standards, as well as international oil and gas practices.

SBM Offshore is continuing the journey towards Target Excellence (see section 2.1.3), with the objectives of No Harm, No Defects, No Leaks. For the No Harm goal, SBM Offshore expects employees and contractors to intervene on unsafe acts, unsafe situations and non-compliance with the Life Saving Rules, stop the work if they feel anything is unsafe and report any interventions and incidents. The Life365 program, an integral part of the Target Excellence journey, frames the development of the HSSE leadership and culture development in SBM Offshore.

SBM Offshore:

- Follows ISO17776 guidance on hazard management.
- Follows the best practices outlined in Center for Chemical Process Safety (CCPS) and Energy Institute (EI) guidance documents.
- Investigates incidents and identifies the immediate and root causes to prevent re-occurrence.
- Values proactive consultation and open communication with employees, encouraging participation in HSSE-related initiatives, campaigns and Life Day.
- Has a health-control framework, which includes a fitness-to-work process, medical check-ups, health surveillance and medical emergency arrangements.
- Provides HSSE training covering the full range of Company activities.

2021 PERFORMANCE

SBM Offshore assesses Company HSSE performance through a set of indicators. The following table provides the **targets** set for 2021 and the performance achieved:

2 PERFORMANCE REVIEW & IMPACT

Indicator	Target	Performance	Details
Total Recordable Injury Frequency Rate (TRIFR)	<0.18	0.06	Section 5.3
High-consequence work-related Injury Frequency Rate	na	0	Section 5.3
Tier 1 + Tier 2 PSE	< or equal to 3	4[1]	Section 5.3
Occupational Illness Frequency Rate (OIFR)[2]	na	0.00	Section 5.3
Security incidents[3]	na	6	na

1 E.g.relating to marine systems releases with no impact to HSSE
2 For employees
3 None of these security incidents resulted in any actual injury or physical harm to SBM Offshore personnel

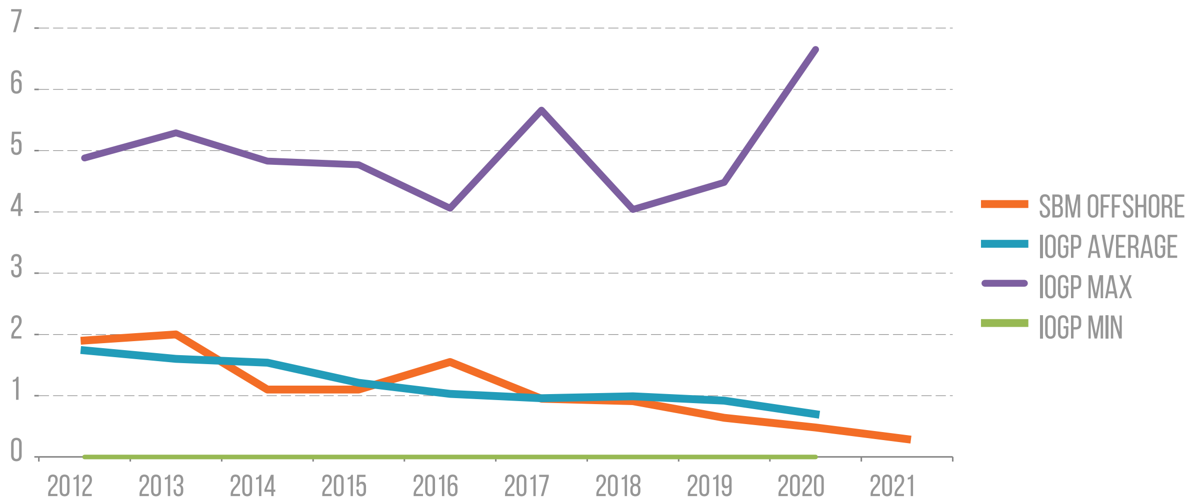
SBM Offshore continued to expand HSSE initiatives in 2021, including:

- Further rolling out the Hazards and Effects Management Process (HEMP) in operation and execution scopes, including standardization, as part of Fast4Ward®. The HEMP is the name of SBM Offshore's approach to manage the risk of Major Accident Hazards (MAHs) and their associated potential Major Accident Events (MAEs) associated with the operations of the fleet. The HEMP runs throughout the life cycle of an asset.
- Piloted the SBM Offshore live barrier project.
- Developed and began using the IFS Incident Management/Corrective Action Preventive Action (IM/CAPA) module to replace the Single Reporting System (SRS).
- Continued to manage the COVID-19 response worldwide effectively.
- Increased health and welfare awareness with a health-related program on specific topics.
- Maintained security controls on SBM Offshore's activities, and preparation of measures in a new country.
- Strengthened the ownership of safety culture among leaders and supervisors in projects and offshore operations.
- Organized the company-wide Life Day.
- Maintained compliance with certification requirements on shore bases and offshore units.

The following graph shows that SBM Offshore's Total Recordable Injury Frequency Rate has remained below the International Association of Oil and Gas Producers' (IOGP) average since 2018[1].

[1] For this graph normalized per 1 million exposure hours; includes IOGP Contributing Members (maximum, average, minimum)

TOTAL RECORDABLE INJURY FREQUENCY RATE
(normalized per 1 million exposure hours)



FUTURE

SBM Offshore has defined the following 2022 targets:

- To achieve a TRIFR better than 0.15.
- To have fewer than 3 Tier 1&2 PSE.

SBM Offshore has planned the following key initiatives for 2022:

- Start rolling out the Serious Injury/Illness and Fatality (SIF) Prevention program.
- Continue rolling out HEMP in operation and execution scopes.

- Reinforce implementation of Process Safety Fundamentals (PSF) while preparing the transition to the recently issued IOGP PSF 2023.
- Maintain security controls on SBM Offshore's activities, and preparation of measures in a new country.
- Increase health and welfare awareness and health-related programs.
- Maintain compliance with certification requirements on shore bases and offshore units.
- Organize the company-wide Life Day.

2.1.3 HUMAN RIGHTS

MANAGEMENT APPROACH

SBM Offshore is committed to respecting human rights and conducting business in accordance with the United Nations Guiding Principles for Business and Human Rights (UNGPs). SBM Offshore is also committed to adhering to the Organization for Economic Co-operation and Development (OECD)'s Guidelines for Multinational Enterprises (MNE), of which human rights are an important element.

SBM Offshore's human rights commitments are embedded in SBM Offshore's corporate values, SBM Offshore's Code of Conduct, SBM Offshore's Policy on Health Safety, Security & Environment (HSSE), Human Rights and Process Safety and SBM Offshore's Human Rights Standards. These documents set out the commitments and principles to be upheld by SBM Offshore's employees, suppliers and partners.

Human Rights targets and performance align with SBM Offshore's adoption of the United Nations Sustainable Development Goals (SDGs) and in line with SBM Offshore's risk-appetite SBM Offshore's long-term target is to fully embed human rights and social performance within its business undertakings.

SBM Offshore's performance on human rights is monitored by the Human Rights Steering Committee. The steering committee comprises Management Board and Executive Committee members. During 2021, the steering committee met five times to consider key issues:
- The definition and endorsement of the Human Rights Program.
- The validation of SBM Offshore's Human Rights salient issues.
- Updates on the due diligence cycle, with identification of key focus points for resolution.

2021 PERFORMANCE

Due diligence

SBM Offshore's due diligence approach on human rights leads to an understanding of salient issues and recording them in a company-wide tool for continuous risk management, mitigation and prevention. From the various due diligence activities undertaken, four salient issues have been defined. These are: Forced Labour; Overtime, Pay and Fines; Accommodations; and Mental Health & Well-being.

Screening as part of significant investments, e.g. yard and vendor qualification, resulted in the following key outcomes:
- 97% of a pool of high-risk vendors were screened, compared with a 90% target. Based on the outcome and previous screening activities, SBM Offshore follows up with supplier engagement for further understanding, education and potential termination of relationships or removal from qualification processes, where necessary.
- 99.5% of vendors signed the SBM Offshore Supply Chain Charter.
- SBM Offshore took further action to address human rights impacts defined earlier, for example, working with yards in China to remove fine-related deductions from workers' wages and improving on-site access to grievance mechanisms.
- SBM Offshore agreed upon a due diligence cycle for existing and new construction yards. To ensure progress in times of travel-restriction, SBM Offshore performed desktop screenings of those yards and additional prospective yards.
- On-site due diligence was carried out at a yard, led by a local SBM Offshore multi-disciplinary team, following the above-mentioned training.
- SBM Offshore completed the on-site assessment of a yard associated with decommissioning, finding an overall good performance. SBM Offshore is engaging on non-compliance related to overtime and wages, mainly driven by the nature of the work and local industry practice.

Grievance Mechanism

SBM Offshore's Speak Up policy forms the basis of an effective operational-level grievance mechanism. SBM Offshore's reporting channels and Speak Up Line enable the leadership to carefully listen to employees and partners in SBM Offshore's value chain about their concerns regarding human rights or other topics addressed in SBM Offshore's Code of Conduct. In 2021, SBM Offshore improved the accessibility of the Speak Up Line (see section 2.1.1.). An example of an allegation raised via the Speak Up Line related to the potential misuse of overtime in a yard location. SBM Offshore followed up with an internal investigation and issued management guidance to local yard operations.

Industry Collaboration

SBM Offshore teams up with others to make a meaningful contribution, with the following initiatives being key:

- *Building Responsibly* – SBM Offshore is an active member of Building Responsibly, a group of leading engineering and construction companies working together to raise the bar in promoting the rights and welfare of workers across the industry. In 2021, SBM Offshore used the human rights questionnaire developed by Building Responsibly to screen suppliers.
- Outreach to clients, competitors and suppliers to ask for collaboration and support in addressing human rights issues.

Other developments

SBM Offshore expanded its reach by adding human rights resource capacity, both at group level and locally. A company-wide human rights e-Learning course was rolled out and completed by 94% of the targeted workforce. Senior management engagement work was carried out, to ensure the embedding of human rights targets and actions in the various parts of the business. Further embedding of human rights was achieved through inclusion of human-rights-related clauses in company contracts with business partners, including suppliers and yards.

COVID-19 Impact

SBM Offshore is aware of the COVID-19 impact on above areas and the limitations it brings to the due diligence process. The pandemic leads to potential risks to workers' welfare in the supply chain, for instance, exposure to the COVID-19 virus, increased workloads and the impact of extended remote working periods with limited or no opportunity to return home. During the year, SBM Offshore has contacted yard management to request they pay attention to these factors. Some yards have been proactive in seeking to address the human impacts COVID-19 has had on its workforce by providing additional food distribution, regular additional physical and mental health checks and incentives. Travel restrictions during the global pandemic have also delayed on-site assessments, including accommodation visits, of human rights impacts. This has been mitigated in part by training local employees to take on human rights observation activities & listening tours and by planning remote worker-lead interviews.

FUTURE

In 2022, SBM Offshore will follow up its due diligence and supply-chain screening, with planned actions to include management engagement with suppliers with specific risk indicators, and education sessions and mutual sharing of best practices. SBM Offshore is on a journey to fully embed human rights and social performance within SBM Offshore to achieve 'no harm'. In 2022, SBM Offshore plans to increase training and awareness on human rights and to continue due diligence within the supply chain, as specified in the target explained in section 2.2. This will further expand the focus within SBM Offshore and mitigate the potential lack of on-site visibility on human rights in times of travel restriction, which may continue into the coming year.

2.1.4 OPERATIONAL EXCELLENCE & QUALITY

SBM Offshore recognizes that in order to be a high-performance company, it must strive for excellence. As explained in previous sections, key activities are the execution of projects, delivery of floating production systems, together with vendors and supply chain partners, and the operation of these systems to the highest standards.

To support this approach, SBM Offshore maintains a dedicated Operational Excellence organization at Group level, incorporating resources with diverse expertise in operational, technical and process fields.

Key performance indicators for Operational Excellence & Quality include: uptime of the fleet, delivery of projects, performance of the supply chain, costs of non-quality and certifications.

2.1.4.1 OPERATIONAL EXCELLENCE FUNCTION

MANAGEMENT APPROACH

The scope of SBM Offshore's Operational Excellence Function is to continually oversee core business activities across their lifecycle (from 'Win' to Execute' to 'Operate') and drive SBM Offshore towards high performance, not only from an economic perspective (covered in section 2.1.6) but also through effective risk management, quality/compliance assurance and continuous improvement.

Among the various aspects of Operational Excellence within SBM Offshore, are the following main themes:

- Leadership and Culture: with the ambition to 'Target Excellence', the complementary Life365 and Right365 programs frame the development of SBM Offshore's leadership and culture, focusing on the combined objectives of 'No Harm, No Defects, No Leaks'.
- Operational governance: as described in section 3.8.
- Process Safety Management and Risk Management: described in sections 2.1.2 and 3.6.1 respectively.
- Management Review: building on International Standards such as ISO 9001, SBM Offshore has established a set of internal processes ensuring a regular, structured review of its management and control framework against its latest strategy and actual performance.
- Knowledge Management and Continuous Improvement: ensuring that lessons are effectively learned, also building on internal knowledge and experience as well as industry best practices.
- New ways of working under Fast4Ward® and Digitalization – explained in sections Fast4Ward® and 2.1.8.
- Quality and Regulatory Management described below.

Quality & Regulatory Management

SBM Offshore is committed to performing its business in full compliance with all applicable laws and regulations and to delivering products and services meeting all related regulatory requirements, as well as any applicable specifications and requirements imposed by relevant stakeholders.

As part of the Operational Excellence organization, the combined Quality & Regulatory Management function is dedicated to ensuring that such objectives are consistently met in SBM Offshore's core business, notably through:

- Promoting a quality and compliance culture.
- Maintaining SBM Offshore's certification to the ISO 9001:2015 Standard.
- Providing systematic identification of applicable regulatory requirements and ensuring their implementation.
- Ensuring that conformity, compliance and acceptance of SBM Offshore's products and services are effectively achieved and maintained.
- Supporting continuous improvement of business processes and ways of working.

Regarding Operational Excellence & Quality overall, SBM Offshore is focused on reducing and mitigating risks to its business activities, notably:

- Significant risks related to project execution, process safety, human capital and changes in laws and regulations – as mentioned in section 1.4.
- Other operational risks such as loss of integrity of aging assets, loss of certificate of class and disruption to the supply chain.

2021 PERFORMANCE

SBM Offshore is proud to note the following key achievements:

- Active promotion of 'Target Excellence' principles through diverse initiatives.
- Maintenance of SBM Offshore's ISO 9001:2015 certification, including scope extension to the Terminal systems activity.

- Further development of an integrated Product and Regulatory Assurance approach, building notably on project/operational experience to upgrade our processes including 'Cost of Non-Quality' processes.
- Strengthening of the Right365 program under the banner of 'Target Excellence', with a specific focus on 'Doing the Right Thing, Right First Time' with the deployment of mandatory Quality Rules e-Learnings for project personnel.
- Development of a new version of SBM Offshore's enterprise management system GEMS ('Sapphire project') to align GEMS structure and content with the new ways of working brought by the Enterprise Resource Planning project 'Integra'.
- Lessons Learned Initiatives performed to improve SBM Offshore's projects and operations.
- Development of a digital version of technical standards (GTS) that will be available through a Requirement Management Software in 2022.
- Effective use of independent third parties for inspection, verification and assurance services related to Execute and Operate activities.

Importantly, all company offshore facilities were duly accepted by all relevant authorities and regulators, with all related permits, licenses, authorizations, notifications and certificates duly granted and kept valid. Offshore facilities have also remained in class at all times as required from both statutory and insurance perspectives. No significant operational fine was paid in 2021.

FUTURE

For 2022, SBM Offshore will be focusing on the following subjects:

- Process Safety Management objectives as described in section 2.1.2.
- Further development of a Knowledge Management framework to grow in-house expertise and support continuous improvement.
- Roll out of a new version of GEMS, 'Sapphire'.
- Deployment of digital version of the GTS.
- Development and deployment of digital solutions supporting Operational Excellence, including a tool to execute technical assurance.
- Development of technical assurance framework beyond engineering phase.
- Transition from Cost-of-Non-Quality to Quality incidents to improve effectiveness and prevent reoccurrences.
- Maintenance of an effective regulatory watch and interface with regulators.

2.1.4.2 PROJECTS

MANAGEMENT APPROACH

SBM Offshore continues to focus on the development of its portfolio of floating solutions to deliver the best projects aligned with customer needs, building on SBM Offshore's technology expertise and track record. The success of projects is determined by performance against a budgeted schedule, cost and quality within the HSSE and Target Excellence approaches mentioned in sections 2.1.2 and 2.1.4. KPIs are set accordingly and managed through SBM Offshore's Project Directorate and Project Dashboards.

The management approach remains based on (i) an early engagement with customers; (ii) standardization in product design and execution in order to improve competitiveness, quality, time to market and reduced emissions; and (iii) an increasing focus on the energy transition, using SBM Offshore's core competencies to develop affordable, low carbon solutions in the FPSO as well as in the LNG-to-power and renewable markets.

2021 PERFORMANCE

Throughout the year, SBM Offshore continued to meet the additional challenge of the COVID-19 pandemic whilst ensuring business continuity in all projects. The project teams maintained their focus on project delivery and safe operations, while working together virtually, across time zones, with customers, yards and suppliers with the aim of limiting delivery delays. Projects continued to operate in a new environment where readiness for, and mitigations of the risks of, the ongoing pandemic is factored into daily project execution. SBM Offshore is grateful to all the project stakeholders for making this happen.

FPSOs

- *Liza Unity* (FPSO) – SBM Offshore's first Fast4Ward® FPSO has safely arrived in Guyana in line with customer ExxonMobil's planning. *Liza Unity* (FPSO) was awarded the SUSTAIN-1 notation, the world's first FPSO to achieve this recognition. After a fast-track mooring hook-up operation, the FPSO is safely moored and SBM Offshore is currently carrying out offshore commissioning, with FPSO start-up scheduled for early 2022. SBM Offshore will then lease and operate the FPSO for a period of up to two years before handing it over to ExxonMobil.
- *FPSO Sepetiba* – Following the Fast4Ward® MPF hull arrival at the Topside yard in China, the topsides modules lifting campaign has begun for this FPSO which Petrobras will lease for 22.5 years, under a contract signed in 2019. First oil is targeted for 2023.
- *Prosperity* (FPSO) – The Fast4Ward® MPF hull for this FPSO entered dry dock in Singapore and the topsides' fabrication is progressing in line with the project schedule. The vessel is the first that SBM Offshore is delivering under the long-term FPSO supply agreement signed with ExxonMobil in 2019. The project is

progressing in line with the client's schedule, with planned completion in 2024.

- *FPSO Almirante Tamandaré* – The engineering activities are progressing, reaching the 60% model review milestone, and topside construction activities have started in China & Brazil. In parallel, the keel-laying milestone has been achieved for the Fast4Ward® MPF hull. The vessel will operate in the Buzios field, part of the Santos basin, offshore Brazil.
- *FPSO Alexandre de Gusmão* – Detailed engineering and supply chain activities have started in our Kuala Lumpur office. The Fast4Ward® MPF hull construction has reached the 'first steel cut' as well as the 'keel-laying' milestones. Topsides yards selection are completed both in China and Brazil.
- FPSO for Yellowtail development project – SBM Offshore started to carry out a Front-End Engineering Design (FEED) phase for ExxonMobil on the Yellowtail development project, ExxonMobil's fourth FPSO offshore Guyana. Subject to Guyana government approvals and project sanction and release of second phase of work by the client, SBM Offshore will design and construct the FPSO using its industry-leading Fast4Ward® program allocating the Company's sixth new build, MPF hull combined with several standardized topsides modules. The FPSO will be designed to produce 250,000 barrels of oil per day, will have associated gas treatment capacity of 450 million cubic feet per day and water injection capacity of 300,000 barrels per day. First oil is expected in 2025.

Fast4Ward® MPF hulls

- This year, two Fast4Ward® MPF hulls have been delivered and arrived in their respective integration locations (the second MPF hull in Singapore & the third one in China).
- In parallel, major milestones have been achieved for the fourth and fifth MPF hulls at respective Chinese shipyards: 'hull launching at end of dry-dock' in SWS for the fourth one; and 'keel-laying' in CMIH for the fifth one, both in line with SBM Offshore's execution plan. These two hulls are now allocated to projects, respectively the FPSO for Yellowtail development project and *FPSO Almirante Tamandaré*.
- In 2021, the Fast4Ward® program also welcomed a sixth hull, the fourth one ordered to SWS, which is already reaching the 'first steel cut' and 'keel-laying' milestones and has been allocated to *FPSO Alexandre de Gusmão.*

Turret Mooring Systems

Following successful completion and 2020 delivery of all the Turret Mooring System modules for Equinor's Johan Castberg FPSO, SBM Offshore was supporting its client Equinor to progress the preparation of Turret-Hull integration activities in Singapore.

In addition to supporting the SBM Offshore internal FPSO Product Line, providing expertise on mooring system designs, the TMS Product Line also carried out a pre-Front-End Engineering Design (pre-FEED) phase for BHP Trion FSO.

Renewables

SBM Offshore is now constructing three floating offshore wind substructures for the Provence Grand Large project for EDF Renouvelables. The three 8.4MW floaters with mooring systems will be installed offshore Marseille, France. Leveraging the experience gained from this pilot project will enable SBM Offshore to further fine-tune its technology and execution model and to scale up for future wind farm projects.

Installation

As part of its offshore installation services, SBM Offshore successfully and safely concluded several offshore operations, including subsea tie-in for the ALEN gas export facility offshore Equatorial Guinea, the soft yoke repair works on the FPSO Sea Eagle offshore Nigeria and Dussafu project SURF installation and subsea tie-in works offshore Gabon. More recently, SBM Offshore completed the Coral ENI FLNG Mooring System installation and pre-lay offshore Mozambique followed by the fast-track mooring hook-up of *Liza Unity* (FPSO) offshore Guyana.

In parallel, SBM Offshore concluded the sale of its diving support and construction vessel (DSCV) SBM Installer on January 19, 2022.

FUTURE

SBM Offshore will continue to standardize its products in line with the Fast4Ward® program while seeking to produce environmentally friendlier solutions in line with its emissionZERO® program. In addition, SBM Offshore will continue to fine-tune its product offering to offer competitive and industrialized solutions to the floating offshore wind and wave energy market. Development in the LNG-to-power market is also key to contributing to lower carbon intensity. These developments add to SBM Offshore's Ambition 2030, i.e. the addition of 2+ FPSO contracts per year on average and the achievement of >2GW Floating Offshore Wind installed or under construction by 2030.

2.1.4.3 SUPPLY CHAIN

MANAGEMENT APPROACH

The current business and health environment is driving major changes, with risk resilience and new market and environmental standards requiring that the supply chain organization adapts and evolves. To continue the drive towards energy transition with the highest level of safety, performance and quality, the supply chain management is evolving into a strategic globalized organization. Leveraging long-term relationships with key supply chain partners will also contribute to accelerating the time-to-market objective and performance in the Win phase.

With efficient execution of projects remaining essential, SBM Offshore supply chain management is continuing its efforts to support projects locally by developing capability hubs, for example in China, India and Brazil.

The pandemic has demonstrated the value of 'framing global, acting local' and aligning supply chain strategy with the product life-cycle. The supply chain organization contributes to SBM Offshore's strategy as described in section 1.3.2.

2021 PERFORMANCE

The supply chain organization has been developed further around six strategic pillars to enhance the resilience of the function as a whole:

Supply Chain Excellence

- Strengthening the performance of the function on a global scale and include all areas of SBM Offshore's business ie. Projects, Operations and non-Project related business.
- Enhancing Quality Assurance and Quality Control within Supply Chain.
- Enhancing the effectiveness of SBM Offshore's enterprise management processes.
- Effective vendor performance and vendor qualification assessment to include current topics such as climate change measures, human rights and cybersecurity.
- Set function-wide KPI's and enhance data-driven reporting and visibility into the performance of the entire function against these KPI's.
- Drive key global issues such as human rights and sustainability goals within the Supply Chain community.

Strategic sourcing

- Enhanced strategic focus during the proposal phase of SBM Offshore's projects.
- Increased cost-competitiveness and time-to-market by leveraging on global synergies with key vendors.
- Co-development with key vendors on major energy transition initiatives and new technology.
- Globalization of SBM Offshore's strategic activities to achieve direct benefits from the strategic work done with key vendors for project tenders.
- Enhance business alignment between SBM Offshore and its supply chain community by holding dedicated workshops and global events such as an annual Global Vendor Day.

Product focus in Supply Chain

- Enhanced resource management on SBM Offshore's projects to maximize utilization of skill sets.
- Dedicated section for FPSOs and FLNGs to strengthen key post-order management activities.

Energy Transition

- Work with key vendors to enhance technologies for carbon capture.
- Assess Scope 3 emissions for key components on SBM Offshore's FPSOs and work with key vendors to explore avenues to reduce emissions.
- Enhance renewable product focus to support development of renewable energy projects.

Regional Supply Chain development

- Leverage regional supply chain skills in centers such as Brazil (Rio de Janeiro), India (Bangalore) and China (Shanghai).
- Diversify supply chain resources and develop talents across all regions.

Digital Transformation

- Play a major role in the design and implementation of SBM Offshore's migration to the new global ERP system.
- Work with the external supply chain community to support digital-twin objectives.
- Support the data-migration activities to enhance automated data-driven reporting and performance measurement of the function.

Performance measurements:

- 9 Steering committee meetings organized with strategic vendors.
- 1,599 vendors qualified under the revised qualification process since 2017, including more than 120 Chinese vendors.
- 99.5% of vendors have signed the Supply Chain Charter.
- 90 vendors have had their qualification renewed following satisfactory performance.
- 65 vendors have responded to SBM Offshore supply chain organization's new human rights assessment (more detail in section 2.1.2).

FUTURE

Next year, Group Supply Chain will continue its evolution towards being a resilient function to enhance and maintain high standards of performance across all areas of its business including, but not limited to, supporting human rights, climate change measures, digitalization, quality assurance and quality control, resource and talent management across all SBM Offshore's centers, enterprise management systems, vendor performance and qualification assessments, and energy transition measures.

SUPPLY CHAIN ORGANIZATION PRINCIPLES

Supply Chain Excellence

Driving a multi-faceted global approach to strengthen the function's performance and measurement of key performance indicators across all aspects of our business and across all our regional centers

Strategic sourcing

Developing and fostering a climate of collaborative partnerships with our key suppliers to enhance cost competitiveness, time to market and co-development initiatives

Product focus

Enhancing product based post order management capabilities by effective adherence to our processes and resource management tools and techniques to maximize utilization of skills to deliver defect free fit for purpose products

Energy transition

Assessing current Scope 3 emission levels to set baselines for future collaborative work with our suppliers towards reducing emissions whilst supporting our renewable energy projects

Regional development

Diversifying and developing the supply chain talent pool across all our centers to integrate regional skills and expertise into our core business activities

Digital transformation

Transforming supply chain into a data driven function whilst retaining traditional execution expertise across all supply chain activities

2.1.4.4 FLEET

MANAGEMENT APPROACH

The fleet that SBM Offshore operates on behalf of its clients form the Value Platform 'Ocean Infrastructure'. They are key value drivers for SBM Offshore and generate predictable and sustainable revenue and operating cash-flows. The expertise and experience of almost 3,000 offshore crew and onshore staff ensures value creation through the safe, reliable and efficient operation of SBM Offshore's offshore fleet.

The Fleet adheres to and applies the management approach of the wider SBM Offshore organization. Key to this are policies, commitments and mechanisms mentioned under sections 2.1.2 and 2.1.4. In addition, SBM Offshore's Fleet also focuses on:

- Supporting SBM Offshore's Target Excellence program: the Fleet runs an 'Excellent Days' program which measures and rewards safe operational performance by offshore units and crew.
- Uptime: a key indicator for SBM Offshore measures the percentage of time the unit is available to produce. SBM Offshore aims to maintain its industry-leading levels of uptime, at or above 99%.
- Emissions: further increase in the stability of gas handling systems and improved data-analytics leading to reduction of flaring in most of the assets SBM Offshore operates on behalf of its clients. Further details can be found in section 2.1.7.
- Local content and knowledge transfer targets in SBM Offshore's countries of operations: which are accompanied by social development initiatives, as mentioned in section 2.2.
- A company-wide Responsible Recycling Policy: for the sustainable end-of-life disposal of offshore units, applying the principles of the EU Ship Recycling Regulation 1257/2013 or equivalent.

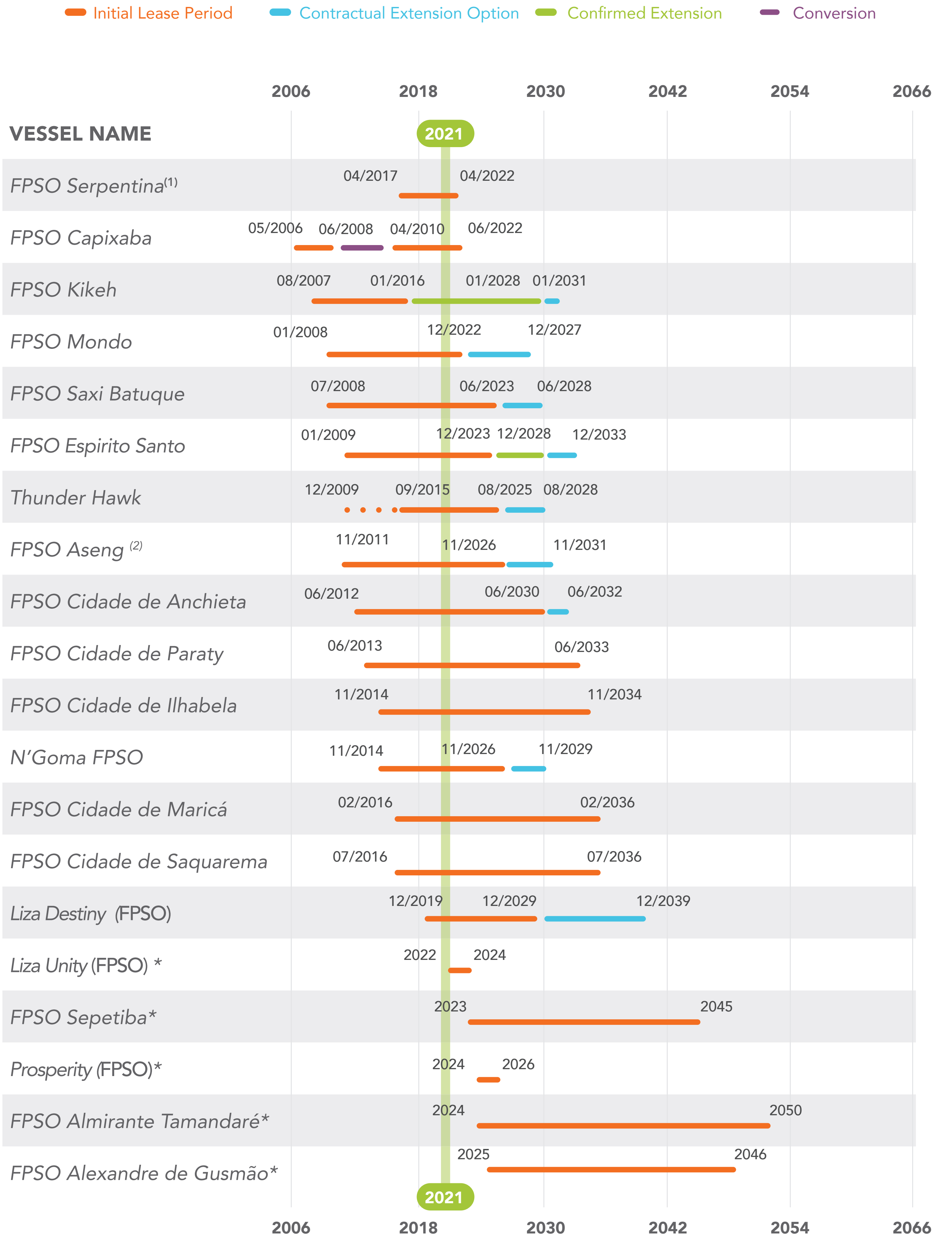
At the end of 2021, SBM Offshore was responsible for performing operation & maintenance services on 14 FPSOs across the globe and had a non-operating stake in 1 Semi-submersible unit.

With the following historic performance:

- over 6.5 billion barrels of production cumulated to date.
- 9,725 oil offloads cumulatively to date.
- 360 cumulative contract years of operational experience.

OPERATIONS FLEET

VESSEL NAME	CLIENT	COUNTRY	1ST OIL/GAS DATE
FPSO Serpentina[1]	MEGI	E.GUINEA	2003
FPSO Capixaba	PETROBRAS	BRAZIL	2006
FPSO Kikeh	PTTEP	MALAYSIA	2007
FPSO Mondo	EXXONMOBIL	ANGOLA	2008
FPSO Saxi Batuque	EXXONMOBIL	ANGOLA	2008
FPSO Espirito Santo	SHELL	BRAZIL	2009
Thunder Hawk	FIELDWOOD/MURPHY	USA	2009
FPSO Aseng [2]	NOBLE ENERGY	E.GUINEA	2011
FPSO Cidade de Anchieta	PETROBRAS	BRAZIL	2012
FPSO Cidade de Paraty	PETROBRAS	BRAZIL	2013
FPSO Cidade de Ilhabela	PETROBRAS	BRAZIL	2014
N'Goma FPSO	ENI	ANGOLA	2014
FPSO Cidade de Maricá	PETROBRAS	BRAZIL	2016
FPSO Cidade de Saquarema	PETROBRAS	BRAZIL	2016
Liza Destiny (FPSO)	EXXONMOBIL	GUYANA	2019
Liza Unity (FPSO)*	EXXONMOBIL	GUYANA	2022
*FPSO Sepetiba**	PETROBRAS	BRAZIL	2023
Prosperity (FPSO)*	EXXONMOBIL	GUYANA	2024
*FPSO Almirante Tamandaré**	PETROBRAS	BRAZIL	2024
*FPSO Alexandre de Gusmão**	PETROBRAS	BRAZIL	2025

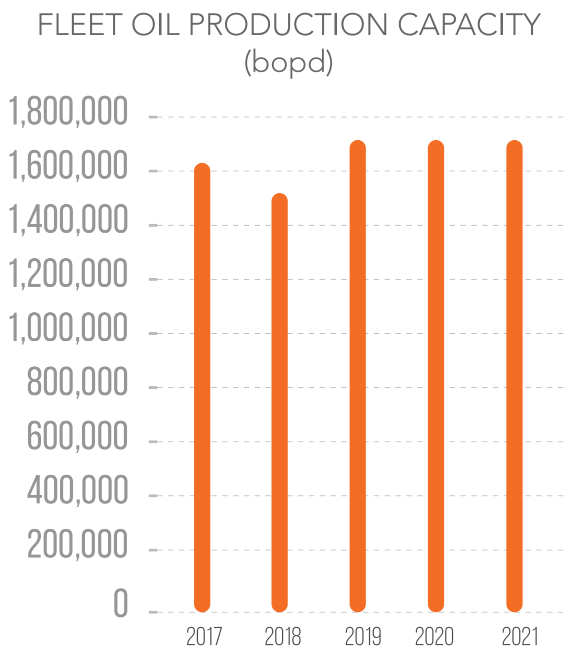


(1) *FPSO Serpentina* is owned by the client and is operated by Gepsing – a subsidiary between SBM Offshore (60%) and GEPetrol (40%)

(2) Noble Energy EG Limited is now a wholly-owned indirect subsidiary of Chevron Corporation

* Under construction.

2 PERFORMANCE REVIEW & IMPACT

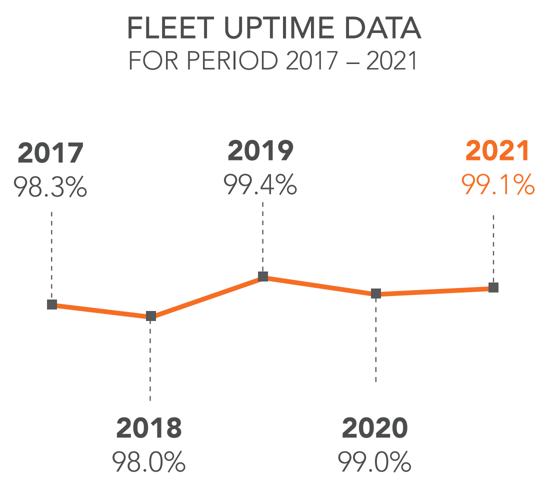


2021 PERFORMANCE

2021 represented another challenging, yet ultimately successful, year for SBM Offshore's operations, with the demands of the global COVID-19 pandemic continuing to impact the operational focus.

Continued strong management of the pandemic and its impact on crew health and safety, logistics and travel ensured business continuity and good performance in offshore operations. Solid results were achieved in terms of occupational and process safety, while maintaining historic production uptime of 99%.

In 2021, no units entered or exited the fleet operated by SBM Offshore.



Despite this, various initiatives and developments progressed and matured this year to enhance operational safety, quality and efficiency through:

- Training and Competency overhaul with focus on digitally driven educational platforms, Virtual Reality and remote learning for safe, efficient onboarding of new crew.
- Health and Fatigue Management programs and recruitment of additional personnel easing rotation planning and providing relief for offshore teams.
- Organizational enhancements and expanded Data Management for globally integrated, connected and date-driven operations.
- Maturing Fleet Support services capabilities through global network.
- Continued implementation of digital solutions and applications for enhanced operational intelligence, asset monitoring and predictive capability. Increased value creation from digitalization of mature Brazil operations, and establishment of same in Guyana.

SBM Offshore's approach is to target asset preservation with optimal lifecycle costing. In 2021, progress was made on:

- Expansion of the digital environment, data connection and management under the control of global operations monitoring centers and the deployment of predictive maintenance applications for equipment and asset optimization (see section 2.1.8).
- Continued focus on Process Safety Management, barrier management, and enhanced Marine Safety.
- Deployment of solutions and techniques based on Artificial Intelligence and new technologies such as remote work preparation and inspections, offshore mobility devices, drones, VR and equipment integrity programs reducing offshore manhours and shutdown durations.

Responsible Recycling of MOPU Deep Panuke

The MOPU Deep Panuke PFC, which was disconnected in 2020, was taken to a responsible recycling facility in Nova Scotia, Canada for the planned recycling phase. This is being carried out in full adherence to SBM Offshore's Responsible Recycling Policy, including the above-mentioned commitments to EU regulations. SBM Offshore is proud to have qualified a local yard meeting all requirements and through which SBM Offshore can ensure local economic development and reduction of logistic-related carbon emissions.

During 2021, the project addressed waste management streams, supported habitat creation through reef balls in the surrounding harbor, and invested in local community development, labor opportunities and contributions to schools and First Nation projects. The responsible recycling project is expected to complete in 2022.

FUTURE

As a forward-looking operator, SBM Offshore leverages its unrivalled experience and industry-leading digital and technological solutions to deliver sustainable, ethical operations with the highest standards of safety, reliability and efficiency. SBM Offshore's core values and approach to responsible business underpin SBM Offshore's operational philosophy and prioritize the health and well-being of all offshore and onshore employees.

As part of SBM Offshore's Digital Transformation, 'Smart Operations' based on quality data, digital analytics and technology is rapidly accelerating the development and deployment of digital tools and technologies across SBM Offshore's fleet. This provides internal value creation, optimized client service offering and enhanced safety and efficiency.

Emission reduction in downstream leased assets will ensure SBM Offshore's contributions to Climate Change Mitigation and a subsequent path to net-zero, as explained in sections 1.4.3 and 2.1.7. SBM Offshore has set long-term targets for this. Key elements are:

- The development of the emissionZERO® FPSO for future projects.
- The development of investment proposals for clients and joint venture partners in the installed base of assets.

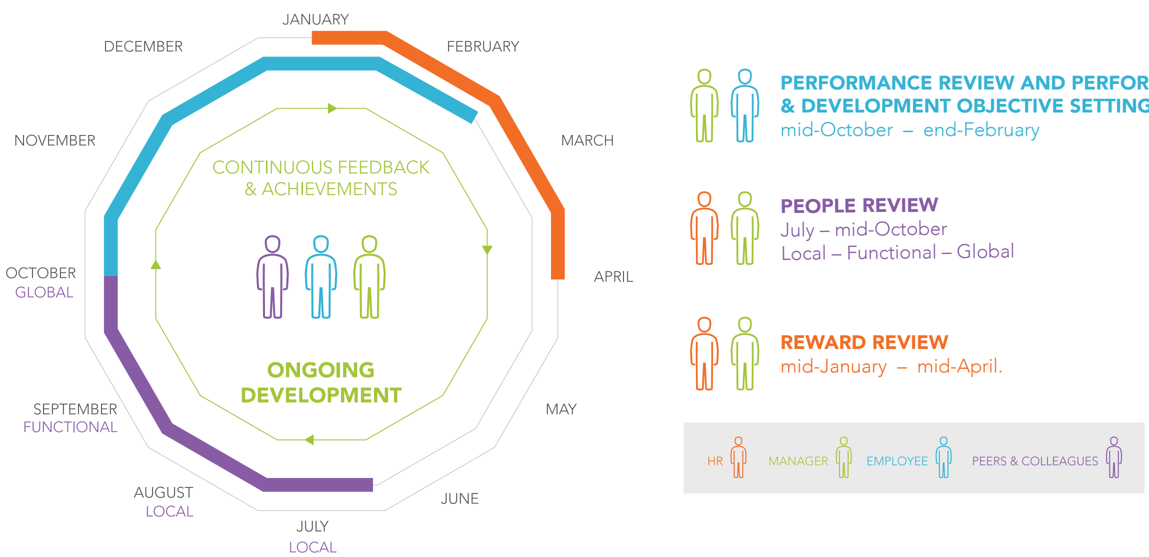
Company standardization programs such as Fast4Ward® also benefit Fleet Operations through the combination of standardized designs for new units and the integration of new digital, data-driven solutions. Operations in Brazil represent the mature frontrunner of this digital value creation, whereby products are tested, incubated and validated. Here structural preparations are also underway to receive the *FPSO Sepetiba*, a Fast4Ward® design, after its completion.

In Guyana, operations continue to experience strong growth, both offshore and onshore and take full benefit of enhanced products, programs and operational developments in the wider company. In 2021, SBM Offshore welcomed the second unit, *Liza Unity* (FPSO) offshore. As at year-end, commissioning activities were progressing towards first oil, targeted for early 2022. Preparations are also ongoing for the arrival of *Prosperity* (FPSO) in 2023. SBM Offshore continues to expand and embed its presence in-country with the opening of new purpose-built operational headquarters including an Integrated Operation Centre for offshore units. Operations are backed up by strong growth in personnel and investment in a wide range of social, environmental and educational initiatives focusing on local content and knowledge transfer.

SBM Operations has a strong role in managing annual and long-term targets in line with the UN Sustainable Development Goals, as explained in section 2.2.

2.1.5 RETAINING AND DEVELOPING EMPLOYEES

PEOPLE DEVELOPMENT CYCLE



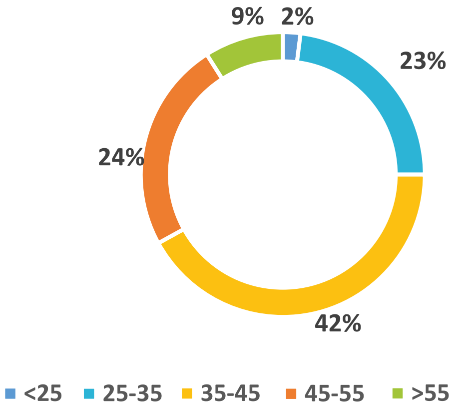
2021 HR HIGHLIGHT

AGE AVERAGE **41.15**

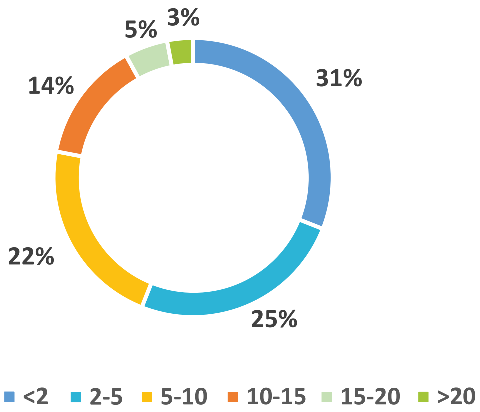
FEMALE RATIO **19%**

SENIORITY AVERAGE **8.13**

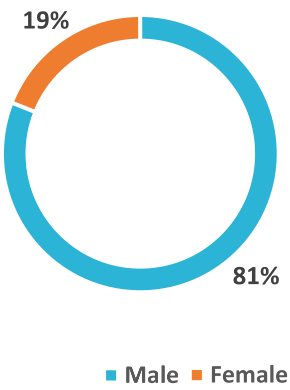
GLOBAL HEADCOUNTS BY AGE RANGE



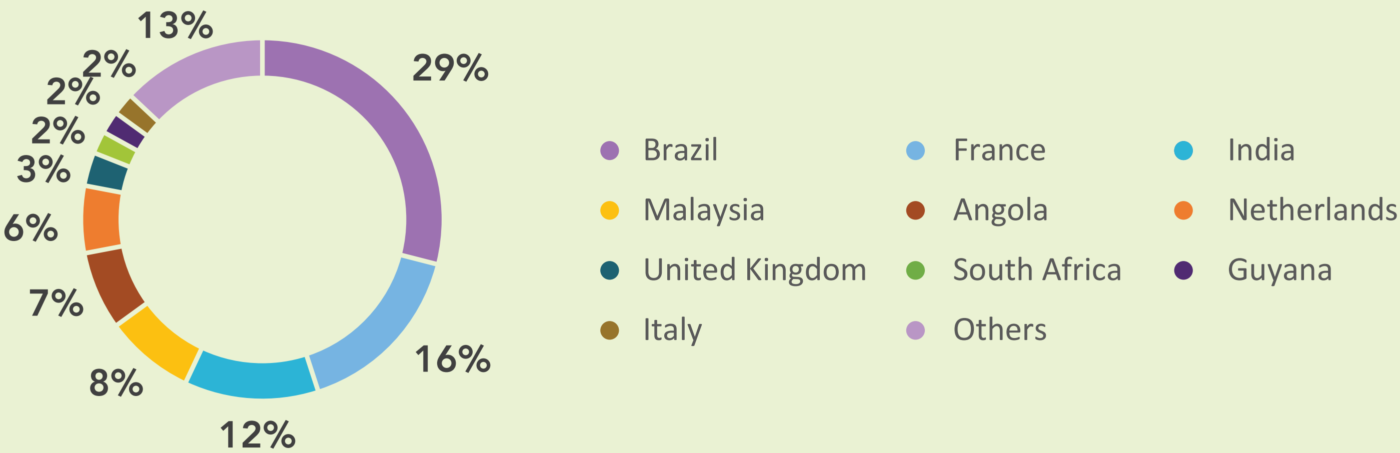
GLOBAL HEADCOUNT BY SENIORITY RANGE



GLOBAL HEADCOUNT PER GENDER



GLOBAL HEADCOUNT BY NATIONALITY



28% OF EMPLOYEES WORK IN A FOREIGN COUNTRY

46 LANGUAGES SPOKEN

MANAGEMENT APPROACH

In 2021, SBM Offshore's focus continued to be on retaining and developing staff, building and training current and future leaders and protecting employee health and well-being. SBM Offshore runs an HR cycle that contributes to the retention and development of employees. This process is managed under the Group HR function, which is part of the Executive Committee and the CEO-portfolio.

With the ongoing COVID-19 pandemic, and the consequent changes in working practices, SBM Offshore put increased effort into caring for employees, to minimize the effects of fatigue and stress on employees' physical and mental health. Recruiting, training and developing both our leaders and employees meant a switch to digital methods.

In addition, a particular focus was put on increasing employee headcount, in line with business needs, and increasing the flexible component of the workforce, to ensure the business can respond, in an agile way, to current and future demands. This means ensuring an efficient pipeline of new talent through strategic internal and external recruitment activities.

2021 PERFORMANCE

With the COVID-19 pandemic, SBM Offshore has made great efforts to ensure that its workforce is protected, balancing the needs to execute its projects and commitments against the impact on the workforce of working in the changed COVID-19 environment. For example, SBM Offshore recruited a further 132 people to ease the pressure on existing employees operating under extended offshore rotations and quarantine regimes.

Special care was paid to the mental health of employees working at home, with several online initiatives launched to help employees cope with home-working and social isolation. In addition, extra support was given to employees working away from home for extended periods, with measures put in place to allow them to work from their home countries where possible.

The pandemic also affected how SBM Offshore trains employees, with training now increasingly digitalized, using virtual reality and simulation to minimize interpersonal contact.

SBM Offshore continued to develop its leaders, with the new RISE Leadership Program launched, embodying all that is expected of a leader at SBM Offshore, and identified the technical expert community, to create a career reward and recognition path for senior engineers within SBM Offshore.

SBM Offshore was able to recruit new staff, particularly in China, India and Guyana, successfully onboarding them at events in several locations.

Key Highlights

- Workforce increased by 16% to 6,426.
- Diversity and Inclusion network created with ambassadors appointed in 12 countries.
- 4,000 voluntary digitalized training courses undertaken by employees.
- 2,179 employees assessed on their leadership or expert potential.
- Future leadership campaign: 38 Hogan assessments (development centers) and 39 Korn Ferry assessments conducted.

Other Highlights

- 72,345 online applications for jobs reviewed: 4,673 retained for the recruitment process.
- Proportion of flexible workers in the workforce increased from 20% to 26% in 2021.
- 42 e-Learning titles developed and made available on FPSO Units.
- 7 Virtual Reality training modules launched.
- 3 Process Simulator Training Centers put in place.
- 'Pulse' employee workplace survey conducted and benchmarked.
- 13 action plans developed to respond to employee workplace survey findings.
- New Learning Management System module of the HRIS (LUCY) created.
- RISE Leadership Program launched.
- Expert Program: Identified 337 Experts, Senior Experts and Master Experts in 31 Expertise Families.

FUTURE

In 2022, SBM Offshore will continue to digitalize HR data, adding further functionality to its LUCY reporting tool to allow automatic and tailored career paths to be proposed to employees.

It will continue to roll out the OSCAR digital 'Offshore Pass' for FPSOs and the 'Crew Self-Service' module alongside other digital tools.

SBM Offshore will finalize its Smart Ways of Working initiative to identify an optimized hybrid model for future working, balancing working from home and working in the office, based on better performance with increased efficiency, while safeguarding employee safety, well-being, and Company core values.

SBM Offshore will continue to give special attention to the 'employee experience', in particular taking care of those employees who have been away from home for longer than usual because of the pandemic. Such an emphasis is key to employee retention. Recruitment will remain a significant challenge as the pandemic makes it more difficult to integrate new team members in the usual way. SBM Offshore will therefore improve onboarding, rolling out best practices to ensure that all new employees experience the same high-standard onboarding wherever they are recruited in the world, online or in person.

In 2022, SBM Offshore will continue to deepen its 'employee experience' knowledge to further improve all aspects of the organizational culture and nurture a strong sense of belonging.

On Training, SBM Offshore will further improve the content and catalogue of the Learning Management System, a training tool which enables SBM Offshore to become a learning organization where each SBM Offshore learner is an entrepreneur in their career development. In addition, SBM Offshore will make unconscious bias awareness sessions available to the Company at large and will also set ambitious diversity and inclusion targets.

2.1.6 ECONOMIC PERFORMANCE

MANAGEMENT APPROACH

SBM Offshore's primary business segments are: Lease and Operate and Turnkey. Although financial results are presented per segment, activities between business segments are closely related. In addition to reporting under International Financial Reporting Standards (IFRS) guidelines, SBM Offshore's Directional reporting methodology was introduced to reflect Management's view of SBM Offshore and how it monitors and assesses financial performance. This chapter of the Annual Report presents numbers based on directional reporting.

SBM Offshore provides Directional Revenue and EBITDA guidance, which is updated in the event of material change, if any. Economic performance is a result of all company activities, governed as per sections 3.1 Management Board and Supervisory Board and 3.2 Corporate Governance and executed as per the Management Approach sections in chapter 2 Performance Review & Impact.

2021 PERFORMANCE

Economic performance is measured through profitability, cashflow, backlog and the financial position of SBM Offshore.

Profitability

Adjusted for non-recurring items, Underlying Directional revenue for full-year 2021 came in at US$2,317 million, an increase of 1% compared with 2020. This increase is mainly driven by the Turnkey segment benefiting from the general ramp-up of Turnkey activities with five FPSO's under construction in 2021, the awarded limited scope on the FPSO for the Yellowtail development project and the higher contribution from the renewable and offshore services product lines. This was partially offset by the comparative impact of the Johan Castberg Turret Mooring System EPC project delivered in 2020. Underlying Directional Lease and Operate revenue was US$1,584 million almost stable versus US$1,622 million in the prior period.

Underlying Directional EBITDA amounted to US$931 million in 2021 compared with US$944 million in 2020. This resulted from a decrease of the Underlying Lease and Operate EBITDA by US$42 million. Despite an overall stronger operational performance of the fleet, this is mainly explained by (i) the net incremental costs from the implementation of additional safety measures linked to COVID-19 and (ii) repair costs incurred in 2021 on damaged mooring lines on one unit and (iii) higher maintenance and repair activities, including maintenance campaigns postponed to 2021 due to the COVID-19 new pandemic context in 2020. The 2020 EBITDA also benefited from the contribution of the Deep Panuke MOPU decommissioning activities. Underlying Directional Turnkey EBITDA increased from US$(9) million in the year-ago period to US$19 million in the current year. Reduced level of EPC activity in the Turret and Mooring product line, following the Johan Castberg Turret Mooring System project delivery was nearly offset by the general ramp-up of other Turnkey activities (including higher contribution from Offshore services). In addition, the Turnkey EBITDA benefited from positive project and risk close out in 2021, while it was impacted by US$(40) million of restructuring costs in 2020.

2021 Underlying Directional net income attributable to shareholders stood at US$126 million, a slight increase compared with US$125 million in the previous year. It should be noted that the ongoing EPC works on *FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão, Liza Unity* (FPSO), *Prosperity* (FPSO) and the FPSO for the Yellowtail development project did not contribute to Directional net income over the period. This is because the contracts were 100% owned by the Company as of December 31, 2021 and are classified as operating leases as per Directional accounting principles. Therefore, the contribution of these five FPSO projects to the Directional profit and loss will largely materialize in the coming years, subject to project execution performance, in line with the operating cash flows.

The above Underlying figures adjust several non-recurring items described in 4.1.3 Financial Review Directional.

Cash Flow/Liquidities

Thanks to the strong contribution of the fleet, SBM Offshore generated US$715 million of net cash flows from operating activities over 2021.

The fact that the bridge loans related to *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* were drawn in full during the last quarter of 2021 for a total amount of US$1,255 million generated a significant excess of financing cash flow compared with actual investments to date on these two units (approximately US$800 million as of December 31, 2021). As a result, cash and cash equivalents increased from US$383 million at year-end 2020 to US$1,059 million at year-end 2021.

Backlog

The Directional backlog, which is presented on a pro-forma basis in note 4.1.3 Financial Review Directional, grew to a record total of US$29.5 billion at December 31, 2021, compared with US$21.6 billion at year-end 2020.

This increase was mainly the result of (i) the awarded contracts for the *FPSO Almirante Tamandaré* project and the *FPSO Alexandre de Gusmão* project and (ii) the awarded initial scope to begin FEED activities and build a Fast4Ward® hull for the FPSO for the Yellowtail development project. SBM Offshore's backlog provides cash flow visibility of 29 years, up to 2050.

Statement of Financial Position

SBM Offshore's financial position has remained strong as a result of the cash flow generated by the fleet and the successful adaptation of the Turnkey segment to a more competitive and unpredictable market.

Directional shareholders equity decreased from US$858 million at year-end 2020 to US$604 million at year-end 2021. This was primarily due to the completion of the EUR150 million (US$178 million) share repurchase program and the dividend distribution to the shareholders for an amount of US$165 million partially offset by the net income of the year. It should be noted that under Directional policy, the contribution to profit and equity of the substantial FPSOs program under construction will largely materialize in the coming years, subject to project execution performance, in line with the generation of associated operating cash flows.

Directional net debt increased to US$5,401 million from US$4,093 million at year-end 2020. While the Lease and Operate segment continues to generate strong operating cash flow, SBM Offshore drew (i) on projects financing and (ii) on bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* to fund continued investment in growth.

Almost half of SBM Offshore's debt as of December 31, 2021 consisted of non-recourse project financing (US$2.9 billion) in special purpose investees. The remainder (US$3.5 billion) mainly comprised of borrowings to support the on-going construction of five FPSOs which will become non-recourse following project execution finalization and release of the Parent Company Guarantee. SBM Offshore's Revolving Credit Facility (RCF) was undrawn at year end and cash and undrawn committed credit facilities amounted to US$2,981 million.

For a total overview of SBM Offshore's financials under IFRS, please see section 4.2 Consolidated Financial Statements of the Annual Report.

FAST4WARD®

FAST4WARD®
BETTER PERFORMANCE
DELIVERED FASTER

Fast4Ward® is SBM Offshore's program to transform the business by reducing cycle time to energy delivery, de-risking projects and improving quality and safety.

2.1.7 EMISSIONS

MANAGEMENT APPROACH

The topic of emissions is dealt with in various parts of the organization as explained under the HSSE and Environmental Reporting approaches in sections 2.1.4, 5.2.1 and 5.2.2. SBM Offshore is reporting to CDP and considering IOGP statistics to ensure the right benchmarking.

SBM Offshore's long-term emission reduction ambitions are explained in section 1.4.3. In 2021, SBM Offshore set targets to reduce flare emissions on its activities, develop low- and non-carbon solutions, to have zero oil spills and to reduce air-travel-related emissions. SBM Offshore added scope to its disclosures and further aligned scoping to the GHG-Protocol. This results in the reclassification of the majority of emissions formerly reported under Scope 1 to Scope 3 (see section 5.2.2 for detail).

Furthermore, SBM Offshore strives to outperform industry benchmarks on the following indicators:

- GHG emissions[2], gas flare[3], energy consumption[4].
- Oil in produced water[5], oil spill per production[6].

[2] 138 tonnes of GHG emissions per thousand tonnes of hydrocarbon produced as reported by companies participating in the 2019 IOGP environmental performance indicators, Report p.16

[3] 10.6 tonnes of gas flared per thousand tonnes of hydrocarbon produced as reported by companies participating in the 2019 IOGP environmental performance indicators, Report p.26

The efforts in emissions management build upon years of action taken to bring emissions down structurally. For example, gas flaring intensity in 2021 is 28% lower than in 2017. Through this approach, SBM Offshore is mitigating risks in the light of climate change and social license to operate, as mentioned in section 1.4.2.

SBM Offshore focuses on GHG emissions while also addressing other emissions – such as emissions to water and non-GHG emissions. Further information can be found in sections 2.2 and 5.3.

2021 PERFORMANCE

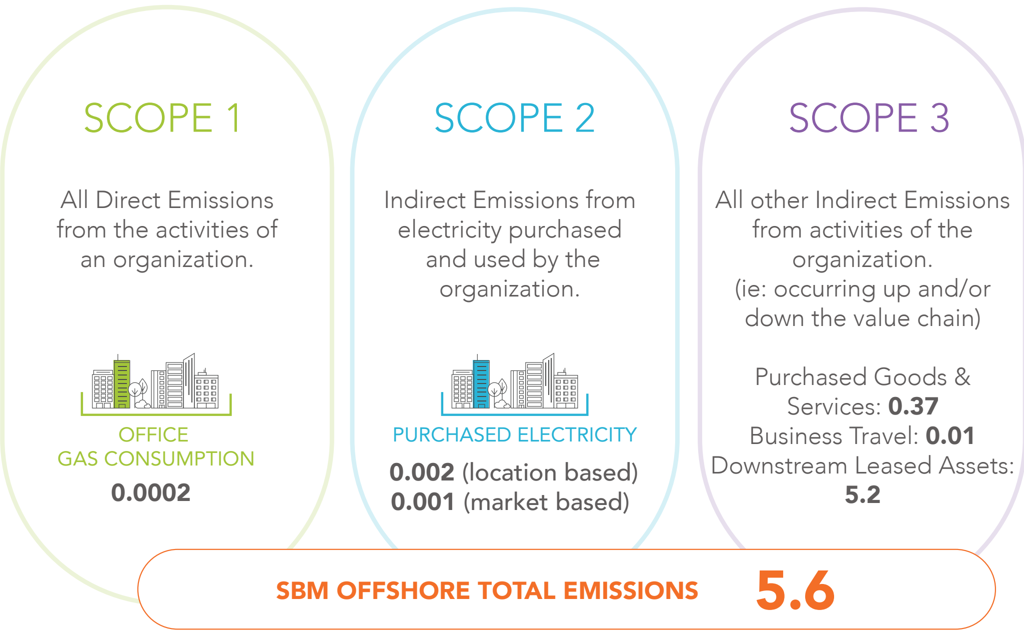
During 2021 a total of 5.6 million tonnes of GHG emissions are reported, 99% of this being Scope 3 emissions. The total is 2% lower than in 2020, despite an increase in voluntary disclosure – purchased goods and services – that adds 6% in reported GHG emissions volume compared to last year. Furthermore changes to scoping have been applied during 2021, for which details can be read in section 5.2.2. ('Changes in Reporting').

[4] 1.5 gigajoules of energy for every tonne of hydrocarbon produced as reported by companies participating in the 2019 IOGP environmental performance indicators, Report p.24

[5] 13 tonnes of oil discharged to sea per million tonnes of hydrocarbon produced as reported by companies participating in the 2019 IOGP environmental performance indicators, Report p.28

[6] 0.5 oil spills greater than one barrel per million tonnes of hydrocarbon produced as reported by companies participating in the 2019 IOGP environmental performance indicators, Report p.37

GHG EMISSIONS
(MILLION TONNES CO_2 EQUIVALENT)



Scope 1 – Direct Emissions

Scope 1 emissions comprise the gas powered heating in offices where SBM Offshore is the sole renter of an office building. In 2021 these emissions amounted to 237 tonnes GHG CO_2 equivalent. This is an increase compared to 2020 due to higher project office activity.

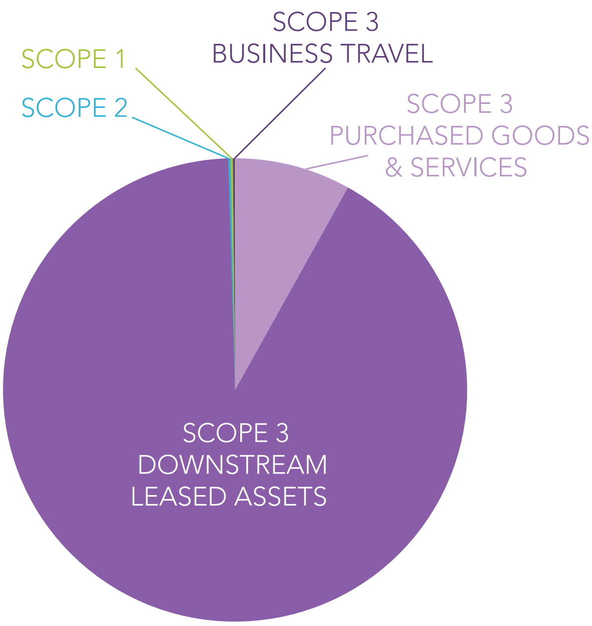
Scope 2 – Purchased Electricity
Purchased electricity in offices account for 2,019 tonnes of GHG CO_2 equivalent, based on the average energy mix of each location. Accounting for the electricity actually purchased through green contracts, the amount is 752 tonnes. Prolonged remote working contribute to lower office energy related emissions compared to pre-COVID-19 levels, whilst growth in Guyana and India lead to increased consumption of office energy. The Company has expanded its sustainable energy purchasing, with the office in Rio de Janeiro now under a green energy contract as well.

Scope 3 – Purchased Goods & Services
This year, SBM Offshore expands its voluntary emissions disclosure, through addition of this scope. SBM Offshore has calculated emissions resulting from goods procured on FPSO projects. These amount to 370.1K tonnes emissions. The emissions mainly come from steel that is processed for bulk materials and equipment. Based on the outcomes of the initial analysis, and in line with GHG protocol Scope 3 Corporate Value Chain Accounting & Reporting Standard, SBM Offshore will refine the data quality in the coming years and will improve the accuracy of its value chain GHG reporting. More importantly, this will provide a basis for engagement with suppliers.

Scope 3 – Downstream Leased Assets
SBM Offshore provides operation and maintenance services for FPSOs on behalf of clients across the globe, on a finance lease basis. The technical specification and operational requirements for these FPSOs are driven by reservoir characteristics and client criteria. Emissions from downstream leased assets mainly relate to the required production profile of the oil field and the subsequent energy production, e.g. from gas turbines (71%). The other key contributor is flaring (29%).

Emissions from downstream leased assets account for the majority of the carbon footprint reported by SBM Offshore. More than 90% of total emissions giving 5.2 million tonnes of GHG were emitted by downstream leased assets. This volume is 9% lower than in 2020. The carbon intensity of downstream leased assets is 110.99 tonnes of GHG emissions per thousand tonnes of hydrocarbon produced, which is 20% better than the industry benchmark[2] and 8% better than last year.

SBM Offshore Reported Emissions 2021 – based on CO_2e volumes



SBM Offshore instituted a performance program measuring flare emissions following the launch of the internal CO_2 Challenge in 2015. For 2021, SBM Offshore set a target to further optimize operational excellence on the FPSOs it provides operations and maintenance services to.
SBM Offshore targeted an absolute volume of gas flared below 1.6 million standard cubic feet per day (scft/d) as an overall FPSO fleet average during year. This was done for a specific part of the volume to which SBM Offshore expects to have the largest form of control, despite it being a Scope 3 category. SBM Offshore nearly achieved this overall target, the actual being 1.66 million scft/d. The target achievement was mainly inhibited by flash gas compressor challenges on two FPSOs. In one case, it was an FPSO in ramp-up phase with inherent challenges and for the other, it was a change in gas compressor operating philosophy by a client. SBM Offshore has defined lessons learnt for improvement and is pleased to see clients taking additional redundancy in gas compression in their basis of design, which should have a lowering effect on future gas flaring.

For the downstream leased assets that (over-)achieved their targets, average reduction of above mentioned flaring scope was 42% compared with 2020. This was achieved mainly by improvement of gas system uptime. The performance was further supported by better insight owing to an improved online emission dashboard. This provides for data-analytics and the basis to the launch of future initiatives. Overall flaring on downstream leased assets was 9% better than the industry benchmark[3].

In order to address future Scope 3 emissions, SBM Offshore has targets for Innovation, Technology and Infrastructure, in line with SDG 9. In 2021, SBM Offshore spent 60% of its Group Technology R&D budget on non-carbon technology, above the 50% target set. Also, SBM Offshore developed six low-carbon modules for FPSOs, so it can offer a lower carbon footprint to clients in the future.

To further reduce emissions from the power generation aspect of downstream leased assets in operation, SBM Offshore is dependent on investments by clients and partners in co-owned entities. SBM Offshore is ready to lead, co-develop and deliver on such investments. SBM Offshore has set a long-term engagement target for this as part of its SDG approach described in section 2.2.

Scope 3 – Business Travel

Total air travel related emissions were 10.9K tonnes in 2021. In 2021, SBM Offshore committed to 20% lower air-travel-related CO_2 emissions compared with 2019. Remote working and less travel, due to the continued COVID-19 pandemic, added significantly to the achievement of this target, with the actual reduction being 61% versus 2019. The target takes into account the fact that a portion of SBM Offshore's business travel relates to offshore operations, e.g. crew changes, where volumes are difficult to reduce significantly in short time-frames.

Other performance items relating to emissions:

- SBM Offshore is proud to have a B-score in CDP, meaning SBM Offshore is 'taking climate action'. Further explanation is given in section 1.4.3.
- SBM Offshore's energy intensity on downstream leased assets is 8% better than the industry benchmark[4]. Energy consumption volumes can be found in section 5.3.
- The quantity of oil discharged to sea per hydrocarbon production on downstream leased assets was 4.49 tonnes per million tonnes of hydrocarbon produced, 66% below IOGP benchmark[5] (see also section 2.2.)
- Downstream leased assets had 0 oil spills as per IOGP definition[6]
- SBM Offshore engaged in various projects that resulted in lower emissions. In Guyana a local agricultural project leads to lower emissions from food logistics and investments into a Mangrove project will contribute amongst others to additional sequestration of carbon. More information can be found in section 2.2.

EMISSIONZERO®

Early 2020, SBM Offshore announced the emissionZERO® concept, which has evolved into a program targeting near zero emissions. This ambition has also been made part of the sustainability policy.

EmissionZERO® aims to market floating energy production solutions with near zero emissions. SBM Offshore sets targets in line with the net-zero ambitions of key stakeholders, and calls for their active engagement. EmissionZERO® is a program for continuous product development, providing a platform for stakeholder engagement at the same time.

Key commitments:

- Strategy and actions compatible with net-zero by no later than 2050.
- Sourcing green energy to run the business (Scope 1 & 2 emissions).
- Working towards net-zero emissions from downstream leased assets (Scope 3).
- Taking a science-based approach towards emission reduction target setting (explained in section 1.4.3).

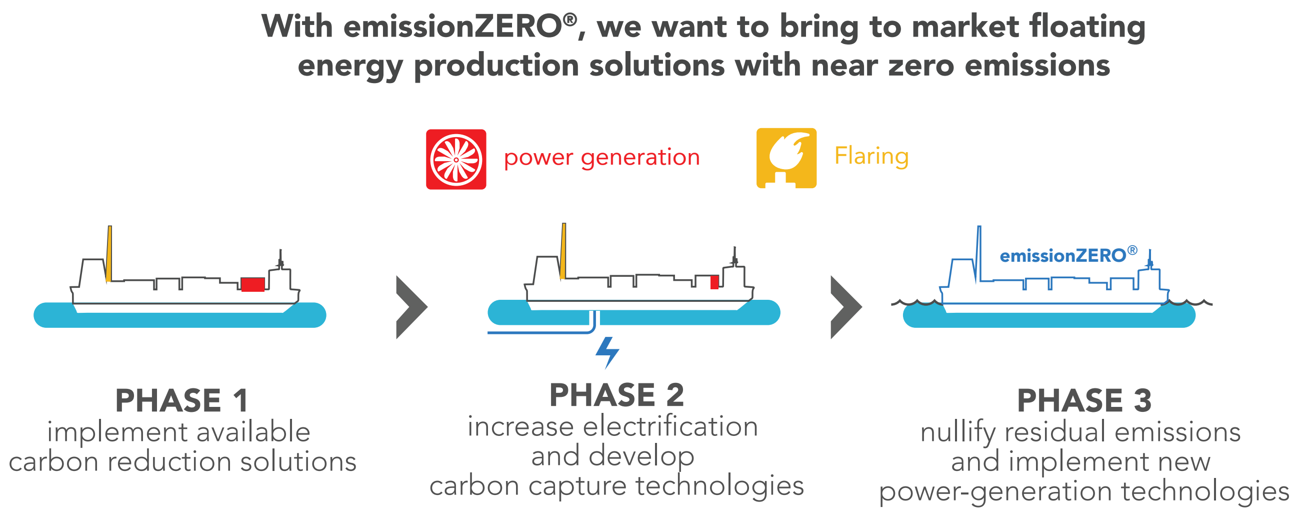
Development of an emissionZERO®-based FPSO is a key element of the program and is planned in three phases: Phase 1 consists of including existing low carbon solutions alternatives in tenders; Phase 2 focuses on an all-electric FPSO to maximize energy efficiency, feasibility of carbon capture technology integration and hybrid forms of power generation – for instance importing renewable energy from shore or floating renewable energy solutions; and Phase 3 will look at power from shore technologies and carbon-free fuel power generation.

SBM Offshore is actively developing solutions and working with its stakeholders to drive down emissions from downstream leased assets on a continuous basis. Key achievements on the emissionZERO® FPSO have been:

- The engagement with strategic and key client accounts and suppliers during the year.
- The enrichment of SBM Offshore's Fast4Ward® product catalogue with low-carbon solutions.
- The qualification of new technologies, in particular combined-cycle power generation.
- The use of digital technologies (advanced analytics and predictive maintenance) to optimize energy consumption, reduce equipment trips and associated flaring.
- The establishment of a portfolio of ideas and projects to further reduce the carbon footprint of SBM Offshore's activities.

The success of the program and the impact on the above stated ambitions is highly dependent on market acceptance. SBM Offshore therefore is open for business on emissionZERO® and welcomes engagement with its value chain.

EMISSIONZERO® – THE PATH



FUTURE

SBM Offshore remains committed to the ramp-up of emissionZERO® in the coming years and to keep setting targets to reduce emissions, as explained in section 2.2. Furthermore, SBM Offshore continues to expand the work under TCFD (see section 1.4.3).

To reduce flaring in 2022, SBM Offshore has set a target for reduction in section 2.2. This target reflects the lessons learned from the achievements and challenges in 2021.

Furthermore, SBM Offshore remains committed to achieve better environmental performance than the 2020 IOGP industry benchmark for energy consumption and oil spills per production; and 50% better than the 2020 IOGP industry benchmark for oil in produced water.

2.1.8 DIGITALIZATION

MANAGEMENT APPROACH

The purpose of digitalization is to create value: better safety, emission reduction, cost savings or new revenues, for instance. With digitalization, SBM Offshore creates value through optimization of existing processes, transformation of SBM Offshore's core products and ways of working or creation of new digital services.

SBM Offshore has reinforced its organization and governance, with the creation of a Transformation Office, which provides the guidance, the framework and the support for SBM Offshore to become more digital. The Transformation Office is under the responsibility of the CEO. Digital solutions are brought to market through the Services function, described in section 1.3.3.

2021 PERFORMANCE

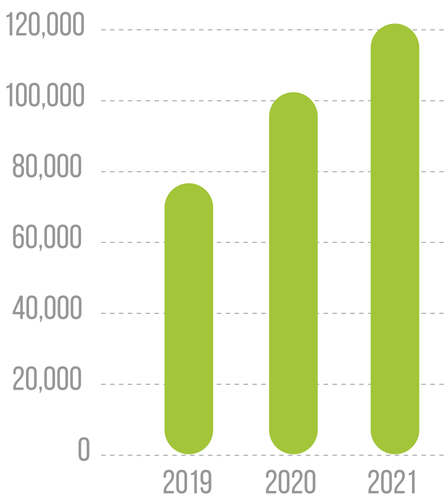
In 2021, SBM Offshore has continued to gain technical insight and has positioned digitalization as a key enabler of SBM Offshore's strategy and value platforms. SBM Offshore uses Digitalization to:

- Improve safety and enable remote control of SBM Offshore's assets, thanks to IoT (the 'Internet of Things'), the OIPOC (Operational Intelligence & Performance Optimization Center) or remote assistance tools.
- Reduce CO_2 emissions through improved work processes. For instance, Process Stability digital tools allow the reduction of equipment trips which, in turn, reduces emissions, thus contributing to the emissionZERO® program.
- The launch of the first pilot of the new ERP system, to further increase lifecycle value from its projects and operations through end-to-end data connection.
- Ease collaboration and allow SBMers to work together, regardless of their locations, through tools such as Microsoft Teams or collaborative platforms (e.g. the Engineering Collaborative Environment).
- Make better decisions through business intelligence software such as Power BI, enabling better insight of historical data.
- Boost learning and working experience through mobile apps or augmented reality.

- Optimize assets operations and utilize data science and artificial intelligence for predictive maintenance. This has led to operating cost savings in the FPSOs that SBM Offshore services on behalf of its clients.
- Optimize project execution through end-to-end process platforms (Integra), or visualization and planning of work fronts at the construction yards. This includes 3D Construction and Work Fronts Management or 'Robotic Process Automation' (RPA) technologies that allow the automation of repetitive tasks.
- Create new opportunities and diversify SBM Offshore's revenues by delivering high-value digital services to customers through Smart Services, a New Energy & Services Product Line.
- 18% increase in the cumulative number of operational signals, compared with 2020, to above 120k. This includes key process indicators such as pressure, temperature, etc. – stored and leveraged for remote monitoring of rotating equipment and process systems, troubleshooting and machine learning (see below graph).

DIGITAL TRANSFORMATION AT SBM OFFSHORE

NUMBER OF DATA SIGNALS
(CUMULATIVE – '000)



FUTURE

New technologies are rapidly evolving. SBM Offshore will benefit from these new technologies and will develop the skills and capacity necessary to adopt them.

Digitalization requires adopting an end-to-end approach and assessing value throughout the product lifecycle, with further roll out of the ERP system contributing. It also requires building foundational capabilities that support the entire structure. Hence, SBM Offshore will reinforce its organization with the creation of a central Data Office, responsible for the definition and governance of the Data Model. SBM Offshore will rationalize its digital applications landscape and develop a data platform enabling access and integration of data generated from multiple digital applications. This data platform will become the enabler of the Lifecycle Digital Twin and of the customer portal for new digital services.

2.1.9 INNOVATION

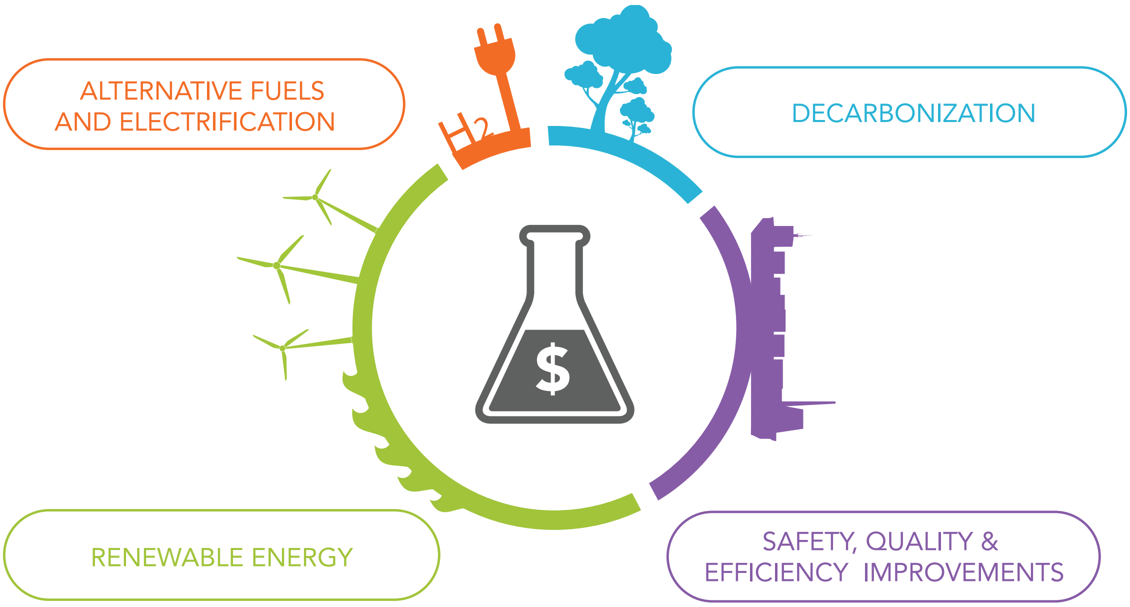
MANAGEMENT APPROACH

The key objective of innovation at SBM Offshore is to bring valuable solutions to market that are in line with SBM Offshore's strategy, in particular those related to the energy transition. All parts of the organization are encouraged to contribute to innovations in their field of expertise, from ideation to final implementation.

The development of new technology is managed by the Group Technology Department, which ensures that all innovation programs are aligned with the long-term strategies of the Product Lines and with key programs such as emissionZERO® and Fast4Ward®. Development roadmaps are kept up to date with technical and market developments through regular reviews.

SBM Offshore brings new technology to market through a structured stage-gate process to ensure that the technology is properly validated before being offered for sale or introduced into projects. This Technology Readiness Level (TRL) process is based on American Petroleum Institute standards (API RP17N) and includes prototype testing and full FEED level definition of new systems as part of the qualification requirements.

SBM Offshore manages its IP portfolio by registering patents and trademarks, as well as through securing trade secrets and know how. To ensure IP integrity, SBM Offshore manages the classification of documents and non-disclosure agreements with partners and ensures restricted access to technology-sensitive documents. Freedom-to-operate checks are conducted to ensure respect for third-party rights. Through this approach, risks associated with technological developments are mitigated (see section 1.4.2).



2021 PERFORMANCE

In 2021, SBM Offshore continued to increasingly diversify its development efforts in emerging technologies associated with gas, power and renewable energies, allocating 60% of the Group Technology R&D budget to non-carbon technology. Some of the main development projects undertaken in 2021 include:

- SBM Offshore's unique Floating Offshore Wind TLP concept has been adopted by the PGL floating wind farm development project and is progressing through the EPC phase. In parallel, the next generation of this TLP Floating Offshore Wind foundation, achieving lower cost in mass production, is under development.
- The innovative S3® Wave Energy Converter (WEC) project at SBM Offshore's R&D Laboratory has made significant advances. Site work and components qualification are under way to deliver the prototype. The project schedule for completion has been extended, owing to the COVID-19 pandemic.
- SBM Offshore's emissionZERO® program is on track to deliver the phase 1 emissionZERO® FPSO concept. As part of this roadmap, the design of a topside module to capture CO_2 emitted from gas turbine exhaust has been further developed and is expected to be available by 2023.
- In close collaboration with the newly established gas product line, new technologies and concepts have been developed related to blue and green ammonia and hydrogen.
- The first Virtual Reality training for offshore personnel has been delivered and rolled out in the fleet, featuring SBM Offshore's own accumulated operational experience.
- The Large Diameter High Pressure swivel test bench has been completed in the R&D laboratory. The test bench has been designed and commissioned by SBM Offshore and enables the qualification of new swivel and seal designs.

- Following the Ocean Code Hackathon last year, work has begun in collaboration with a newly created start-up company to produce an artificial intelligence-based system to detect corrosion in FPSO topsides.
- Progress was made to diversify and democratize innovation sourcing within SBM Offshore. Main achievements were the hosting of the first Technology Conference open to the entire SBM Offshore community, and the deployment of a crowd-sourced collaborative innovation management platform.
- SBM Offshore has begun working with external open-innovation platforms to identify promising new technologies under development and potential partnerships with start-up companies, universities, and technology institutes.

Out of the 44 technology development projects that aim to increase Technology Readiness Levels (TRL), 35 have been completed successfully, 3 have been delayed for completion in 2022 and 6 have been cancelled and replaced by more promising non-carbon technology developments.The Company filed 31 new patent applications to strengthen its existing portfolio of 142 patent families; in particular in the area of renewables and digital applications. Over the course of 2021, eleven innovation projects reached TRL 4.This level demonstrates that reliability, function and performance criteria are met in the intended operating condition and the solution can be integrated into a complete system.

FUTURE

SBM Offshore will continue to focus its technology development activities on the energy transition by allocating more than half of its technology development budgets to EU Taxonomy Eligible technology[7]. This will ensure sustainability of innovations, attractiveness to investors and contribute to a responsible energy transition required to mitigate climate change impact. In addition, SBM Offshore will invest in topside technologies to deliver the ambitions of SBM Offshore's emissionZERO® FPSO program and developments in alternative energy storage and generation. SBM Offshore will also continue to invest in research and development for its innovative S3® Wave Energy Converter and Floating Offshore Wind solutions.

2.1.10 ENERGY TRANSITION

MANAGEMENT APPROACH

Key elements that enable SBM Offshore's success in the energy transition area are:

- Product Development for Floating Offshore Wind and Wave Energy.
- Technology Development supporting these product developments (see more detail in section 2.1.9).
- The emissionZERO® program explained in section 2.1.7.
- SBM Offshore commits to a strategy and action plan that is compatible with the transition to net-zero by no later than 2050, as explained in section 2.2.

Product development for energy transition is addressed through SBM Offshore's New Energies & Services business unit, in collaboration with the Technology Department. An important step in this process is the development of prototypes and pilot projects, which can also be done as co-development projects with partners and/or clients. SBM Offshore monitors its commercial pipeline to allow SBM Offshore to achieve its envisioned growth goals in line with its 2030 ambition.

With this management approach for energy transition, SBM Offshore is addressing the significant risks of oil price dependency, portfolio risks and climate change described in section 1.4.2.

SBM Offshore complies with the EU taxonomy regulation and leverages the framework to set targets for and report on the energy transition. Disclosures are found in section 5.1.2.

2021 PERFORMANCE

SBM Offshore has made significant achievements in 2021:

- The newly established New Energies and Services entity is accelerating in building up the organization, expertise and culture for the Renewables, Gas, Terminals and Digital Service markets.
- SBM Offshore has further articulated a clear ambition to have >2GW Floating Offshore Wind installed or under construction by 2030. This ambition statement provides a directly measurable target.
- The project execution of EDF Renouvelables Provence Grand Large 25.2MW Floating Offshore Wind is in full swing with detailed engineering, structure fabrication and assembly activities ongoing.
- SBM Offshore moved forward as a co-developer in the offshore wind industry with the newly established joint venture, Floventis Energy Limited. The first development project Llŷr in the UK, comprising 2 offshore sites each up to 100MW, has received the Crown Estate's intention to grant lease subject to a Habitats Regulations Assessment.
- Manufacturing for the WEC S3® prototype is in progress in SBM Offshore Carros-based laboratory.
- Seawater intake riser program is underway with Shell in Brazil to cool FSPO systems and reduce energy use.
- SBM Offshore has invested in renewable energy technology and products development, with 60% of the total 2021 Group Technology R&D budget applied to non-carbon[8] technologies. This includes further development of next generation of

[7] Based on 2021 eligibility KPI definitions explained in section 5.1.5.

[8] Non-carbon technologies have the potential to replace fossil based technologies with non CO2 emitting alternatives or to capture/reuse CO2

Tension-Leg Platform (TLP) floater design, and Wave Energy Converter products, as well as studies in energy storage, desalination, hydrogen and ammonia for offshore applications.
- SBM Offshore is working on projects that address emissions reduction along the lifecycle of its business, as part of its emissionZERO® portfolio (see section 2.1.7).

The revenues, CAPEX and OPEX associated with these projects and initiatives add to EU Taxonomy eligible business, as reported in section 5.1.5. SBM Offshore's commitments should lead to higher revenues from eligible business in the future, with 2021 R&D investment already reflected in the EU Taxonomy eligible OPEX KPI stated. Above-mentioned R&D investments are visible in the OPEX KPI reported. These activities support the mitigation of and/or adaptation to climate change impacts.

or to significantly reduce emissions in SBM Offshore's normal/future fleet operation.

FUTURE
SBM Offshore will continue to build upon these achievements and is looking at developing from renewable energy pilots to commercial scale energy infrastructure, as well as increasing its role in the supply chain with the aim of creating more value. For 2022, SBM Offshore has set a target of investing 50% of its R&D budget into EU Taxonomy eligible[9] technologies, as can be read in section 5.1.5.

2.1.11 MARKET POSITIONING

MANAGEMENT APPROACH

[9] Based on 2021 eligibility KPI definitions explained in section 5.1.5.

SAFETY
0.06 RECORDABLE INJURIES

SUSTAINABILITY
ESG RATINGS

EXPERIENCE
360 YEARS CUMULATIVE

GROWTH
6 FPSO & **1** NEW ENERGIES PROJECT UNDER CONSTRUCTION

Market positioning is about global presence and engaging in emerging markets in order to adapt to market developments. The size of the business, new business development and sustainability benchmarks are seen as strong indicators of a successful management approach. Examples of metrics are the performance of the fleet, the revenue backlog, the number of projects won, the new developments in the renewables market, and SBM Offshore's ESG ratings performance.

SBM Offshore aims to provide for 'double resiliency', meaning achieving a cost-competitive and low-carbon footprint for its products, which will be the choice of the clients. SBM Offshore's strategy to Optimize, Transform and Innovate, combined with addressing material topics, leads to a market positioning for future success. Through market positioning, SBM Offshore addresses the competitiveness risks mentioned in section 1.4.2.

2021 PERFORMANCE
Performance is detailed in subsections of 2.1. The following table provides the key items of SBM Offshore's market positioning.

Market positioning – SBM Offshore performance

	Optimize	Transform	Innovate
SBM Offshore performance	▪ Fleet size of 15 ▪ Directional Proforma Backlog of US$29.5 billion ▪ 6 FPSO projects under construction ▪ 360 years of cumulative operating experience	▪ 5 Fast4Ward® FPSO projects under execution, 1 additional Fast4Ward® MPF under construction ▪ Industry leader in sustainability ranking ▪ emissionZERO®	▪ 60% R&D spend on non-carbon technology ▪ FOW Project in execution and formation of new Joint Venture
Benchmarking	▪ A leader in its market ▪ A leader on occupational safety ▪ First among peers to launch branded platform for emissions reduction ▪ First among peers with EPC floating offshore wind ▪ Industry first with a S3® type Wave Energy converter ▪ First among peers in sustainability ▪ 95th Percentile S&P Global ESG rating		

FUTURE

SBM Offshore is committed to safe, sustainable and affordable energy for generations to come. SBM Offshore aspires to industry leadership, by understanding stakeholder interests and increasing the size and value of the business. In 2022, SBM Offshore's focus remains the safe and reliable execution of its ongoing projects and operation of its fleet. SBM Offshore also continues to engage early with clients and vendors to make further progress on the emissionZERO® program and grow its renewables business. SBM Offshore will continue innovating along the energy transition. There will also be more focus on digitalization and offering digital solutions to the market. Finally, sustainability performance is key to long-term market positioning. See section 2.2 for future developments in that area.

2.2 SUSTAINABLE DEVELOPMENT AND LOCAL IMPACT

MANAGEMENT APPROACH

SBM Offshore is committed to sustainability, which contributes to SBM Offshore's vision of providing safe, sustainable and affordable Energy. SBM Offshore follows the Global Reporting Initiative (GRI) standards to report on non-financial performance, as well as on indicators for its material topics.

SBM Offshore has a Sustainability Policy which includes commitments and guiding principles for SBM Offshore and its stakeholders. SBM Offshore is committed to alignment with the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (MNE). Furthermore, to provide context for SBM Offshore's targets and performance, SBM Offshore leverages the UN SDG framework. SBM Offshore has identified seven SDGs that are most material to its business. Building on the long-term guidance presented in 2020, SBM Offshore has set specific time-bound long-term targets for the selected SDGs. These targets and underlying roadmaps are built with inputs and commitments from different business entities as part of business plans and budgets.

SUSTAINABLE DEVELOPMENT GOALS: LONG TERM TARGETS
(BY 2030 UNLESS SPECIFIED OTHERWISE)

SDG	TARGET AREA	LONG TERM COMPANY TARGETS
3 GOOD HEALTH AND WELL-BEING	• Health and Well-being	• A leader on Employee Health & Well-being
4 QUALITY EDUCATION	• Education for Sustainable Development	• Co-develop climate change & energy transition awareness program for developing regions
7 AFFORDABLE AND CLEAN ENERGY	• Access to Energy • Energy Efficiency	• Approved investment plans in support of net-zero by no later than 2050 (Downstream Leased Assets installed base) • Project offices consume 100% of green energy
8 DECENT WORK AND ECONOMIC GROWTH	• Human Rights • Occupational Safety & Process Safety	• Fully embed human rights & social performance within the company to achieve no harm • Top 10% performer in Occupational Safety & Process Safety Events
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Energy Transition & Decarbonization	• >2GW FOW installed or under construction by 2030 • Offer the market with near zero emissions FPSO
13 CLIMATE ACTION	• Climate Change Management	• Run a strategy and action plan compatible with a transition to net-zero by no later than 2050
14 LIFE BELOW WATER	• Ensure Ocean Health & Protect Ecosystems	• Reduce Oil in Water Discharge Intensity to zero • Develop Marine Diversity Intelligence & Improvement Framework, including target management

Sustainability is positioned in the portfolio of the CEO. In addition to a sustainability department, SBM Offshore has sustainability ambassadors in various business and functional divisions to drive the implementation of the sustainability strategy and embed it within the ways of working.

2021 PERFORMANCE

In 2021, SBM Offshore built on previous years' efforts and commitments to selected SDG targets. This performance program is linked to SBM Offshore's Short-Term Incentive (STI) scheme. In 2021, SBM Offshore added a company target for SDG 4 and further developed its SDG-related company targets towards 2030. The table below demonstrates how SBM Offshore has performed on 2021 targets. SBM Offshore aims to achieve 100% completion of targets.

SUSTAINABLE DEVELOPMENT GOALS: COMPANY TARGETS FOR 2021

SDG	2021 COMPANY TARGETS	2021 ACTUAL
3 GOOD HEALTH AND WELL-BEING	• 70% of targeted employees participating in health checks	75%
4 QUALITY EDUCATION	• Establish an Offshore Energy & Industry Training Centre in Guyana	23% completion
7 AFFORDABLE AND CLEAN ENERGY	• Mass of gas flared under SBM Offshore Account (1.6 MMscft/day) Average per unit	1.66
	• 100% completed actions* based on 2020 sustainability reports	98%
8 DECENT WORK AND ECONOMIC GROWTH	• 90% of identified high risk vendors responding to Human Rights screening	97%
	• Total Recordable Injury Frequency Rate 0.18 or below	0.06
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Min. 50 % of the 2021 R&D budget allocated to non-carbon technologies	60%
	• 4 low carbon modules developed for Fast4Ward® catalogue	6
13 CLIMATE ACTION	• 20% reduction of air travel related CO_2 emissions versus 2019	61%
14 LIFE BELOW WATER	• Manage oil in water discharge to 50% below IOGP average	66%

* *Excl. Liza Destiny* (FPSO)

SBM Offshore takes pride in reporting on SDG-linked targets, and the results achieved during 2021, and in taking action for improvement.

On SDG 3, Good Health and Well-being, SBM Offshore is pleased to see it reached 75% of targeted employees taking part in health check programs, above the target set. Furthermore, additional tutorials were rolled out on mental health and well-being during the ongoing pandemic.

SDG 4 target achievement was inhibited by later than expected stakeholder agreement and remained at 23% completion at year-end. Still SBM Offshore was able to train local Guyanese talent for future offshore careers and is pleased with the stakeholder decisions reached before year-end to invest in a local training center. This enables a catch-up on this target during the first half of 2022.

Regarding SDG 7, Affordable and Clean Energy, an explanation of the flare emissions performance is given in detail under section 2.1.7. SBM Offshore is pleased with nearly meeting the target and learned lessons from challenges described in section 2.1.7. On office certification, SBM Offshore finished 98% of its action plan for 2021. In one of the office buildings a gas consumption reduction action was completed to 75%, inhibiting an overall 100% completion on this specific SDG-linked target.

On SDG 8, Decent Work and Economic Growth, SBM Offshore over-achieved on its target on occupational safety, a recordable injury rate of 0.06 was achieved compared to a target of 0.18. Further detail is explained under section 2.1.2. On Human Rights, 97% of high risk vendors were screened, above the set target of 90%. Engagement with SBM Offshore's supply chain in yards remains a critical element in ensuring respect for human rights in areas where SBM Offshore engages in business.

For SDG 9, Industry, Innovation and Infrastructure, SBM Offshore has invested 60% of its Group Technology R&D budget in non-carbon technologies to facilitate the energy transition and decarbonization (target was 50%). Furthermore, SBM Offshore added 6 low carbon modules to its product catalogue, better than the target of 4 and in line with its ambitions to significantly reduce Scope 3 emissions as explained in section 2.1.7. SBM Offshore takes pride in the SUSTAIN-1 notation as a world's first on one of the FPSOs delivered this year.

Regarding SDG 13, Climate Action, SBM Offshore achieved air-travel-related emissions reduction of 61%, compared with 2019, which was supported by remote working during the continued pandemic.

With regard to SDG 14, Life Below Water, there were zero hydrocarbon spills exceeding one barrel in volume, while the industry benchmark[10] is 0.5. SBM Offshore takes pride in beating the oil in water discharge benchmark by 66%, well above the target set (50%).

SBM Offshore has applied the lessons learned from performance on these targets for further improvement. SBM Offshore takes pride in its continuous improvement approach and will apply the knowledge gained from its performance in future target setting. This has led to positive and improving ratings in sustainability benchmarks, as per the following table.

[10] 0.5 oil spills greater than one barrel per million tonnes of hydrocarbon produced as reported by companies participating in the 2019 IOGP environmental performance indicators, Report p.37

Ranking of SBM Offshore in Sustainability Benchmarks

Benchmark	2021	2020	Comment
CDP	B	B	'Taking Climate Action'
S&P Global, percentile	95	93	Very High data availability
Sustainalytics, percentile	93	91	#1 amongst peers

Local impact

Across the world SBMers took action in the spirit of the SDGs. A few examples are highlighted below.

On SDG 3, employees took part in the global Mental Health & Well-being campaign that was rolled out via e-Learning. In Kuala Lumpur employees distributed meals to local communities during Hari Raya and donated to provide COVID-19 protection equipment. In Guyana, SBM Offshore further supported its partnership with Plympton Farms, an innovative agricultural project that is turning barren earth into lucrative farmland, creating stable jobs for residents in more remote areas of the country.

In Brazil, action was taken on SDG 4 through the Entrepreneurial Trail program. The initiative provides entrepreneurial education for students from public schools in the State of Rio de Janeiro. The remote format enabled an increase in the number of students trained by the project from nearly 4,000 to over 6,000 in 2021.

The Schiedam and Monaco offices took part in the Monaco Energy Boat Challenge, competing in the Energy Class. Running a green hydrogen-powered boat, SBM Offshore is contributing to the development of clean energy (SDG 7).

Across the globe, SBM Offshore launched its Diversity & Inclusion (D&I) program this year, which includes local ambassadors to address D&I throughout the employment journey. Through this, the Company aspires to have an impact on inclusive economic growth (SDG 8).
SBM Offshore will further grow its commitment to D&I through SDG 10 'Reduced Inequalities' as explained below.

Various initiatives were taken on SDGs 13 (Climate Action) and 14 (Life Below Water). The agreement signed for Mangrove Development in Guyana and the deployment of Reefballs in Canada ensure a meaningful contribution for both these SDGs. Other examples are tree planting initiatives in Malaysia and the USA, net-zero commutes in China, internships on marine research and circularity in Monaco and Amsterdam and a 'Zero First-Use Plastic' program in India. In the Monaco office, renovations were carried out to improve energy efficiency, cut waste and support sustainable products.

On June 8, SBM Offshore celebrated World Oceans Day, including a company-wide photo contest and local activities. During Life Day 2021 nearly 700 SBMers participated in a workshop addressing SDGs 13 & 14 whereas other SBMers attended workshops around Speaking Up, Mental Health & Well-being and Work-Life Balance.

Worldwide over 30 charitable donations were made, in line with the SDGs, across the various locations where SBM Offshore is active. These include contributions to local education and scholarships, children's health and well-being, women's inclusion in business, sustainable fishing, an ocean protection expedition and COVID-19 support in various countries.

FUTURE

SBM Offshore has formulated SDG-linked targets for 2022 as per below graph. Furthermore, the Company is adding two additional SDGs to its program – in order to further drive performance on diversity & inclusion (SDG 10) and circularity (SDG 12). Explanations of the action and performance for these SDGs are given in the section 'Retaining & Developing Employees' and the update on Deep Panuke decommissioning under section 2.1.4. Long-term and annual targets for the additional SDGs will be developed and disclosed at a later stage.

During 2022, SBM Offshore will continue to assess SDGs, to see where additional action can be taken in the future.

SUSTAINABLE DEVELOPMENT GOALS: COMPANY TARGETS FOR 2022

SDG	TARGET AREA	2022 COMPANY TARGETS
3 GOOD HEALTH AND WELL-BEING	• Employee Health and Well-being	• >70% participation in Health Check Program* and >50% participation in Mental Health survey
4 QUALITY EDUCATION	• Education for Sustainable Development	• Climate change & energy transition awareness program for offshore community
7 AFFORDABLE AND CLEAN ENERGY	• Scope 3 Emission Reduction	• Operational Excellence on Gas Flared. Fleet average: 1.7 mmscf/d (Average per operational unit including FPSO Unity from July 2022 onwards)
	• Energy Efficiency	• 100% Completed Office Sustainability Actions
8 DECENT WORK AND ECONOMIC GROWTH	• Social Performance	• 95% of Project Key Resources trained on human rights awareness and responsibilities
	• Occupational Safety	• Total Recordable Injury Frequency Rate 0.15 or below
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Energy Transition & Decarbonization	• Min 50% of R&D budget allocated EU Taxonomy eligible activities • Design of all electrical-drive FPSO as part of emissionZERO® portfolio
13 CLIMATE ACTION	• Climate Change Management	• Internal validation of targets in line with net-zero ambition, applying a science-based approach
14 LIFE BELOW WATER	• Ensure Ocean Health & Protect Ecosystems	• Manage Oil in Water Discharge to 50% below IOGP average • Launch of an environmental data observation pilot program with identified partners

** 70% of an employee base that is larger than in 2021*
+ an updated roadmap for SDG 3 to be delivered and approved in 2021

CHAPTER 3
GOVERNANCE

3.1 MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD

PHILIPPE BARRIL
(FRENCH, 1964)

POSITION:
Chief Operating Officer as of April 2015

DOUGLAS WOOD
(BRITISH, 1971)

POSITION:
Chief Financial Officer as of November 2016

BRUNO CHABAS
(SWISS AND FRENCH, 1964)

POSITION:
Chief Executive Officer as of January 2012, previously Chief Operating Officer as of May 2011

OTHER MANDATES:
Non-Executive Director of FORACO International S.A., Non-Executive Director at GTT (Gaztransport & Technigaz)

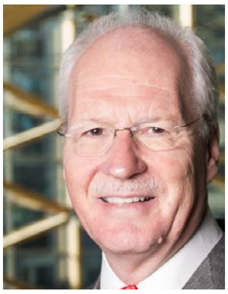
ERIK LAGENDIJK
(DUTCH, 1960)

POSITION:
Chief Governance and Compliance Officer as of April 2015

SUPERVISORY BOARD

For the full bio's including previous positions please visit our website: www.sbmoffshore.com

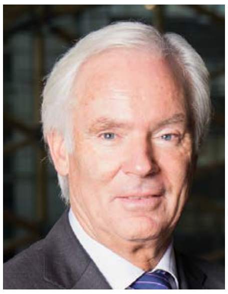
ROELAND BAAN
(DUTCH, M, 1957)
First appointed in 2018, expiry current term in 2022
POSITIONS:
Chairman of the Supervisory Board, Chairman of the Appointment and Remuneration Committee dealing with selection and appointment matters
OTHER MANDATES:
CEO of Haldor Topsoe A/S



FRANCIS GUGEN
(BRITISH AND IRISH, M, 1949)
First appointed in 2010, expiry current term in 2022
POSITIONS:
Vice-Chairman of the Supervisory Board, Chairman of the Audit and Finance Committee
OTHER MANDATES:
Executive Chairman of Smart Matrix Limited, Founder member of POWERful women

INGELISE ARNTSEN
(DANISH, F, 1966)
First appointed in 2021, expiry current term in 2025
POSITIONS:
Member of the Technical and Commercial Committee
OTHER MANDATES:
Member of the Supervisory Board of Statkraft AS, Chairman of the Supervisory Board of Asplan Viak AS, Member of the Supervisory Board of Exportfinans Norge, Member of the Supervisory Board of Beerenberg AS, Member of the Supervisory Board of Corvus Energy AS

BERNARD BAJOLET
(FRENCH, M, 1949)
First appointed in 2018, expiry current term in 2022
POSITIONS:
Member of the Supervisory Board, Member of the Technical and Commercial Committee
OTHER MANDATES:
Consultant of Amarante International / member of the Strategy Orientation Board



SIETZE HEPKEMA
(DUTCH, M, 1953)
First appointed in 2015, expiry current term in 2023
POSITIONS:
Member of the Supervisory Board, Member of the Appointment and Remuneration Committee, Member of the Audit and Finance Committee
OTHER MANDATES:
Chairman of the Supervisory Board of Wavin N.V., Member of the Dutch Monitoring Committee Corporate Governance Code, Member of the Board of Stichting Continuïteit Signify, Senior Advisor Bain Capital Private Equity Europe, Member of the Board of Stichting Continuity ProQR Therapeutics

CHERYL RICHARD
(AMERICAN, F, 1956)
First appointed in 2015, expiry current term in 2023
POSITIONS:
Member of the Supervisory Board, Chairman of the Appointment and Remuneration Committee dealing with remuneration matters
OTHER MANDATES:
Non-Executive Director of Gulf Island Fabrication Inc
Member of the Advisory Board for the National Association of Corporate Directors, Tri-Cities Chapter - Austin

JAAP VAN WIECHEN
(DUTCH, M, 1972)
First appointed in 2020, expiry current term in 2024
POSITIONS:
Member of the Supervisory Board, Chairman of the Technical and Commercial Committee, Member of the Audit and Finance Committee
OTHER MANDATES:
Member of the Executive Board of HAL Holding N.V. / director HAL Investments B.V., Chairman of the Supervisory Board of Mondhoekie B.V. (Coolblue), Member of the Supervisory Board of Atlas Services Group Holding B.V., Member of the Supervisory Board of Royal Boskalis Westminster N.V.

3.2 CORPORATE GOVERNANCE

This section gives a broad outline of SBM Offshore's corporate governance structure by describing the roles of the corporate bodies, the external auditor and of the foundation Stichting Continuïteit SBM Offshore. This section also indicates to what extent SBM Offshore applies the principles and best practice provisions in the Dutch Corporate Governance Code of December 8, 2016 (the Corporate Governance Code). The details on compliance with the Corporate Governance Code can be found on SBM Offshore's website under 'Rules governing the Supervisory Board'. The full text of the Corporate Governance Code can be found on www.mccg.nl.

3.2.1 CORPORATE GOVERNANCE STRUCTURE

SBM Offshore N.V. is a limited liability company (*Naamloze Vennootschap*) incorporated under the laws of the Netherlands with its corporate seat in Amsterdam. The Company is listed on Euronext Amsterdam. The Company has a two-tier board consisting of a Supervisory Board and a Management Board. Each board has its specific roles and tasks regulated by laws, the articles of association, the Corporate Governance Code, the Supervisory Board rules and Management Board rules. The Management Board rules and Supervisory Board rules contain details on the ways of working of the Management Board and the Supervisory Board. Both sets of rules are published on SBM Offshore's website, together with the articles of association.

3.2.2 MANAGEMENT BOARD

The Management Board manages the Company and is responsible for the continuity of the Company and its business. The Management Board focuses on long-term value creation for the Company and its business and takes into account the relevant stakeholders' interests. In fulfilling its responsibilities, the Management Board is guided by the interests of the Company and its business.

Each year, the Management Board presents to the Supervisory Board the strategy of the Company including the operational plan for the following financial year. The financial and operational objectives that allow quantification and progress measurement of the strategy implementation are regularly reviewed. Both the strategy and the operational plan are adopted after the Supervisory Boards' approval.

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. The Management Board monitors the operation of the internal risk management and control systems and carries out a systematic assessment of their design and effectiveness at least once a year. 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. A regular risk report is provided to the Supervisory Board.

The Management Board adopted corporate core values that contribute to a culture focused on long-term value creation for the Company. These values are Integrity, Care, Entrepreneurship and Ownership and are regularly discussed with the Supervisory Board. The Management Board encourages behavior that is in keeping with the values and propagates these values through leading by example. The Management Board is responsible for the incorporation and maintenance of the values. The Management Board has drawn up a Code of Conduct and monitors its effectiveness as well as compliance with this Code. Findings and observations in this context are shared with the Supervisory Board.

The Management Board is accountable to the Supervisory Board and the General Meeting for the performance of its management tasks.

The Management Board currently consists of four members: the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief Governance and Compliance Officer. Management Board members are appointed and can be suspended or dismissed by the General Meeting. Further information about the appointment and dismissal of Management Board members can be found in SBM Offshore's articles of association.

Section 3.1 lists the material mandates of the Management Board outside SBM Offshore. Management Board members shall inform the Supervisory Board before accepting positions outside the Company and shall not accept such position prior to the approval of the Supervisory Board. Mandates are discussed annually in the Supervisory Board meeting. The Company is therefore compliant with best practice 2.4.2 of the Corporate Governance Code. Members of the Management Board may also be appointed to the statutory board of the Company's operational entities.

3.2.3 SUPERVISORY BOARD AND COMMITTEES

The Supervisory Board supervises the policies, the management of the Company and its businesses, the effectiveness and the integrity of the internal control and risk management systems and procedures implemented by the Management Board, as well as the general conduct of affairs of the Company and its businesses. The Supervisory Board also supervises the activities of the Management Board in relation to the creation of a culture aimed at long-term value creation for the Company and its businesses. Furthermore the Supervisory Board assists the Management Board with advice in accordance with the Corporate Governance Code, the articles of association and the Supervisory Board rules. In the performance of its duties, the Supervisory Board is guided by the interests of the Company's stakeholders. In addition, certain (material) decisions of the Management Board, as stipulated in the Dutch Civil Code, articles of association or the Supervisory Board and Management Board rules, require the Supervisory Board's prior approval.

The Supervisory Board currently consists of seven members. Members of the Supervisory Board are appointed by the General Meeting following nomination by the Supervisory Board. A Supervisory Board member is appointed for a period of four years and may then be re-appointed once for another four-year period. A Supervisory Board member may subsequently be re-appointed again for a third period of two years, which may be extended by at most two years. Further information about the appointment and dismissal of Supervisory Board members can be found in SBM Offshore's articles of association.

The Supervisory Board appoints one of its members as Chairman and one as Vice-Chairman.

The Supervisory Board has three subcommittees: the Audit and Finance Committee, the Appointment and Remuneration Committee and the Technical and Commercial Committee. The Appointment and Remuneration Committee is a joint committee with two separate chairpersons and two separate tasks: the selection and appointment preparation of Management Board and Supervisory Board members and the preparation of decision-making regarding remuneration matters. The task of each subcommittee is to assist and advise the Supervisory Board in fulfilling its responsibilities.
SBM Offshore has an internal audit department with direct reporting to the Supervisory Board through the Audit and Finance Committee. More information about the ways of working of the Supervisory Board and its committees can be found in the Supervisory Board and Committee rules, as available on the Company's website. The Supervisory Board has drawn up a retirement schedule for its members, which is available on the Company's website.

Section 3.1 lists the material mandates of the Supervisory Board outside SBM Offshore. Supervisory Board members shall inform the Supervisory Board before accepting positions outside the Company. Positions may not be accepted without the Supervisory Boards' prior approval. The positions can not be in conflict with the Company's interests. Mandates are reviewed annually in the Supervisory Board meeting. The Company is compliant with best practice 2.4.2 of the Corporate Governance Code.

3.2.4 SHARE CAPITAL

The authorized share capital of the Company amounts to EUR200 million and is divided into 400,000,000 ordinary shares with a nominal value of EUR0.25 and 400,000,000 protective preference shares, also with a nominal value of EUR0.25. The preference shares can be issued as a protective measure, as explained below in the section on the Stichting Continuïteit SBM Offshore.

As per December 31, 2021, 180,671,305 (2020: 188,671,305) ordinary shares are issued. No preference shares have been issued.

Bearer shares

As per the Dutch Act on Conversion of bearer shares (*Wet omzetting aandelen aan toonder*), all bearer shares still outstanding at December 31, 2020 have been converted into registered shares (31,840) held in the name of the Company as per January 1, 2021. A shareholder who hands in a bearer share certificate to the Company before January 2, 2026 is entitled to receive from the Company a replacement registered share. A shareholder may not exercise the rights vested in a share until the shareholder has handed in the corresponding bearer share certificate(s) to the Company.

3.2.5 GENERAL MEETING

Annually within six months after the end of the financial year, the Annual General Meeting (AGM) shall be held. The agenda for this meeting generally includes the following standard items:

- The report of the Management Board concerning the Company's affairs and the management as conducted during the previous financial year.
- The report of the Supervisory Board and its committees.
- The remuneration report for an advisory vote.
- The adoption of the Company's Financial Statements, the allocation of profits and the approval of the dividend.

- The discharge of the Management Board and of the Supervisory Board.
- Corporate Governance.
- The delegation of authority to issue shares and to restrict or exclude pre-emptive rights.
- The delegation of authority to purchase own shares.
- The composition of the Supervisory Board and of the Management Board.

In addition, certain specific topics may be added to the agenda by the Supervisory Board.

Proposals to the agenda of General Meetings can be made by persons who are entitled to attend General Meetings, solely or jointly representing shares amounting to at least 1% of the issued share capital, or with a market value of at least EUR50 million. Proposals of persons who are entitled to attend the shareholders meetings will only be included in the agenda if such proposals are made in writing to the Management Board not later than sixty days before that meeting.

With reference to the articles of association, all shareholders are entitled, either personally or by proxy authorized in writing, to attend the General Meeting, to address the General Meeting and to vote. The articles of association do not provide for any limitation of the transferability of the ordinary shares and the voting rights of shareholders are not subject to any limitation.

At the General Meeting, each ordinary share with a nominal value of EUR0.25 each shall confer the right to cast one (1) vote. Each protective preference share with a nominal value of EUR0.25 each shall confer the right to cast one (1) vote, when issued. None of the protective preference shares have been issued to date. Unless otherwise required by law or the articles of association of the Company, all resolutions shall be adopted by an absolute majority of votes. The General Meeting may adopt a resolution to amend the articles of association of the Company by an absolute majority of votes cast, but solely upon the proposal of the Management Board, subject to the approval of the Supervisory Board. The articles of association are reviewed on a regular basis and were last amended in April 2016.

Due to the COVID-19 pandemic, the 2021 AGM was held virtually and shareholders could cast their votes prior to and real-time in the meeting. 135,310,224 ordinary shares participated in the voting, equal to 71.7% (2020: 64.5%) of the then total outstanding share capital of 188,671,305 ordinary shares. All proposed resolutions were adopted. The outcome of the voting of the meeting was posted on the Company's website on the day following the 2021 AGM.

3.2.6 ISSUE, REPURCHASE AND CANCELLATION OF SHARES

The General Meeting or the Management Board, if authorized by the General Meeting and with the approval of the Supervisory Board, may resolve to issue shares.

The General Meeting or the Management Board, subject to the approval of the Supervisory Board, shall set the price and further conditions of issue, with due observance of the provisions contained in the articles of association. Shares shall never be issued below par, except in the case as referred to in article 2:80 (2) Dutch Civil Code. At the 2021 AGM, the shareholders have delegated to the Management Board for a period of eighteen months and, subject to the approval of the Supervisory Board, the authority to issue ordinary shares up to 10% of the total outstanding shares at that time. In addition, authorization was granted to restrict or to exclude pre-emption rights, as provided for in article 6 of the Company's articles of association for a period of eighteen months and subject to the approval of the Supervisory Board.

The Management Board may, with the authorization of the General Meeting and the Supervisory Board and without prejudice to the provisions of article 2:98 Dutch Civil Code and the articles of association, cause the Company to acquire fully paid-up shares in its own capital for valuable consideration. The Management Board may resolve, subject to the approval of the Supervisory Board, to dispose of shares acquired by the Company in its own capital. No pre-emption right shall exist in respect of such disposal. At the 2021 AGM, the shareholders have delegated the authority to the Management Board for a period of eighteen months, as from April 7, 2021 and subject to approval of the Supervisory Board, to repurchase up to 10% of the total outstanding shares at that time.

On August 5, 2021 SBM Offshore initiated a EUR150 million share repurchase program, with the objective of share capital reduction and, in addition, to provide shares for regular management and employee share programs. The repurchase program was completed on October 11, 2021. The execution of the share repurchase program was done under the terms of an engagement letter with a third-party and performed in compliance with the safe harbor provisions for share repurchases. In accordance with the European Market Abuse Regulation, the Company informed the market through weekly press releases and updates on its website. In 2021, 8 million shares in the capital of SBM Offshore were cancelled. The EUR150 million share repurchase program and the cancellation of 8 million shares was executed under the authorization of the 2021 AGM resolution. More information can be found in section 4.2.4 of this Annual Report.

3.2.7 EXTERNAL AUDITOR

The external auditor of SBM Offshore is appointed by the General Meeting on the proposal of the Supervisory Board upon the selection process and nomination of the Audit and Finance Committee and the advice of the Management Board.

PricewaterhouseCoopers Accountants N.V. ('PricewaterhouseCoopers') was first appointed during the 2014 AGM and re-appointed during the 2021 AGM for a period of three years and ending with the audit of the financial year 2023. Pursuant to the Dutch Auditors Profession Act *(Wet op het accountantsberoep)*, the audit firm of a so-called public interest entity (such as a listed company) is required to be replaced if the audit firm has performed the statutory audits of the company for a period of ten consecutive years, which term ends with the audit of the financial year 2023. Based on auditor independence requirements, the lead auditor in charge of the SBM Offshore account is changed every five years.

The external auditor attends all meetings of the Audit and Finance Committee, as well as the meeting of the Supervisory Board at which the financial statements are approved. The external auditor receives the financial information and underlying reports of the quarterly results and is given the opportunity to comment and respond to this information.

Pursuant to the Auditor's Profession Act, the auditors are prohibited from providing the Company with services in the Netherlands other than 'audit services aimed to provide reliability concerning the information supplied by the audited client for the benefit of external users of this information and also for the benefit of the Supervisory Board, as referred to in the reports mentioned'. During 2021, a small number of limited-scope non-audit services were provided by foreign member firms of the PricewaterhouseCoopers global network, taking into account the external auditor's independence rules and SBM Offshore's policy in this regard.

3.2.8 STICHTING CONTINUÏTEIT SBM OFFSHORE

In this section, SBM Offshore's anti-takeover measures are described, as well as the circumstances under which it is expected that these measures may be used.

A foundation 'Stichting Continuïteit SBM Offshore' (the Foundation), was established on March 15, 1988. In summary, the objectives of the Foundation are to represent the interests of SBM Offshore in such a way that the interests of the Company and of all parties involved in this are safeguarded, and that influences which could affect the independence, continuity and/or the identity of the Company in breach of those interests are deterred. The Foundation will perform its role, and take all actions required, at its sole discretion. In the exercise of its functions it will, however, be guided by the interests of the Company and the business enterprises connected with it, and all other stakeholders, including shareholders and employees.

The Foundation is managed by a Board, the composition of which is intended to ensure that an independent judgement may be made as to the interests of the Company. The Board consists of a number of experienced (former) senior executives of multinational companies: Mr. A.W. Veenman, Chairman, Mr. B. Vree, Vice-Chairman, Mr. R.H. Berkvens, Ms. H.F.M. Defesche and Mr. J.O. van Klinken. To be kept informed about the business and interests of the Company, the Chairman of the Supervisory Board, the CEO and the CGCO are invited to attend the Foundation Board meetings.

The Management Board, with the approval of the Supervisory Board, has granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital, carrying voting rights, equal to one half of the voting rights carried by the ordinary shares outstanding immediately prior to the exercise of the option, enabling it effectively to perform its functions, at its sole discretion and responsibility, as it deems useful or desirable.

The option agreement between SBM Offshore and the Foundation was last amended and restated in 2011, to reflect a waiver by the Company of its put option and the alignment of the nominal value of the protective preference shares with the nominal value of ordinary shares by reducing the nominal value of EUR1 to EUR0.25 and the related increase in the number of protective preference shares, as per the amended articles of association of the Company. The Foundation is independent, as stipulated in article 5:71 (1) (c) Financial Markets Supervision Act.

3.2.9 OTHER REGULATORY MATTERS

CONFLICTS OF INTEREST

The members of the Management Board have a services contract with SBM Offshore N.V. These contracts stipulate that members of the Management Board may not compete with the Company. Conflict of interest procedures are included in the Management Board and Supervisory Board Rules and the Company's Code of Conduct, and reflect Dutch law and the principle and best practices of the Dutch Corporate Governance Code. In 2021, there were no conflicts of interest in relation to the members of the Management Board and Supervisory Board reported other than ordinary course compensation arrangements. The Company is compliant with best practice 2.7.3 to 2.7.4 of the Corporate Governance Code.

In 2021, SBM Offshore did not enter into transactions with persons who held at least ten percent of the shares in the Company. The Company is compliant with best practice 2.7.5 of the Corporate Governance Code.

REGULATIONS CONCERNING OWNERSHIP OF AND TRANSACTIONS IN SHARES

In addition to the Company's Insider Trading Rules, the Supervisory Board rules and Management Board rules contain a provision stipulating that Supervisory Board and Management Board members will not trade in Company shares or other shares issued by entities other than the Company on the basis of share price sensitive information if this information has been obtained in the course of managing or supervising the Company's business. For information about the shares (or other financial instruments) held in SBM Offshore N.V. by members of the Management Board, reference is made to section 4.3.6 of the notes to the consolidated financial statements.

CHANGE OF CONTROL

The Company is not a party to any material agreement that takes effect, alters or terminates upon a change of control of the Company following a take-over bid as referred to in section 5:70 of the Dutch Financial Markets Supervision Act, other than as mentioned in this paragraph.
SBM Offshore N.V. has a revolving credit facility agreement under which the approval of the participating lenders must be obtained in the event of a change in control of the Company after a public take-over bid has been made. Certain vessel charter contracts contain clauses to the effect that the prior consent of the client is required in case of a change of control or merger or where the company resulting from such change of control or merger would have a lower financial rating or where such change of control or merger would affect the proper execution of the contract. In addition, local bidding rules and regulations (e.g. in Brazil for Petrobras) may require client approval for changes in control. A change of control clause is included in the services contract between the Company and each of the members of the Management Board.

EXECUTIVE COMMITTEE

Since the end of 2012, an Executive Committee has been in place. The Executive Committee facilitates decision-making without detracting from the exercise of statutory responsibilities by the members of the Management Board and the internal company authority matrix. Currently, the Executive Committee is comprised of the Management Board members, the Managing Directors of Floating Production Solutions, Global Resources & Services, Operations, Strategic Growth and New Energies & Services, as well as the Group HR Director and the Chief Strategy Officer. In principle, the Executive Committee meets every three weeks. In the meetings strategic, operational and organisational topics are discussed.

DIVERSITY

In 2021, a revised Diversity Policy for the Supervisory Board and for the Management Boardwas finalised and can now be found on the Company website. Diversity targets found to be relevant are i) nationality/cultural background with a due and fair representation of the geographic regions in which the Company operates and ii) gender. At least one third of the Supervisory Board members should be male and one third should be female. The Company will set diversity targets for the Management Board and senior management in 2022.

In 2021 the members of the Management Board covered four and the members of the Supervisory Board covered six nationalities. Two additional nationalities were represented in the Executive Committee. A broad range of experience in the geographic regions the Company operates is seen, or in case of new regions, experience is being build up. For gender, as at December 31, 2021 28.5% of the Supervisory Board members was female, whereby it is noted that a female candidate is proposed to be appointed at the 2022 AGM.The Management Board consisted of 100% males. More than for re-appointments, whereby experience and good performance are weighing heavily on the decision, new appointments offer opportunity to re-balance the composition in view of fair and equal gender representation when needed. The targets set for (gender) diversity will be taken into consideration when there are vacancies in the Supervisory Board, Management Board and senior management positions.

CODE OF CONDUCT AND SPEAK UP LINE

The Company has a Code of Conduct which is built on the Company's four core values Integrity, Care, Entrepreneurship and Ownership. Reporting channels and a Speak Up Line are in place and enable SBM Offshoreto carefully listen to its employees and partners in the value chain about concerns related to potential violations against the Code of Conduct, Core Values, or the law. The Speak Up Line, managed by an independent third party, is available 24 hours a day, 365 days a year, supports multiple languages, and allows for anonymous and confidential reporting. For more details on SBM Offshore's compliance program reference is made to section 3.6.2. The Code of Conduct can be found on the Company website.

COMPLIANCE WITH THE CODE

SBM Offshore complies with the principles and best practices of the Corporate Governance Code.

3.3 REPORT OF THE SUPERVISORY BOARD

Composition

In 2021, Laurence Mulliez stepped down after the 2021 AGM after six years of service. Following the departure of Andy Brown, Francis Gugen took over as Vice-Chairman of the Supervisory Board. The Supervisory Board welcomed Ingelise Arntsen who was newly appointed at the 2021 AGM for a period of four years, until the 2025 AGM. In 2021 the Supervisory Board also announced its intention to nominate Hilary Mercer as member of the Supervisory Board. In accordance with best practice 2.2.2 of the Corporate Governance Code, the profile, the competencies and background of the Supervisory Board members already in function, as well as the Diversity Policy for the Supervisory Board, were closely observed for nominations made.

Independence

As per year-end, six out of seven Supervisory Board members are independent from the Company within the meaning of best practice provisions 2.1.7 to 2.1.9 inclusive of the Corporate Governance Code. The exception is Jaap van Wiechen in view of his position as member of the Executive Board of HAL Holding N.V./director HAL Investments B.V. Sietze Hepkema who was a Management Board member of SBM Offshore until this appointment as Supervisory Board member in April 2015, qualifies as independent Supervisory Board member as of April 16, 2020.

Meetings

In 2021, the Supervisory Board held seven scheduled meetings, one additional meeting and some ad hoc calls. Due to the COVID-19 pandemic, Supervisory Board members mostly participated in the meetings via video conferencing. The Supervisory Board assessed that its members have adequate time available to give sufficient attention to the Company. In 2021, the attendance percentage of the Supervisory Board for the meetings was 98.21%. The table below shows the overview of the attendance in 2021 at scheduled meetings for the individual members out of the number eligible to attend.

Members[1]	Supervisory Board	Audit and Finance Committee	Technical and Commercial Committee	Appointment and Remuneration Committee
Roeland Baan (Chairman)	8/8	-	-	5/5
Francis Gugen (Vice-Chairman)	8/8	5/5	-	-
Ingelise Arntsen	6/6	-	3/3	-
Bernard Bajolet	8/8	-	6/6	-
Sietze Hepkema	8/8	3/3	-	5/5
Cheryl Richard	8/8	-	-	5/5
Jaap van Wiechen	7/8	4.5/5	6/6	-
Laurence Mulliez	2/2	2/2	3/3	-

1 Where a Supervisory Board member retired from or was appointed to the Supervisory Board, stepped down from a Committee or was appointed throughout the year, only meetings during his/her tenure were taken into account

The Management Board prepared detailed supporting documents as preparation for all meetings and several representatives of senior management were invited to give presentations on specific topics within their area of responsibility. The Supervisory Board and Committee meetings were usually held over two days to ensure time for review and discussion. The Management Board attended all scheduled meetings of the Supervisory Board. The customary informal pre-board dinner was cancelled in most instances in 2021 due to the COVID-19 pandemic. Several informal meetings and contacts among Supervisory Board members and/or Management Board members took place. Prior to the scheduled meetings, the Supervisory Board met outside the presence of the Management Board to reflect on agenda items and discuss potential items requiring attention during the meeting. The Supervisory Board also received regular updates from the Management Board outside meetings on relevant developments within the Company.

In 2021, a repeat subject on the agenda of the Supervisory Board meeting was the challenges that came with the COVID-19 pandemic. The Supervisory Board was regularly informed about the impact of COVID-19 on SBM Offshore, its employees, projects, supply chain and fleet operations, as well as measures implemented in relation herewith. In addition, recurring standard items on the agenda of the Supervisory Board meetings were the Company strategy, the commercial activities/projects and the market environment, the operational performance, the financial performance and liquidity position, treasury topics, investor relations topics, compliance, risk management and internal controls, SBM Offshore organisation and culture including diversity and inclusion, corporate governance, succession planning of the Management Board, Supervisory Board and senior management of the Company, remuneration for senior management and the Management Board and ESG topics including SBM Offshore's approach hereto.

In February 2021, the Supervisory Board approved the 2020 Financial Statements and the proposal to the General Meeting of an all cash dividend distribution. In the same meeting, the 2021 operating plan was approved in its final form. The Supervisory Board also nominated PricewaterhouseCoopers for re-appointment as external auditor. In August, the Supervisory Board approved the launch of a EUR150 million share buyback program. On various occasions during the year, the strategy, progress on the implementation thereof, as well as the risks related to its realization, were reviewed and discussed. As an example, these discussions included the strategic position of the Company in the energy transition for its clients and the fast-developing floating offshore wind market. The Long-Term Strategic Plan was discussed and approved in December. The Supervisory Board annually discusses the Company's risk appetite. In addition, the Supervisory Board frequently discussed the elements of the Management Board remuneration policy. The feedback of shareholders and institutional investors lead to a proposal to the General Meeting of a revised remuneration policy for the Management Board (RP 2022), which the General Meeting approved. The SBM Offshore organisation in relation to the challenges in relation to the COVID-19 pandemic and in general were regularly discussed. The results of the 2021 Pulse Survey (employee satisfaction survey) and action plans were presented and reviewed. Furthermore, time was spent on talent management and leadership development.

THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has appointed three committees which are formed from among its members. These committees have advisory powers, share the main considerations and conclusions of their meetings in the Supervisory Board meeting and provide recommendations for decision by the Supervisory Board. The composition of each committee as at December 31, 2021 is detailed below.

			Appointment and Remuneration Committee	
Members	Audit and Finance Committee	Technical and Commercial Committee	Appointment matters	Remuneration matters
Roeland Baan (Chairman)			Chairman	√
Francis Gugen (Vice- Chairman)	Chairman			
Ingelise Arntsen[1]		√		
Bernard Bajolet		√		
Sietze Hepkema	√[2]		√	√
Cheryl Richard			√	Chairman
Jaap van Wiechen	√	Chairman[3]		

1 Appointed as per April 7, 2021
2 Appointed as per April 7, 2021
3 Appointed as per January 24, 2021

There is an open invitation to join committee meetings for those Supervisory Board members who are not a member of specific committee. This invitation is regularly made use of.

Audit and Finance Committee

Sietze Hepkema succeeded Laurence Mulliez as member of the Audit and Finance Committee from April 2021. The Audit and Finance Committee convened five times in 2021. The attendance percentage of the Audit and Finance Committee meetings was 96.7%. The Chairman of the Audit and Finance Committee reported to the Supervisory Board on the principal issues discussed, on actions arising and the follow-up of such actions and made recommendations on those matters requiring a decision by the Supervisory Board.The Management Board, the Group Internal Audit Director, the Group Controller and the external auditor attended the meetings. After each meeting, the Audit and Finance Committee met with the external auditor outside the presence of the Management Board. The Chairman of the Audit and Finance Committee regularly held meetings with the CFO, and separately with SBM Offshore's Group Internal Audit Director and again separately with PricewaterhouseCoopers.

The Audit and Finance Committee prepares the Supervisory Board's decision making regarding the supervision of the integrity and quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems. Standard agenda topics in 2021 were financial performance, compliance, risk management and internal controls, Internal Audit activities and IT (including cybersecurity). In addition, other items discussed included: the COVID-19 pandemic, funding and liquidity, dividend proposal, share repurchase proposal, functioning of and relationship with the external auditor including the quality of the audit, financing strategy and the SBM Offshore's approach to tax policy and specific tax issues.

The external auditor participated in all meetings of the Audit and Finance Committee. Discussions were held with PricewaterhouseCoopers about the audit plan, management letter, audit report and financial statements including managerial judgements and key accounting estimates. Additionally, the Audit and Finance Committee formally evaluated the external auditor and discussed its re-appointment, also in view of the change in lead audit partner as from the financial year 2021. The outcome of the evaluation was positive.

Appointment and Remuneration Committee

The Appointment and Remuneration Committee had five scheduled meetings in 2021. The attendance rate of the Appointment and Remuneration Committee meetings was 100%. In addition to scheduled meetings, various ad hoc meetings took place to prepare and discuss the Management Board remuneration policy. The Appointment and Remuneration Committee consists of two parts as prescribed by the Corporate Governance Code: a part for Selection and Appointment matters and a part for Remuneration matters. During the Supervisory Board meetings, the respective Chairperson reported on the selection and appointment matters and on the remuneration matters reviewed by the Committee, on actions arising and the follow-up of such actions. They made recommendations on those matters that require a decision from the Supervisory Board. The meetings were attended by the Management Board and the Group HR Director, except where the Appointment and Remuneration Committee chose to discuss matters in private.

The main remuneration matters discussed by the Appointment and Remuneration Committee in 2021 were: determination of the relevant remuneration of the Management Board (Short-Term Incentive target setting and realization, and the Value Creation Stake award) and the Remuneration Policy for the Management Board. On Management Board remuneration matters, the views of the Management Board members on their own remuneration have been noted.

The main selection and appointment matters discussed were: succession planning, the proposal to nominate Douglas Wood for re-appointment as member of the Management Board, the proposal to nominate Ingelise Arntsen for appointment as member of the Supervisory Board, talent management, the SBM Offshore organizational structure, employee well-being (Pulse Survey) and culture.

Technical and Commercial Committee

In 2021, Jaap van Wiechen was elected as Chairman of the Technical and Commercial Committee due to the departure of Andy Brown. As from April 2021, Ingelise Arntsen became a member of the Committee. The Technical and Commercial Committee convened six times in 2021. The attendance rate of the Technical and Commercial Committee for these meetings was 100%. The Chairman of the Technical and Commercial Committee reported to the Supervisory Board on the principal issues discussed, on actions arising and the follow-up of such actions and made recommendations on those matters requiring a decision. The meetings were attended by the Management Board, and relevant senior management representatives who gave presentations on specific topics within the remit of the Technical and Commercial Committee.

The main subjects discussed by the Technical and Commercial Committee were the following: the COVID-19 pandemic and the impact on the fleet and operations, Health, Safety, Security and Environment and Process Safety performance, operational performance and strategy, project resourcing and execution, sales, marketing and tender activities, client relationships, technology and innovation developments.

INDUCTION, TRAINING AND PERFORMANCE ASSESSMENT

Following appointment to the Supervisory Board, new members receive a comprehensive induction tailored to their needs. This includes sessions with members of the Management Board and senior management in which they are informed on all relevant aspects of the Company as well as site visits. Furthermore, during the first year of appointment, new members often are present at the meetings of committees of which they are not a member. In 2021, SBM Offshore welcomed one new member to the Supervisory Board. Due to the COVID-19 restrictions, the induction program took place in the form of sessions with the Management Board and senior management, as well as participation in the annual mid-year Strategy Seminar. Regrettably, site visits were not possible in 2021.
Both the Management Board and the Supervisory Board spent time on deep dives on various relevant subjects, for example the energy transition and the role of the Company herein. In addition, Supervisory Board members participated in various e-Learnings via the SBM Offshore Compliance platform. Site visits are seen as an opportunity for continuing education. In December a virtual site tour by means of a pre-recorded video was organised for the Supervisory Board to review the progress of the Provence Grand Large project. Site visits in physical form are to be continued if and when is possible.
In August 2021, the Supervisory Board assessed the profiles and the competencies of the individual Supervisory Board members. Annually, an assessment on the functioning of the Supervisory Board, its Committees and its members is performed. In principle this is done with an external advisor every three years. As the 2019 performance evaluation was done with an external advisor, the Supervisory Board conduced a self-assessment in November 2021 via a survey which was completed by the members of the Supervisory

Board and the Management Board. Questions asked regarded institutional and procedural matters, the performance of the Supervisory Board members, and the Management Board performance and collaboration with the Supervisory Board. The outcome was discussed by the Supervisory Board in December 2021. The overall feedback from the assessment was positive. The Supervisory Board and the Management Board have discussed how to further enhance and optimise discussions around the strategy. Some practical suggestions on the organization of the meetings were also made and will be implemented, such as a further optimization of the annual schedule of topics to be addressed in the Supervisory Board and Committee meetings. The Chairman of the Supervisory Board frequently spoke with the CEO and other Management Board members outside the meetings. The Management Board reviewed its functioning as a whole and that of the individual Management Board members on various occasions throughout the year. During these sessions, its role and responsibilities, meeting efficiency and the relationship with the Supervisory Board and senior management was also discussed. Overall, it was concluded that both the Supervisory Board and the Management Board function properly and effectively and that the relationship is constructive.

CONCLUSION

The Financial Statements have been audited by the external auditor, PricewaterhouseCoopers Accountants N.V. Their findings have been discussed with the Audit and Finance Committee and the Supervisory Board in the presence of the Management Board. The external auditor have expressed an unqualified opinion on the Financial Statements.

The members of the Supervisory Board have signed the 2021 Financial Statements pursuant to their statutory obligations under article 2:101 (2) of the Dutch Civil Code. The members of the Management Board have signed the 2021 Financial Statements pursuant to their statutory obligations under article 2:101(2) of the Dutch Civil Code and article 5:25c (2) (c) of the Financial Markets Supervision Act. The Supervisory Board of SBM Offshore N.V. recommends that the General Meeting adopts the Financial Statements for the year 2021.

Supervisory Board

Roeland Baan, Chairman
Francis Gugen, Vice-Chairman
Ingelise Arntsen
Bernard Bajolet
Sietze Hepkema
Cheryl Richard
Jaap van Wiechen

Schiphol, the Netherlands
February 9, 2022

3.4 REMUNERATION REPORT

In this report, the remuneration for the Management Board and Supervisory Board is described. The first part contains a description of the remuneration policy for the Management Board, how it was implemented for the Management Board members over 2021 and various other Management Board remuneration information. The second part describes the remuneration policy for the Supervisory Board and how it was implemented over 2021.

3.4.1 MANAGEMENT BOARD REMUNERATION POLICY

At the 2021 AGM, the Remuneration Policy 2022 (RP 2022) was adopted (90.98% in favor). This policy became effective January 1, 2022. Over 2021, the former policy, RP 2018, still applied. RP 2018 was adopted at the 2018 AGM and became effective January 1, 2018. Full details and the principles and rationale for the RP 2018 are available on SBM Offshore's website in the remuneration policy section under Corporate Governance Documents.

The Company remunerates members of the Management Board for long-term value creation. RP 2018 and RP 2022 are both based on competitive remuneration aligned with the long-term performance of SBM Offshore. It is built on six reward principles: simplicity, flexibility, predictability, competitiveness, alignment and, most importantly, driving the right results.

This remuneration report has been drafted in accordance with the EU Shareholder Rights' Directive (SRD II) as implemented in the Netherlands.

Explanation of RP 2018 and RP 2022

SBM Offshore believes the oceans will provide the world with safe, sustainable and affordable energy for generations to come. Our mission is to share our experience to make it happen. In executing our strategy we are guided by our Core Values: Integrity, Care, Entrepreneurship and Ownership.

The underlying principles of the remuneration policy of the Management Board of SBM Offshore N.V. support the vision and ambition and aim for long-term value creation of the Company through the Value Creation Stake balanced with pay for performance through the Short-Term Incentive (STI). Sustainability[11] is an integral part of the STI performance areas (through Health, Safety, Security and Environment).

The Company's strategy is aimed at optimizing, transformation and innovation of SBM Offshore's business processes in order to grow in size and create value. This is reflected in the STI performance areas of Profitability, Growth and Sustainability Performance. Through the STI performance areas, Management Board remuneration is directly linked to the success of the Company and the value delivered to shareholders.

Employment conditions and pay of the Company's employees within SBM Offshore are being taken into account when formulating the remuneration policy, for instance through the internal pay-ratio analysis. Employment conditions for Management Board members may differ from those applicable to employees, also because Management Board members have a service contract rather than an employment relationship. The principles of the remuneration policy are used as a guideline for employment conditions at SBM Offshore as a whole.

The four components of the remuneration package of Management Board members under RP 2018 and RP 2022 are: (1) Base Salary, (2) STI, (3) Value Creation Stake and (4) Pension and Benefits.

[11] In this report, the STI performance area 'HSSE' in RP 2018 is also referred to as 'Sustainability Performance'.

REMUNERATION POLICY STRUCTURE MANAGEMENT BOARD

REMUNERATION POLICY		DETAILS
Base Salary	Fixed component	Level set based on both internal and external relativities
STI	Percentage of Base Salary as short term cash incentive (100% at target for CEO and 75% for other Management Board members)	Identical targets for all Management Board members (based on profitability, growth and sustainability performance)
Value Creation Stake	Award of locked-in shares: 175% of Base Salary	This award is conditional upon Supervisory Board approval – Immediate vesting plus 5-year holding requirement
Pension	Pension allowance equal to 25% of Base Salary	Management Board members are responsible for their own pension arrangements
Benefits	Benefits include car allowance and health/ life insurance	Other benefits depend on individual circumstances and may include a housing allowance

1. BASE SALARY

The Base Salary is set by the Supervisory Board and is a fixed component paid in cash. Depending on internal and external developments such as market movements, the Supervisory Board may adjust Base Salary levels.

2. SHORT-TERM INCENTIVE

The STI is designed to create a rigorous pay for performance relationship and is a conditional variable component. The STI key performance indicators focus on three performance areas: (i) Profitability, (ii) Growth and (iii) Sustainability Performance. The Supervisory Board, upon the recommendation of the A&RC determines for each of the performance measures the specific performance targets and their relative weighting in the beginning of the financial year. The STI remains unchanged with the implementation of RP 2022.

STI

PERFORMANCE MEASURES	WEIGHTING
PROFITABILITY	40 - 60%
GROWTH	20 - 40%
SUSTAINABILITY PERFORMANCE	15 - 25%
TOTAL	100%
DISCRETIONARY JUDGEMENT SUPERVISORY BOARD	- 10%

The three performance areas are specified as follows for RP 2018:

- Underlying and directional EBITDA is used as an indicator of overall short-term profitability.
- Order Intake and/or the number of FEEDs is used as an operational indicator of top line growth.
- Sustainability Performance include targets related to the UN Sustainable Development Goals.

If the Supervisory Board is of the opinion that another measure would be more qualified as an indicator for Profitability, Growth or Sustainability Performance, it will inform the shareholders in the remuneration report. Performance measures will never be adjusted retrospectively.

Performance ranges – threshold, targeted and maximum – are set for each of the key performance indicators. The STI is set at a target level of 100% of the Base Salary for the CEO and 75% of the Base Salary for any other member of the Management Board. The threshold pay-out is at 0.5 times target and maximum pay-out will not exceed 1.5 times target. A linear pay-out line applies between threshold and maximum. Below threshold, the pay-out is zero. The Supervisory Board may adjust the outcome of the STI down by up to 10%, which adjustment will be reported on in the remuneration report.

At the end of the performance year, the performance is reviewed by the Supervisory Board and the pay-out level is determined. The performance measures, target setting, and realization are published in this remuneration report. For reasons of commercial and/or market sensitivity, these details are not published at the start of the performance period. In general, details regarding order intake will not be shared. The STI is payable in cash after the publication of the Annual Report for the performance year.

3. VALUE CREATION STAKE

The Value Creation Stake is an award of restricted shares to create direct alignment with long-term shareholder value. The awarded shares must be held for at least five years. After retirement or termination, the holding period will not be longer than two years. The gross annual grant value for each of the Management Board members is 175% of Base Salary. The number of shares is determined by a four-year average share price (volume-weighted). The Value Creation Stake has a variable element to the extent that the share price develops during the holding period. The Supervisory Board retains the discretion not to award the Value Creation Stake in case of an underpin event. RP 2022 introduces a clearly defined and observable underpin. The underpin serves as a mechanism to ensure an acceptable threshold level of performance and avoid vesting in case of circumstances as defined as underpin event. The underpin is evaluated each year at moment of vesting and in case the criteria are not met, the entitlement to the Value Creation Stake grant at that time will forfeit.

Two pillars have been defined when Supervisory Board is considering withholding the Value Creation Stake – in full or in part:

- Event(s) that threaten long-term continuity of the Company; and
- Where circumstances of the event(s) are/were within control of the incumbent Management Board.

These two pillars are the umbrella criteria: in case an event does not qualify under these pillars, the underpin test does not come into play. Underpins shall be assessed in determining the amount of Value Creation Stake vesting in a year:

- Safety event resulting in the loss of multiple lives and/or significant oil damage to the environment and/or loss of an FPSO; and/or
- Compliance issue resulting in Company being unable to operate in one or more of its primary markets; and/or
- Significant project impairment due to insufficient oversight or gross negligence or deliberate omissions. This relates to large projects with a value exceeding US$1 billion.

Prior to RP 2022 being adopted at the 2021 AGM, this underpin already became effective on January 1, 2021 and was applied to the award of 2021 Value Creation Stake.

All members of the Management Board are required to build up Company stock of at least 350% of Base Salary. The value of the share ownership is determined at the date of grant.

4. PENSION AND BENEFITS

In principle, the Management Board members are responsible for their own pension arrangements and receive a pension allowance equal to 25% of their Base Salary for this purpose.

The Management Board members are entitled to additional benefits, such as a company car allowance, medical and life insurance and (dependent on the personal situation of the Management Board member) a housing allowance.

KEY ELEMENTS EMPLOYMENT AGREEMENTS

Each of the Management Board members has entered into a four-year service contract with the Company, the terms of which have been disclosed in the explanatory notice of the General Meeting at which the Management Board member was (re-)appointed. Next to his service contract, Bruno Chabas has an employment contract with Offshore

Energy Development Corporation S.A.M., in relation to a split pay-out of his remuneration.

Adjustment of remuneration and claw-back

The service contracts with the Management Board members contain an adjustment clause giving discretionary authority to the Supervisory Board to adjust the payment of the STI , if a lack of adjustment would produce an unfair or unintended result as a consequence of extraordinary circumstances during the period in which the performance criteria have been, or should have been achieved. However, the Supervisory Board has determined that upward adjustments will not be considered as part of RP 2018 based on shareholder feedback.

A claw-back provision is included in the services contracts enabling the Company to recover the Value Creation Stake, STI and/or LTI (as granted under RP 2015) on account of incorrect financial data.

Severance Arrangements

The Supervisory Board will determine the appropriate severance payment for Management Board members in accordance with the relevant service contracts and Corporate Governance Code. The current Corporate Governance Code provides that the severance payment will not exceed a sum equivalent to one times annual Base Salary. This also applies in a situation of a change in control.

Loans

SBM Offshore does not grant loans, advance payments or guarantees to its Management Board members.

3.4.2 EXECUTION OF THE MANAGEMENT BOARD REMUNERATION POLICY IN 2021

The Supervisory Board is responsible for ensuring that the remuneration policy is appropriately applied and aligned with the Company's objectives. The remuneration level is determined by the Supervisory Board using a comparison with Dutch and international peer companies, as well as internal pay ratios across the Company.

REFERENCE GROUP

In order to determine a competitive Base Salary level and to monitor total remuneration levels of the Management Board, a reference group of relevant companies in the industry (the 'Reference Group') has been defined. Pay levels of the Management Board members are benchmarked annually to the Reference Group. In the event a position cannot be benchmarked within the Reference Group, the Supervisory Board may benchmark a position to similar companies. In 2021, the Reference Group consisted of:[12]

[12] Due to changes such as bankruptcy and delisting Noble Corporation and Superior Energy Services are no longer part of the reference group. In 2021 the reference group consisted of 12 companies. Under RP 2022, the reference group has changed. Please be referred to the policy text of RP 2022 for details.

Arcadis	IMI	RPS Group
Boskalis	Oceaneering International	Transocean
Fugro	Petrofac	Vopak
Helmerich & Payne	RPC Inc	Wood Group

Also in 2021, the Supervisory Board assessed the Management Board's remuneration in relation to the Reference Group's pay levels, revenue and market capitalization, mostly as part of the preparation of implementing RP 2022.

The final determination of pay levels for the Management Board also took into account various scenario analyses to assess the impact of different performance levels and share price developments on the total remuneration paid.

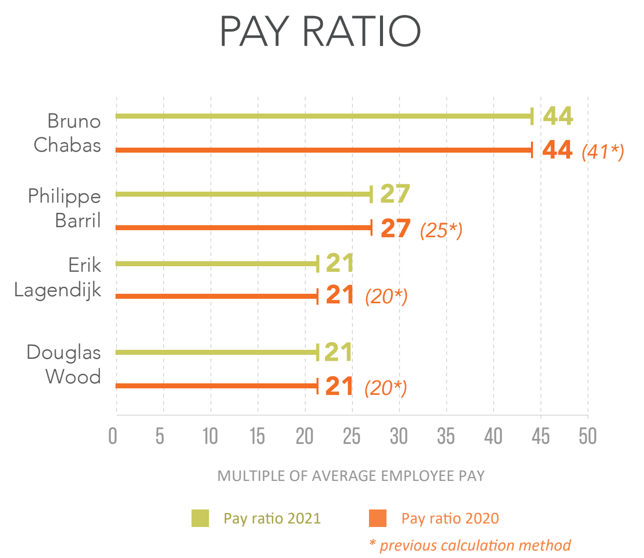
PAY RATIO

The Supervisory Board also includes internal pay ratios when assessing Management Board pay levels.[13] Per 2021 , the Monitoring Committee of the Dutch Corporate Governance Code has set guidelines regarding the calculation of the internal pay ratio. In line with the guidelines, SBM Offshore has changed the calculation on two items: (i) contractors with an employment for at least 3 months are now included in the calculation and (ii) the average employee costs are calculated based on FTE

[13] The pay-ratio is calculated as the total accounting costs of remuneration for each of the Management Board members expressed as a multiple of the average overall employee benefit and contractor expenses for a given year (excluding employees working for non consolidated JVs and associates).

rather than headcount. The average total employee and contractor costs per FTE in 2021 was EUR103 thousand.

The pay-ratio's of each of the Management Board members over 2021 and 2020 are displayed in the following graph (whereas also for 2020 the new calculation method was applied).



TOTAL REMUNERATION OVERVIEW

The table below provides you with insight in the costs for SBM Offshore for Management Board reward in 2021 (based on RP 2018). The table below presents an overview of the remuneration of the Management Board members who were in office in 2021.

	Bruno Chabas		Philippe Barril		Erik Lagendijk		Douglas Wood		Total	
in thousands of EUR	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Base salary	960	960	634	634	518	518	518	518	2,630	2,630
STI	1,279	1,176	633	582	517	475	517	475	2,946	2,708
Value Creation Stake	1,797	1,965	1,186	1,311	968	1,062	968	1,071	4,919	5,408
Pensions	294	296	158	158	129	129	129	129	710	712
Other	250	213	188	154	45	39	50	44	533	450
Total expense for remuneration	**4,580**	**4,610**	**2,799**	**2,839**	**2,177**	**2,223**	**2,182**	**2,237**	**11,738**	**11,908**
in thousands of US$	5,416	5,265	3,310	3,243	2,575	2,539	2,581	2,555	13,883	13,601

1. BASE SALARY

The 2021 and 2020 Base Salary levels of the Management Board members are shown both in the table at the beginning of section: Management Board Remuneration in 2021 and in the table Remuneration of the Management Board by member in section 3.4.3.

2. SHORT-TERM INCENTIVE

For 2021, the Supervisory Board set the following performance measures and corresponding weighting, which led to the following performance realization. For full details regarding the performance under the STI, please refer to the Performance STI 2021 table in section 3.4.3.

PERFORMANCE REALIZATION*

	PERFORMANCE MEASURE	RELATIVE WEIGHTING	WEIGHTED PERFORMANCE
PROFITABILITY	Underlying directional EBITDA	50%	75%
GROWTH	Order intake FPSO, NES	30%	38%
SUSTAINABILITY PERFORMANCE	T1/T2 incidents, Mass of gas flared under SBM Offshore account, TRIFR and SDG target completion	20%	20%
TOTAL		100%	133%

* The weighted performance percentages in this graph relate to the CEO. For other Management Board members the performance is 75% thereof.

Profitability performance reached the maximum threshold of 150% with an underlying directional EBITDA of US$931 million against target level of US$920 million. Growth performance, measured as order intake FPSO and NES resulted in a performance of 125% which is between target and maximum. Sustainability performance performed slightly above target at 104%. The overall weighted performance of the CEO is 133% and for the other Management Board members the performance is 75% thereof (100%).

3. VALUE CREATION STAKE

The Supervisory Board decided to grant the Value Creation Stake for 2021 to the Management Board members in accordance with RP 2018. The underpin test as explained in section 3.4.1 was applied to this grant. As per RP 2018, the granted Value Creation Stake vests immediately. The gross annual value for each of the Management Board members is 175% of Base Salary. The number of shares was based on the four year average share price (volume weighted) at the date of the respective grant. The cost of the granted Value Creation Stake is included in the table at the beginning of this section 3.4.2. The number of shares vested under the Value Creation Stake can be found in section 3.4.3 of this remuneration report under Conditions of and information regarding share plans.

The actual shareholdings of the Management Board members per the end of 2021, in which only conditional shares are taken into account, can be found at the end of the Overview Share-Based Incentives (section 3.4.3). This overview also includes the number of conditionally granted and/or vested shares in the last few years.

4. SHAREHOLDING REQUIREMENT MANAGEMENT BOARD

The following table contains an overview of shares held in SBM Offshore N.V. by members of the Management Board per December 31, 2021.

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2021	Total shares at 31 December 2020
Bruno Chabas	366,605	824,465	1,191,070	1,127,604
Philippe Barril	263,184	54,778	317,962	387,826
Erik Lagendijk	179,081	77,549	256,630	222,418
Douglas Wood	181,460	46,856	228,316	194,104
	990,330	**1,003,648**	**1,993,978**	**1,931,952**

All Management Board members met the share ownership requirement, which is set at an equivalent of 350% of their Base Salary. Section 3.4.3 contains more information about the (historical) share plans for the Management Board.

5. PENSIONS AND BENEFITS

Management Board members received a pension allowance equal to 25% of their Base Salary. In case these payments are not made to a qualifying pension fund, Management Board members are individually responsible for the contribution received and SBM Offshore withholds wage tax on these amounts. For the CEO, two pension arrangements (defined contribution) are in place and its costs are included in the table at the beginning of this section 3.4.2.

The Management Board members received several allowances in 2021, including a car allowance and a housing allowance (Bruno Chabas and Philippe Barril). The value of these elements is included in the table at the beginning of this section 3.4.2 and in section 3.4.3.

3.4.3 OTHER REMUNERATION INFORMATION

Various tables are included in this section, in compliance with the implemented EU Shareholder Rights' Directive into Dutch law. These tables are designed to increase transparency and accountability for the execution of RP 2018 and aim to allow shareholders, potential investors and other stakeholders to better assess Management Board remuneration.

The following table includes further details regarding the various (historical) share plans, including the changes throughout 2021.

Conditions of and information regarding share plans

The main conditions of share award plans					Information regarding the reported financial year			
					Opening balance[1]	During the year		Closing balance[2]
Specification of plan	Performance period[3]	Grant date	Vesting date(s)	End of retention period	Shares held at the beginning of the year	Shares granted (# / EUR x 1,000)[4]	Shares vested (# / EUR x 1,000)[5]	Shares subject to a retention period
Bruno Chabas, CEO								
2016 LTI	2016-2018	10-03-2016	09-04-2019	09-04-2021	108,279	0 / 0	0 / 0	-
2017 LTI	2017-2019	09-02-2017	08-04-2020	08-04-2022	85,873	0 / 0	0 / 0	85,873
Value Creation Stake 2018	N/A	01-01-2018	01-01-2018	01-01-2023	77,402	0 / 0	0 / 0	77,402
Value Creation Stake 2019	N/A	01-01-2019	01-01-2019	01-01-2024	74,043	0 / 0	0 / 0	74,043
Value Creation Stake 2020[6]	N/A	01-01-2020	01-01-2020	01-01-2025	65,821	0 / 0	0 / 0	65,821
Value Creation Stake 2021	N/A	01-01-2021	01-01-2021	01-01-2026	-	114,397 / 1,797	114,397 / 1,797	63,466
Philippe Barril, COO								
2016 LTI	2016-2018	10-03-2016	09-04-2019	09-04-2021	54,778	0 / 0	0 / 0	-
2017 LTI	2017-2019	09-02-2017	08-04-2020	08-04-2022	54,712	0 / 0	0 / 0	54,712
Value Creation Stake 2018	N/A	01-01-2018	01-01-2018	01-01-2023	53,292	0 / 0	0 / 0	53,292
Value Creation Stake 2019[6]	N/A	01-01-2019	01-01-2019	01-01-2024	58,603	0 / 0	0 / 0	58,603
Value Creation Stake 2020	N/A	01-01-2020	01-01-2020	01-01-2025	54,686	0 / 0	0 / 0	54,686
Value Creation Stake 2021	N/A	01-01-2021	01-01-2021	01-01-2026	-	75,508 / 1,186	75,508 / 1,186	41,891

1 Opening balance consists of both shares held and unvested grants for conditional plans at assumed maximum target.
2 Closing balance consists of the full grant and vesting of the relevant plan, including any sell-to-cover performed to compensate a wage tax impact.
3 Performance period always refers to a full year
4 Converted at the share price at the date of grant
5 Converted at the share price at the date of vesting
6 Includes additional Value Creation Stake granted due to salary increase

The main conditions of share award plans					Information regarding the reported financial year			
					Opening balance[1]	During the year		Closing balance[2]
Specification of plan	Performance period[3]	Grant date	Vesting date(s)	End of retention period	Shares held at the beginning of the year	Shares granted (# / EUR x 1,000)[4]	Shares vested (# / EUR x 1,000)[5]	Shares subject to a retention period
Erik Lagendijk, CGCO								
2016 LTI	2016-2018	10-03-2016	09-04-2019	09-04-2021	42,122	0 / 0	0 / 0	-
2017 LTI	2017-2019	09-02-2017	08-04-2020	08-04-2022	42,936	0 / 0	0 / 0	42,936
Value Creation Stake 2018	N/A	01-01-2018	01-01-2018	01-01-2023	33,924	0 / 0	0 / 0	33,924
Value Creation Stake 2019	N/A	01-01-2019	01-01-2019	01-01-2024	32,511	0 / 0	0 / 0	32,511
Value Creation Stake 2020	N/A	01-01-2020	01-01-2020	01-01-2025	35,498	0 / 0	0 / 0	35,498
Value Creation Stake 2021	N/A	01-01-2021	01-01-2021	01-01-2026	-	61,667 / 968	61,667 / 968	34,212
Douglas Wood, CFO								
Restricted Shares	N/A	01-10-2016	01-10-2019	01-10-2021	15,265	0 / 0	0 / 0	-
2016 LTI	2016-2018	10-03-2016	09-04-2019	09-04-2021	31,591	0 / 0	0 / 0	-
2017 LTI	2017-2019	09-02-2017	08-04-2020	08-04-2022	42,936	0 / 0	0 / 0	42,936
Value Creation Stake 2018	N/A	01-01-2018	01-01-2018	01-01-2023	33,924	0 / 0	0 / 0	33,924
Value Creation Stake 2019	N/A	01-01-2019	01-01-2019	01-01-2024	32,511	0 / 0	0 / 0	32,511
Additional Value Creation Stake 2019	N/A	01-07-2019	01-07-2019	01-07-2024	2,323	0 / 0	0 / 0	2,323
Value Creation Stake 2020	N/A	01-01-2020	01-01-2020	01-01-2025	35,554	0 / 0	0 / 0	35,554
Value Creation Stake 2021	N/A	01-01-2021	01-01-2021	01-01-2026	-	61,667 / 968	61,667 / 968	34,212
Peter van Rossum, former CFO								
2016 LTI	2016-2018	10-03-2016	09-04-2019	09-04-2021	31,580	0 / 0	0 / 0	-
2017 LTI	2017-2019	09-02-2017	08-04-2020	08-04-2022	4,174	0 / 0	0 / 0	4,174
					1,104,338	**313,239 / 4,919**	**313,239 / 4,919**	**994,504**

1 Opening balance consists of both shares held and unvested grants for conditional plans at assumed maximum target.

2 Closing balance consists of the full grant and vesting of the relevant plan, including any sell-to-cover performed to compensate a wage tax impact.

3 Performance period always refers to a full year

4 Converted at the share price at the date of grant

5 Converted at the share price at the date of vesting

The purpose of this table is to show actual total remuneration of Management Board members during the reported financial year. It includes the STI 2021. The relative proportion of fixed and variable remuneration in the reported financial year is also presented, whereas for the purpose of this table, the Value Creation Stake is earmarked as variable remuneration. This table is in line with the current draft Guidelines on the Standardized Presentation of the remuneration report as regards the encouragement of long-term shareholder engagement.

Remuneration of the Management Board by member in thousands of EUR

in thousands of EUR		Fixed remuneration		Variable remuneration						
Name of Director, Position	Year	Base salary	Other benefits	STI[1]	LTI	Value Creation Stake[2]	Extra-ordinary Items[3]	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
Bruno Chabas, CEO	2021	960	250	1,279	-	1,797	-	294	4,580	33% / 67%
	2020	960	213	1,176	2,112	1,965	-	296	6,721	22% / 78%
Philippe Barril, COO	2021	634	188	633	-	1,186	-	158	2,799	35% / 65%
	2020	634	154	582	1,056	1,311	-	158	3,895	24% / 76%
Erik Lagendijk, CGCO	2021	518	45	517	-	968	-	129	2,177	32% / 68%
	2020	518	39	475	1,056	1,062	-	129	3,278	21% / 79%
Douglas Wood, CFO	2021	518	50	517	-	968	-	129	2,182	32% / 68%
	2020	518	44	475	1,056	1,071	-	129	3,293	21% / 79%
Peter van Rossum, former CFO	2021	-	-	-	-	-	-	-	-	-
	2020	-	-	-	103	-	-	-	103	0% / 100%

1 STI based on accrual accounting, taking into consideration that this reflects the STI to be paid over the performance of that year.

2 The Value Creation Stake does not meet the definition of either fixed or variable remuneration, but for the proportion is considered variable.

3 The extra-ordinary items consist of the sign-on RSUs granted to the Management Board member upon joining the Company.

In the table below, information on the annual change of remuneration of each individual Management Board member is set out over the five most recent financial years. In addition, the performance of the Company (measured in Directional Underlying EBITDA and TRIFR) is displayed as well as the average remuneration on a full-time equivalent basis of employees of the Company (calculated in the same manner as the internal pay ratio in this section). Under RP 2015, LTI shares vested three years after award. Under RP 2018, the LTI was replaced by the Value Creation Stake, which vests immediately upon award. As a result, for the years 2018, 2019 and 2020, this table includes both the former LTI vesting and the Value Creation Stake.

Comparative table on the change of remuneration and company performance over the last five reported financial years

in thousands of EUR, except company's performance

Annual Change[1]	2016	2017	2018	2019	2020	2021
Bruno Chabas, CEO	4,039	30% / 5,749	5% / 6,037	4% / 6,293	6% / 6,721	(47%) / 4,580
Philippe Barril, COO	1,192	26% / 1,602	61% / 4,100	(2%) / 4,030	(3%) / 3,895	(39%) / 2,799
Erik Lagendijk, CGCO	812	27% / 1,118	61% / 2,869	10% / 3,174	3% / 3,278	(51%) / 2,177
Douglas Wood, CFO	218	82% / 1,233	36% / 1,941	43% / 3,422	(4%) / 3,293	(51%) / 2,182
Peter van Rossum, former CFO	2,368	(26%) / 1,877	(114%) / 878	(45%) / 607	(491%) / 103	-
Company´s performance						
Underlying Directional EBITDA in million US$	778	3% / 806	(3%) / 784	6% / 832	16% / 992	(7%) / 931
TRIFR[2]	0.31	(63%) / 0.19	(6%) / 0.18	(38%) / 0.13	(30%) / 0.10	(67%) / 0.06
Average employee expenses on a full-time equivalent basis						
Average employee expenses of the Company[3]	112	6% / 119	(6%) / 113	3% / 117	(3%) / 114	(11%) / 102

1 Annual change in percentage is calculated comparative to the amount of the current year.

2 Total recordable injury frequency rate trends are positive when downwards.

3 The average employee expenses of the company are based on the IFRS expenses including share based payments. The average employee expenses are influenced by both the composition of the population both in function as well as geographical location and the related foreign currency impacts. This calculation has a different basis than the pay-ratio calculation in accordance with the Dutch corporate governance code.

For more information on the actual performance of the STI 2021, reference is made to 3.4.2 under Short-Term Incentive.

Performance STI 2021

Performance measure		Salary	Relative Weighting	Threshold	Target	Maximum	Actual performance	Actual in % of base salary
Profitability								
Underlying directional EBITDA				US$ 840M	US$ 880M	US$ 920M	US$ 931M	150%
Corresponding awards in €	**Bruno Chabas, CEO**	960,000	50%	€ 240,000	€ 480,000	€ 720,000	€ 720,000	150%
	Philippe Barril, COO	633,650		€ 118,809	€ 237,619	€ 356,428	€ 356,428	113%
	Erik Lagendijk, CGCO	517,500		€ 97,031	€ 194,063	€ 291,094	€ 291,094	113%
	Douglas Wood, CFO	517,500		€ 97,031	€ 194,063	€ 291,094	€ 291,094	113%
Growth								
Order intake FPSO, NES				SBM Offshore does not disclose order intake details as this is considered market sensitive information				
Corresponding awards in €	**Bruno Chabas, CEO**	960,000	30%	€ 144,000	€ 288,000	€ 432,000	€ 360,000	125%
	Philippe Barril, COO	633,650		€ 71,286	€ 142,571	€ 213,857	€ 178,220	94%
	Erik Lagendijk, CGCO	517,500		€ 58,219	€ 116,438	€ 174,656	€ 145,551	94%
	Douglas Wood, CFO	517,500		€ 58,219	€ 116,438	€ 174,656	€ 145,551	94%
Sustainability								
T1/T2 incidents, Mass of gas flared under SBM account, TRIFR and SDG target completion				Target T1/T2 LOPC Events = 3; Target mass of gas flared under SBM account (MMscft/day) (average per unit) = 1.6; Target TRIFR = 0.18; Target SDG #3, #4, #7, #8, #9, #13, #14 Completion at 100%				
Corresponding awards in €	**Bruno Chabas, CEO**	960,000	20%	€ 96,000	€ 192,000	€ 288,000	€ 199,440	104%
	Philippe Barril, COO	633,650		€ 47,524	€ 95,048	€ 142,571	€ 98,725	78%
	Erik Lagendijk, CGCO	517,500		€ 38,813	€ 77,625	€ 116,438	€ 80,629	78%
	Douglas Wood, CFO	517,500		€ 38,813	€ 77,625	€ 116,438	€ 80,629	78%
Total pay out on STI	**Bruno Chabas, CEO**	960,000		€ 480,000	€ 960,000	€ 1,440,000	€ 1,279,440	133%
	Philippe Barril, COO	633,650		€ 237,619	€ 475,238	€ 712,856	€ 633,373	100%
	Erik Lagendijk, CGCO	517,500		€ 194,063	€ 388,125	€ 582,188	€ 517,274	100%
	Douglas Wood, CFO	517,500		€ 194,063	€ 388,125	€ 582,188	€ 517,274	100%

3.4.4 SUPERVISORY BOARD REMUNERATION POLICY

The Supervisory Board remuneration policy encourages a culture of long-term value creation and a focus on the long-term sustainability of the Company. The remuneration of the Supervisory Board members is not dependent on the results of the Company, which allows an unmitigated focus on long-term value creation for all stakeholders.

The Company's strategy revolves around the themes Optimize, Transform and Innovate. The Optimize pillar is reflected in the competitiveness of the remuneration policy, which is in line with global peer companies that may compete with SBM Offshore for business opportunities and/or talent. The remuneration should enable retaining and recruiting Supervisory Board members with the right balance of experience and competencies while observing the Supervisory Board Profile and Diversity Policy, to oversee the execution of the strategy and the performance of the Company. The remuneration intends to promote an adequate performance of their role. The strategic pillars Transform and Innovate are reflected in the focus of the Supervisory Board on long-term value creation.

Considering the nature of the role and responsibility of the Supervisory Board, the pay and employment conditions of employees are not taken into account when formulating the remuneration policy. The full version of the remuneration policy for the Supervisory Board as approved by the 2020 AGM is available on the Company website.

FEE LEVEL AND STRUCTURE

The fee level and structure for the Supervisory Board remuneration is currently as follows:

Position	Fee in EUR
Chairman Supervisory Board	120,000
Vice-Chairman Supervisory Board	80,000
Member Supervisory Board	75,000
Chairman Audit and Finance Committee	10,000
Member of the Audit and Finance Committee	8,000
Chairman of the Appointment and Remuneration Committee dealing with appointment matters	9,000
Chairman of the Appointment and Remuneration Committee dealing with remuneration matters	9,000
Member of the Appointment and Remuneration Committee	8,000
Chairman of the Technical and Commercial Committee	10,000
Member of the Technical and Commercial Committee	8,000

All fees above are on an annual basis and are not dependent on the number of meetings. Supervisory Board members also receive an annual amount of EUR500 for expenses, and a lump sum of EUR5,000 per meeting when intercontinental travel is involved.

No share-based remuneration is granted to the members of the Supervisory Board.

PENSIONS

The Supervisory Board members do not receive a pension allowance.

ARRANGEMENTS WITH SUPERVISORY BOARD MEMBERS

Members of the Supervisory Board are appointed by the General Meeting for a maximum term of four years. Re-appointment can take place as per the law, articles of association and the Supervisory Board rules of the Company. The term of the Supervisory Board members terminates at the end of their term, in case of resignation or dismissal by the General Meeting.

LOANS

SBM Offshore does not provide loans, advances or guarantees (and/or securities) to the members of the Supervisory Board.

3.4.5 SUPERVISORY BOARD REMUNERATION IN 2021

In accordance with the Supervisory Board Remuneration Policy, the remuneration paid out to the Supervisory Board in 2021 is as follows:

Remuneration of the Supervisory Board by member in thousands of EUR

Name of Supervisory Board Member, Position	Year	Fees	Committee fees	Other benefits[1]	Total remuneration	Proportion of fixed and variable remuneration
Roeland Baan, Chairman	2021	120	9	1	130	100% / 0%
	2020	108	11	1	119	100% / 0%
Francis Gugen, Vice-Chairman	2021	80	10	1	90	100% / 0%
	2020	75	10	1	86	100% / 0%
Ingelise Arntsen, Member[2]	2021[3]	55	6	0	61	100% / 0%
	2020	-	-	-	-	-
Bernard Bajolet, Member	2021	75	8	1	84	100% / 0%
	2020	75	8	1	84	100% / 0%
Sietze Hepkema, Member	2021	75	14	1	89	100% / 0%
	2020	75	8	1	84	100% / 0%
Cheryl Richard, Member	2021	75	9	1	85	100% / 0%
	2020	75	9	6	90	100% / 0%
Jaap van Wiechen, Member	2021	75	17	1	93	100% / 0%
	2020[3]	55	6	0	61	100% / 0%
Laurence Mulliez, former Member[4]	2021	20	4	0	24	100% / 0%
	2020	75	16	1	92	100% / 0%
Andy Brown, former Vice-Chairman[5]	2021	-	-	-	-	-
	2020[3]	58	7	0	66	100% / 0%
Floris Deckers, former Chairman	2021	-	-	-	-	-
	2020[6]	32	5	0	37	100% / 0%
Thomas Ehret, former Vice-Chairman	2021	-	-	-	-	-
	2020[6]	20	3	0	23	100% / 0%

1 Other benefits items for the supervisory board consist mainly of the lump sum for intercontinental travel at EUR 5,000 each and a yearly expense allowance of EUR 500

2 As per April 7, 2021

3 Remuneration based on months after appointment at the AGM

4 Until April 7, 2021

5 As per April 8, 2020, until December 31, 2020

6 Remuneration based on months prior to retirement at the AGM

In the table below, information on the annual change of remuneration of each individual Supervisory Board member is set out over the five most recent financial years.

Comparative table on the change of remuneration and company performance over the last five reported financial years in thousands of EUR

Annual Change[1]	2016	2017	2018	2019	2020	2021
Roeland Baan, Chairman	-	-	66	28% / 92	23% / 119	8% / 130
Francis Gugen, Vice-Chairman	85	0% / 85	0% / 85	1% / 86	0% / 86	5% / 90
Ingelise Arntsen, Member[2]	-	-	-	-	-	61
Bernard Bajolet, Member	-	-	60	28% / 84	0% / 84	0% / 84
Sietze Hepkema, Member	83	0% / 83	0% / 83	1% / 84	0% / 84	7% / 89
Cheryl Richard, Member	106	2% / 108	(9%) / 99	14% / 115	(28%) / 90	(6%) / 85
Jaap van Wiechen, Member	-	-	-	-	61	34% / 93
Laurence Mulliez, former Member[3]	81	2% / 83	2% / 85	7% / 92	0% / 92	(275%) / 24
Andy Brown, former Vice-Chairman[4]	-	-	-	-	66	-
Floris Deckers, former Chairman	92	0% / 92	26% / 124	10% / 138	(268%) / 37	-
Thomas Ehret, former Vice-Chairman	90	0% / 90	0% / 90	1% / 91	(300%) / 23	-
Frans Cremers, former member	137	0% / 137	(251%) / 39	-	-	-
Lynda Armstrong, former member	91	0% / 91	(203%) / 30	-	-	-

1 For the comparative company performance and average employee expenses on a full-time equivalent basis we refer to the comparative of the Management Board table in section 3.4.3. Annual change in percentage is calculated comparative to the amount of the current year.

2 As per April 7, 2021

3 Until April 7, 2021

4 As per April 8, 2020, until December 31, 2020

None of the Supervisory Board members receives remuneration that is dependent on the financial performance of the Company, as per best practice 3.3. of the Corporate Governance Code.

With the exception of Sietze Hepkema, none of the Supervisory Board members have reported holding shares (or other financial instruments) in SBM Offshore N.V. His entire shareholding relates to the (share-based) remuneration he has received as a Management Board member in the past.

SBM Offshore does not provide loans, advances or guarantees (and/or securities) to the members of the Supervisory Board.

3.5 SHAREHOLDER INFORMATION

LISTING

SBM Offshore has been listed on Euronext Amsterdam since 1965. The market capitalization as at year-end 2021 was US$2.7 billion. The majority of the Company's shareholders are institutional long-term investors.

FINANCIAL DISCLOSURES

SBM Offshore publishes audited full-year earnings results and unaudited half-year earnings results, which include financials, within sixty days after the close of the reporting period. For the first and third quarters, SBM Offshore publishes a trading update, which includes important Company news and financial highlights. The Company conducts a conference call and webcast for all earnings releases and a conference call only for all trading updates during which the Management Board presents the results and answers questions. All earnings-related information, including press releases, presentations and conference call details are available on the SBM Offshore website. Please see the Financial Calendar of 2022 at the end of this section for details of the timing of publication of financial disclosures for the remainder of 2022.

In 2018, the Company expanded its 'Directional' reporting. In addition to the Directional income statement, reported since 2013, a Directional balance sheet and cash flow statement are also disclosed in section 4.3.2 of the Consolidated Financial Statements. Expanding Directional reporting aims to increase transparency in relation to SBM Offshore's cash flow generating capacity and to facilitate investor and analyst review and financial modeling. Furthermore, it also reflects how Management monitors and assesses financial performance of the Company. Directional reporting is included in the audited Consolidated Financial Statements in section 4.3.2.

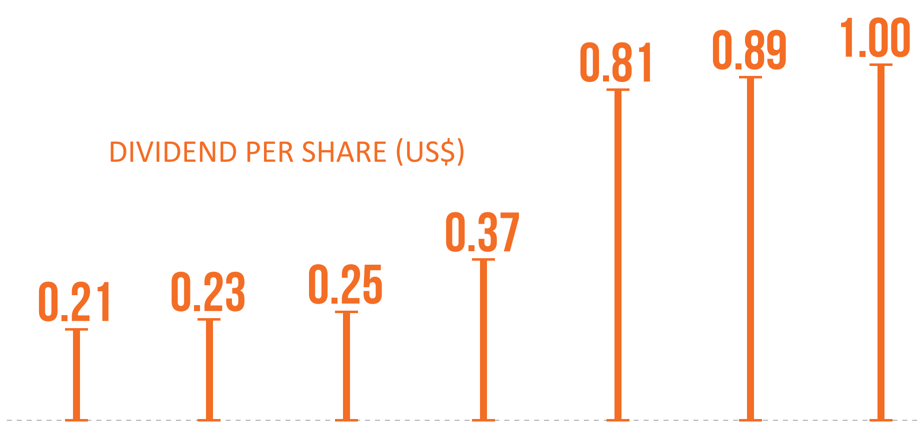
DIVIDEND POLICY & CAPITAL ALLOCATION

The Company's policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position.

Regarding capital allocation, the Company prioritizes payment of the dividend, followed by the financing of growth, with the option thereafter to repurchase shares, depending on residual financial capacity and cash flow outlook.

As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company proposes to pay out a dividend of US$1 per share, equivalent to c. US$180 million, to be paid out of retained earnings. This dividend will be proposed at the Annual General Meeting on April 6, 2022. This represents an increase of 13% compared to the US$0.8854 divdend per share paid in 2021.

Shareholder returns[1]



	2016	2017	2018	2019	2020	2021	2022[2]
Total dividend (US$ millions)	45	47	51	75	150	165	180
Share repurchase (US$ millions)	166			196	165	180	

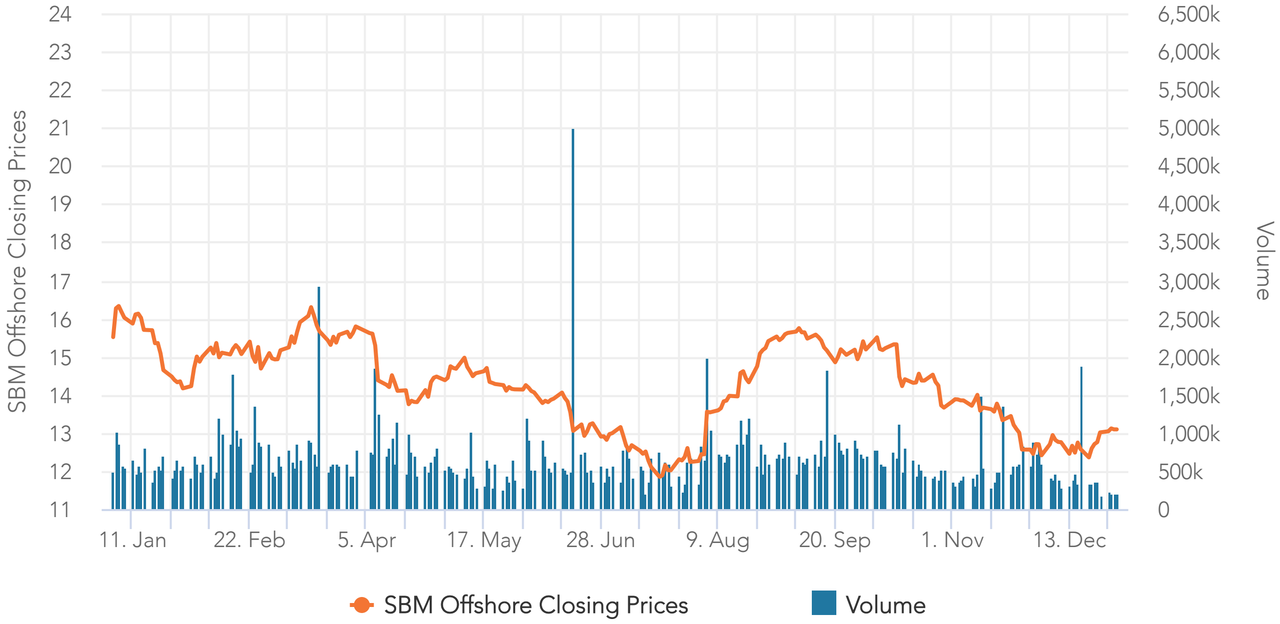
1 – Presents dividends and share repurchase amounts per year of payout

2 – Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date. The amount disclosed is based on the number of shares outstanding less the treasury shares held at December 31, 2021.

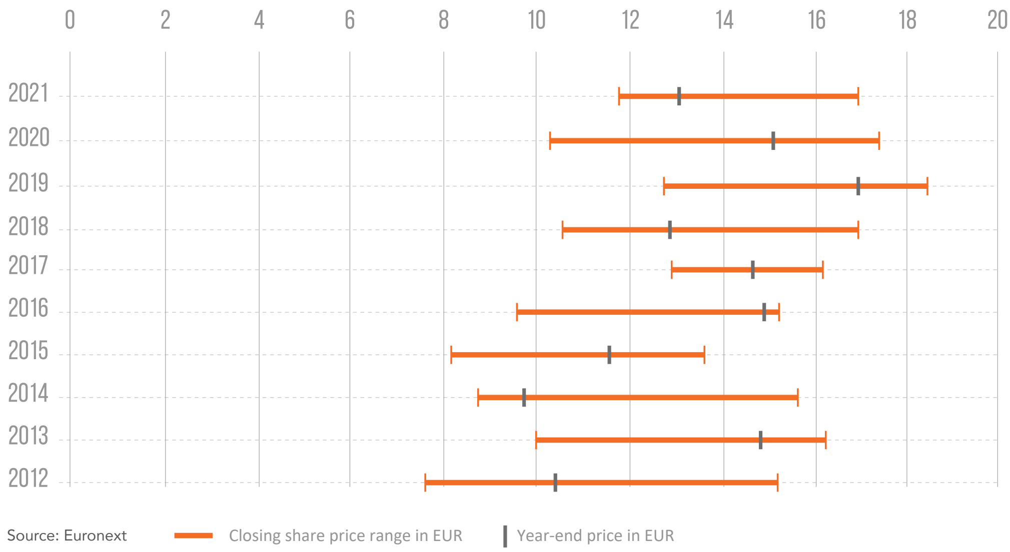
SHARE PRICE DEVELOPMENT

Year-end price	EUR13.095	December 31, 2021
Highest closing price	EUR16.325	January 6, 2021
Lowest closing price	EUR11.845	July 19, 2021

Share price development in 2021 (in EUR)



SHARE PRICE DEVELOPMENT 2012 – 2021 (MAX, MIN, YEAR-END PRICE)



For 2021 the press releases covering the key news items are listed below:

Date	Subject Press Release
09-02-21	Pricing US$850 million senior secured notes transaction
11-02-21	Full Year 2020 Earnings
17-02-21	Nomination Supervisory Board Member
24-02-21	Annual General Meeting Announcement
25-02-21	Awarded Letter of Intent for *FPSO Almirante Tamandaré* lease and operate contracts
07-04-21	Annual General Meeting: 2021 Resolutions
12-05-21	First Quarter 2021 Trading Update
25-06-21	Completion US$1.05 billion financing of *Prosperity*
27-07-21	Awarded *FPSO Almirante Tamandaré* contracts
03-08-21	Awarded Letter of Intent for *FPSO Alexandre de Gusmão* lease and operate contracts
05-08-21	Half Year 2021 Earnings
05-08-21	Annoucement Share Repurchase
16-09-21	Completion US$1.6 billion financing of *Sepetiba*
23-09-21	Completion US$635 million bridge loan for *FPSO Almirante Tamandaré*
11-10-21	Completion 2021 Share Repurchase
11-11-21	Third Quarter 2021 Trading Update
11-11-21	Nomination Supervisory Board Member
17-11-21	Awarded Contracts for Fourth FPSO in Guyana based on Fast4Ward® program
23-11-21	Conclusion of Legacy issue in Switzerland
30-11-21	Awarded *FPSO Alexandre de Gusmão* contracts
17-12-21	Completion US$620 million bridge loan for *FPSO Alexandre de Gusmão*

MAJOR SHAREHOLDERS

As at December 31, 2021, the following investors holding ordinary shares had notified an interest of 3% or more of the Company's issued share capital to the Autoriteit Financiële Markten (AFM) (only notifications after July 1, 2013 are included):

Date	Investor	% of share capital
21 December 2021	Parvus Asset Management Europe Limited	10.43%
28 October 2021	FIL Limited	3.29%
28 February 2020	HAL Trust	20.35%
9 November 2015	Dimensional Fund Advisors LP	3.18%

INVESTOR RELATIONS

The Company maintains open and active engagement with its shareholders and aims to provide information to the market which is consistent, accurate and timely. Information is provided among other means through press releases, presentations, conference calls, investor conferences, meetings with investors and research analysts and the Company website. The website provides a constantly updated source of information about our core activities and latest developments. Press releases,presentations and information on shareholder communication can be found there under the Investors section.

FINANCIAL CALENDAR

Event	Day	Year
Full Year 2021 Earnings	10 February	2022
Annual General Meeting	6 April	2022
FIrst Quarter 2022 Trading Update	12 May	2022
Half Year 2022 Earnings	4 August	2022
Third Quarter 2022 Trading Update	10 November	2022

3.6 RISK & COMPLIANCE

GOVERNANCE

The Management Board is responsible for:
- determining the Company's risk profile and policy, which are designed to achieve 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.

The integrated Group Risk & Compliance Function comprises a globally diverse team of fourteen 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 oversees the integrated risk management approach and brings together the key heads of functions of the second and third line of defense.

INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM REVIEW

The Management Board reviewed and assessed its Internal Risk Management & Control System framework and discussed it with the Supervisory Board. This is performed against five related components which are derived from COSO's framework 'Enterprise Risk Management – Integrating with Strategy and Performance'*. Its relevance to SBM Offshore is explained in its Key features, Achievements in 2021, Maturity assessment and the Company's Future ambitions.

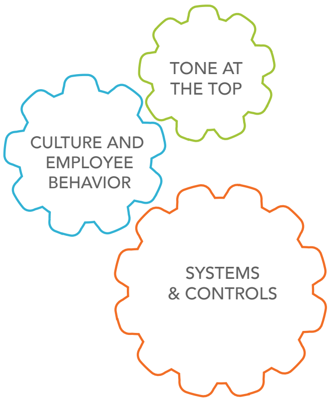
COMPONENT	KEY FEATURES	ACHIEVEMENTS IN 2021	MATURITY ASSESSMENT according to Management Board	FUTURE AMBITIONS
GOVERNANCE & CULTURE	• Driven by Tone at the Top and Corporate Values • Management takes responsibility of its risks and controls • Letter of Representation process supports accurate financial results	• Enlarged network thereby widened reach of Risk Management & Internal Control • Delivery of Risk Training to key positions • Transitioned to new ways of working (i.e. online and remote) due to pandemic	• Management decision-making is performed with risk-based mindset • Cross-functional teams discuss and share risk based insights • Risk & Internal Control support is efficiently organized	• Build on business ownership while monitor and support • Expand 2nd line of defense in countries where the Company is expanding its business
STRATEGY & OBJECTIVE-SETTING	• Risk Appetite is set by Management Board (MB) and is supported by the Supervisory Board (SB) • Company's Material Topics are used to identify risks and prioritize assurance activities • Risk bearing processes are identified and assessed by Internal Control	• Conducted cross-functional risk assessments which are aligned with strategy (e.g. on Energy Transition, Digital Transformation and Fast4Ward®) • Extension of the financial reporting scope with 2nd Level Review for Guyana and India	• Strategy and its Material Topics are well integrated in the Company's Risk and Internal Control approach	• Assess and quantify exposure per Material Topic to improve prioritization of assurance activities
PERFORMANCE	• Business is supported in delivering their objectives through Risk and Internal Control support • Risk and Internal Control is performed in line with the Company's annual Strategy Cycle • Digital tooling ensures efficient and effective management of risks and controls	• Performed Taskforce for Climate related Financial Disclosures (TCFD) Risk & Opportunity assessment • Improved Risk Control Matrices (RCM) through increased frequency of review and with specifications on location of control activity • Increased number of Maturity Level 1 controls	• Risk and Internal Control activities are adequately performed, providing sufficient information for discussion and prioritization of assurance	• Following TCFD guidance, continue to improve assessment of financial impact from Climate Change • Improve analysis of connectivity between risks, and their opportunity side • Leverage benefits of ERP into Internal Control activities
REVIEW & REVISION	• The Risk Assurance Committee (RAC) includes Directors of Assurance functions • RAC ensures a Company-wide integrated assurance approach and review of risks and controls • Annually the MB and SB discusses Risk Management & Control Systems	• Risk and Internal Control enablers (e.g. policies and procedures, tooling) are regularly reviewed and improved as part of the Management Review • Internal Control performed mapping exercise to anticipate changes within controls as result of ERP implementation	• Risk and Internal Control enablers (e.g. policies and procedures, tooling) are thoroughly and regularly reviewed and improved as necessary (e.g. through Management Review process)	• Continue to improve activities based on internal review and external feedback
INFORMATION, COMMUNICATION & REPORTING	• The Company keeps track of their risks, controls, and actions in digital solutions • Risk and Internal Control results are regularly discussed with the business and in the RAC, MB and SB	• Internal Control activities of Supply Chain Management started to use dedicated tool for communication and documentation	• Digital reports and solutions operate adequately	• Internal Control to use a designated tool for communication and documentation of Internal Control Campaign in 2022 • Digital solutions to be enhanced by analyzing its content for trends and relationships in data

* *Committee of Sponsoring Organizations of the Treadway Commission (COSO)*
COSO is dedicated to providing thought leadership through the development of frameworks and guidance on ERM designed to improve organizational performance, oversight and to reduce the extent of fraud.

3.6.2 COMPLIANCE PROGRAM

STRATEGY

SBM Offshore aims to enable its employees and business partners to make the right decisions, with commitment to integrity at all levels. In recognition of this commitment, the Company has implemented a comprehensive Compliance Program applicable to the SBM Offshore group. Our leaders are responsible for ensuring that the company fulfils its commitment to integrity at all levels. They set the tone from the top and are there to respond to any questions, observations and suggestions in a responsible manner, in line with our Core Values and Code of Conduct.



The Code of Conduct builds on the Company's Core Values and is based on four pillars:

- Respecting the law – our fundamental rule.
- People, culture and behavior – how we work together and how we help each other to succeed.
- Our business activities – how we interact in the marketplace and help our clients to succeed.
- Wider community and corporate citizenship – how we fulfil our wider social responsibilities.

Key elements of the Compliance Program

SBM Offshore's Compliance Program aims to promote an ethical culture throughout SBM Offshore and guides the Company's Management and employees in making values-led decisions, as well as strengthening the management control system to prevent, detect and respond to compliance risks and potential violations of our Code, the law and other wrongdoing. The program includes proper and independent oversight, risk management, policies and procedures, integrity reporting and investigations, risk-based training and communication to employees, auditing and monitoring.

SBM OFFSHORE COMPLIANCE PROGRAM

ENGAGE

Engagement, dialogue and coalitions with business, other functions and third parties.

CONTROL

Data, processes and controls as tools to drive Responsible Business Conduct.

ENABLE

Remote Risk-Based Learning Strategy to keep Connected with our Stakeholders.

Speak Up

An important part of the program's role includes the focus on the prevention of misconduct through the Integrity Panel, which oversees and investigates reports of (potential) misconduct. The Company's reporting channels and Speak Up Line enable leadership to carefully listen to employees and partners in our value chain about their compliance concerns. On October 1, 2021 the revamped 'Speak Up Line' and Speak Up Policy were launched, in compliance with the EU Whistleblowing Directive, with the aim of simplifying the process of reporting concerns.

MATURITY ASSESSMENT

The Management Board has assessed the Compliance Program against a basic maturity model and concludes that, at the end of 2021, the Company is transitioning from a rules-based approach towards a value-driven business approach. Certain elements of the Compliance Program, notably the focus on responsible leadership behavior, fall within the 'value-led business' maturity level.

3.7 COMPANY TAX POLICY

SBM Offshore's tax policy is summarized as follows:

- The Company aims to be a good corporate citizen in the countries where it operates by complying with the law and by contributing to the countries' progress and prosperity through employment, training and development, local spending, and through payment of the various taxes it is subject to, including wage tax, personal income tax, withholding tax, sales tax and other state and national taxes as appropriate.
- The Company aims to be tax efficient in order to be cost competitive, while fully complying with local and international tax laws.
- The Company operates in a global context, with competitors, clients, suppliers and a workforce based around the world. A typical FPSO Engineering, Procurement and Construction ('EPC') project sees a hull construction or conversion in Asia, topsides construction in Asia, Africa or South America, engineering in Europe or, Asia and large scale procurement from dozens of companies in many countries across the globe. Depending on the particulars of the client contract, the EPC phase may be followed by a lease and operate phase involving the country of operations but also support centers of the Company located around the world. In each of these countries, the Company complies with local regulations and pays direct and indirect taxes on local value added, labor and profits and in some cases pays a revenue based tax. To coordinate the international nature of its operations, its value flows and to consolidate its global EPC activities, in 1969 the Company created Single Buoy Moorings Inc, which continues to perform this function today from its offices in Marly, Switzerland.

The Company:

- Complies with the OECD transfer pricing guidelines.
- Supports the OECD's commitment to enhance tax transparency and is committed to be in full compliance with applicable laws in countries where it operates. Consistent with this approach, the Company supports the initiatives on base erosion and profit shifting, including but not limited to Anti Tax Avoidance Directive 2 (ATAD 2), the upcoming Anti Tax Avoidance Directive 3 or European Union directives enhancing transparency, such as DAC 6. The Company is required to file detailed reports and transfer pricing documentation in accordance with Base Erosion and Profit Shifting's (BEPS) action 13 as is now implemented in Dutch tax law. The disclosures contained in the country-by-country reporting ('CbCR') have been prepared to meet the OECD requirements and have been filed with the Dutch tax authorities for the year 2020.
- Makes use of the availability of international tax treaties to avoid double taxation.
- Does not use intellectual property as a means to shift profits, nor does it use digital sales. Furthermore, the Company does not apply aggressive intra-company financing structures such as hybrids. In 2021, the Company reported a current corporate income tax charge of US$60 million under IFRS (compared to US$48 million in 2020). Due to the large losses incurred on the legacy projects, some tax loss carry forward positions still exist at the global contracting company, which are limiting the current tax payments in Switzerland and in jurisdictions of the Company's locations.
- Endorsed the B Team Responsible Tax Principles in August 2021 and published the SBM Offshore Approach to Tax on its website. This explains the key principles applied to tax matters and the associated governance as well as describing the Company's global tax footprint.
- Regarding the OECD initiative to address the Tax Challenges Arising from the Digitalization of the Economy and its two-pillar solution aiming to reform the international tax system, the Company acknowledges that the implementation of Pillar 2 may have some impacts on its income tax charge. However, those effects will only be known once the OECD has released the Commentary associated to the model rules and that the EU has also released the final version of the directive implementing the Pillar 2 model rules.

3.8 OPERATIONAL GOVERNANCE

Operational Governance of the Company is supported by an independent team under Group HSSE and Operational Excellence, which encompasses key operational and assurance functions involved in SBM Offshore's core business activities and reports directly to SBM Offshore's Management Board. Such functions have a key role in ensuring a coordinated, consistent and controlled approach to core business over the full lifecycle i.e. Win, Execute and Operate phases, and across the Company's locations, Fleet Operations and Product Lines through:

- Functional leadership within the corresponding communities (distributed across entities) and other functions.
- Ownership and governance of internal systems and procedures, developed in response to known and anticipated risks in line with the strategic direction of the Company.
- Maintenance of GEMS, as introduced in section 3.8.1.
- Maintenance of GTS, as introduced in section 3.8.2.
- Management of improvement initiatives.
- Coordination and harmonization of the Company's ways of working and internal standards.
- Specific focus on the product lifecycle, notably based on a cross-functional gate process and internal arbitration if necessary.
- A focused hazard and effects management process that builds on experience in order to continuously improve the performance of our HSSE barriers such that the risk exposure is reduced to as low as reasonably practicable.
- An internal Incident Management Committee (connected in turn to the Risk Assurance Committee referred to in section 3.6.1) to ensure that lessons are effectively learned from incidents.
- Coordinated assurance activities focusing on risk management, compliance, effectiveness, business performance.
- Involvement of independent third-parties as certification, verification or classification bodies.

A detailed certification and classification table is provided in section 5.5, mapping compliance with international certification standards and classification rules.

Note: for complementary details on SBM Offshore's approach to Operational Excellence, refer also to section 2.1.4.

3.8.1 GLOBAL ENTERPRISE MANAGEMENT SYSTEM (GEMS)

GEMS is structured around three main process domains: executive processes, core processes and support processes. Core processes are further modelled into the Win, Execute and Operate phases and is represented as shown in the illustration.

The Management System is one of the key enablers for the Company to perform its business activities in a consistent, reliable and sustainable manner, meeting client expectations, adapting to new challenges and continuously improving ways of working.

The Management System of SBM Offshore is called the Global Enterprise Management System (GEMS) and is based on several international standards and other practices.

GEMS is the core of a broader ecosystem including software solutions (e.g. LUCY, SBM Offshore's Human Capital Management System) and other elements such as SharePoint microsites and Group Technical Standards (GTS) as introduced in section 3.8.2.

The Group's Vision, Values (section 1.3.1) and Policies are embedded in GEMS to support the correct governance of SBM Offshore'sorganization and business activities. These form the foundation processes that are consistently applied throughout all offices and fleet operations (in-country offices and vessels).

To align GEMS with the new ways of working brought by the new 'Integra' ERP platform, a new version of GEMS, 'GEMS Sapphire', has been developed, which will come into operation in 2022.

GEMS Sapphire's main core processes have been redesigned to show where the company generates value from its activities.

The existing version of GEMS will remain available and be maintained until the full deployment of Integra across SBM Offshore.

GEMS gives clear and formal ownership of end-to-end processes and clear identification of key controls. It provides a cohesive framework for quality and regulatory compliance, health and safety, security of personnel and assets, protection of the environment, as well as risk and opportunity management throughout the product lifecycle, ensuring the Company's sustainability.

GEMS can be accessed in its entirety via a single website which ensures easy access to all employees.

GEMS SAPPHIRE

EXECUTIVE PROCESSES

- MANAGE GROUP STRATEGY
- MANAGE STRATEGIC ALLIANCES
- MANAGE SUPPLIERS & STRATEGIC SOURCING
- ENSURE SUSTAINABILITY
- MANAGE LEGAL & COMPLIANCE
- MANAGE ENTERPRISE RISK
- MANAGE HSSE, QRM & OPERATIONAL EXCELLENCE
- MANAGE TECHNOLOGY & INNOVATION
- MANAGE CLIENT & OPPORTUNITY

CORE PROCESSES

- TENDER TO CASH
- SERVICE TO CASH
- PROCURE TO PAY
- FORECAST TO CONTROL
- RECORD TO REPORT
- INVEST TO DIVEST
- CONCEPT TO NEW PRODUCT AND SERVICES
- HIRE TO RELEASE

SUPPORT PROCESSES & SERVICES

- MANAGE DATA & INFORMATION SYSTEM
- MANAGE INFORMATION TECHNOLOGY
- MANAGE COMMUNICATION

3.8.2 GROUP TECHNICAL STANDARDS (GTS)

A key driver for the cost of new projects is the technical standards to be applied in addition to the local regulatory requirements. Typically, these standards fall into three categories – customer standards, contractor standards or a hybrid set of customized standards. In the current climate of severe cost pressure, there is a logical push in the industry towards wider acceptance of contractor standards. By leveraging its expertise – notably through its Fast4Ward® program – SBM Offshore can minimize project customization and efficiently deliver more standard products, with significant cost and schedule savings.

To support this approach, the Company has over the years established its own Group Technical Standards (GTS) by integrating key elements of its accumulated project execution and fleet operational experience. The GTS consist of a set of minimum technical requirements applicable to Company products provided to customers on a Lease & Operate basis. They ensure a consistent design approach, optimized from a lifecycle cost perspective and integrating Company's policies and standards with respect to personnel safety, environmental protection and asset integrity. Additionally, all GTS documents are formally reviewed and approved by Classification Societies acting as independent third parties.

3 GOVERNANCE

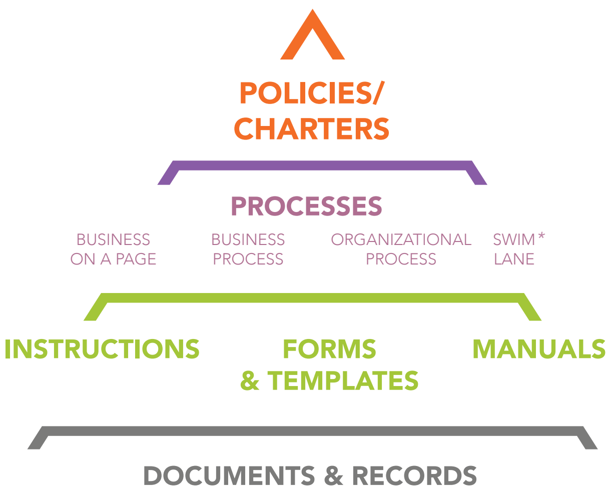
The GTS are maintained by a team of internal technical authorities and experts covering all key technical aspects of Company products, providing assurance over GTS application during project execution and integrating operational feedback as part of GTS continuous improvement.

To date, the Company has executed over 22 major projects using its GTS as basis of design since they were established in 2003.

GTS are going digital and will be available through a Requirement Management Software by Q1 2022, providing new features for GTS users and the team in charge of GTS development.

The main benefits will be time-saving, enhanced search and filtering functionalities, data re-use capacity, improved overall quality and multi support availability.

MANAGEMENT SYSTEM HIERARCHY



*A swimlane, also referred to as a Process Diagram, is a cross-functional diagram that displays all the steps included in an Organizational Process

3.9 IN CONTROL STATEMENT

INTRODUCTION

The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. The implementation of the internal risk management and control framework at SBM Offshore focuses on managing both financial risks and operational risks, as described in section 3.6 of the Management Report. As a key part of its scope, the Risk Management function is responsible for the design, monitoring and reporting on the internal control framework.

During 2021, various aspects of risk management were discussed by the Management Board, including the consolidated quarterly Risk Report and the result of the yearly testing Internal Control Over Financial Reporting (ICOFR) campaign. The responsibilities concerning risk management, as well as the lines of defense, were also discussed with senior management of the Company. There were no major failings in the internal risk management and control systems which have been observed over the period. In addition, the result of the yearly ICOFR testing campaign has been reviewed with the Audit and Finance Committee and Supervisory Board. This testing campaign did not highlight any major control deficiency and concluded to an increased level of conformity rate around the organization.

SBM Offshore prepared the In Control Statement 2021 in accordance with the best practice provision 1.4.3 of the Dutch Corporate Governance Code. With due consideration to the above, the Company believes that:

- The Management Report provides sufficient insights into the Company's internal risk management and control systems.
- Its internal risk management and control systems provide reasonable assurance that the financial reporting over 2021 does not contain any errors of material importance.
- Based on the current state of affairs, the Management Board states that it is justified that the financial reporting over 2021 is prepared on a going concern basis; and
- Those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report have been included in the Management Report.

However, the Company cannot provide certainty that its business and financial strategic objectives will be realized or that its approach to internal control over financial reporting can prevent or detect all misstatements, errors, fraud or violation of law or regulations. Financial reporting over 2021 was based upon the best operational information available throughout the year and the Company makes a conscious effort at all times to weigh the potential impact of risk and the cost of control in a balanced manner.

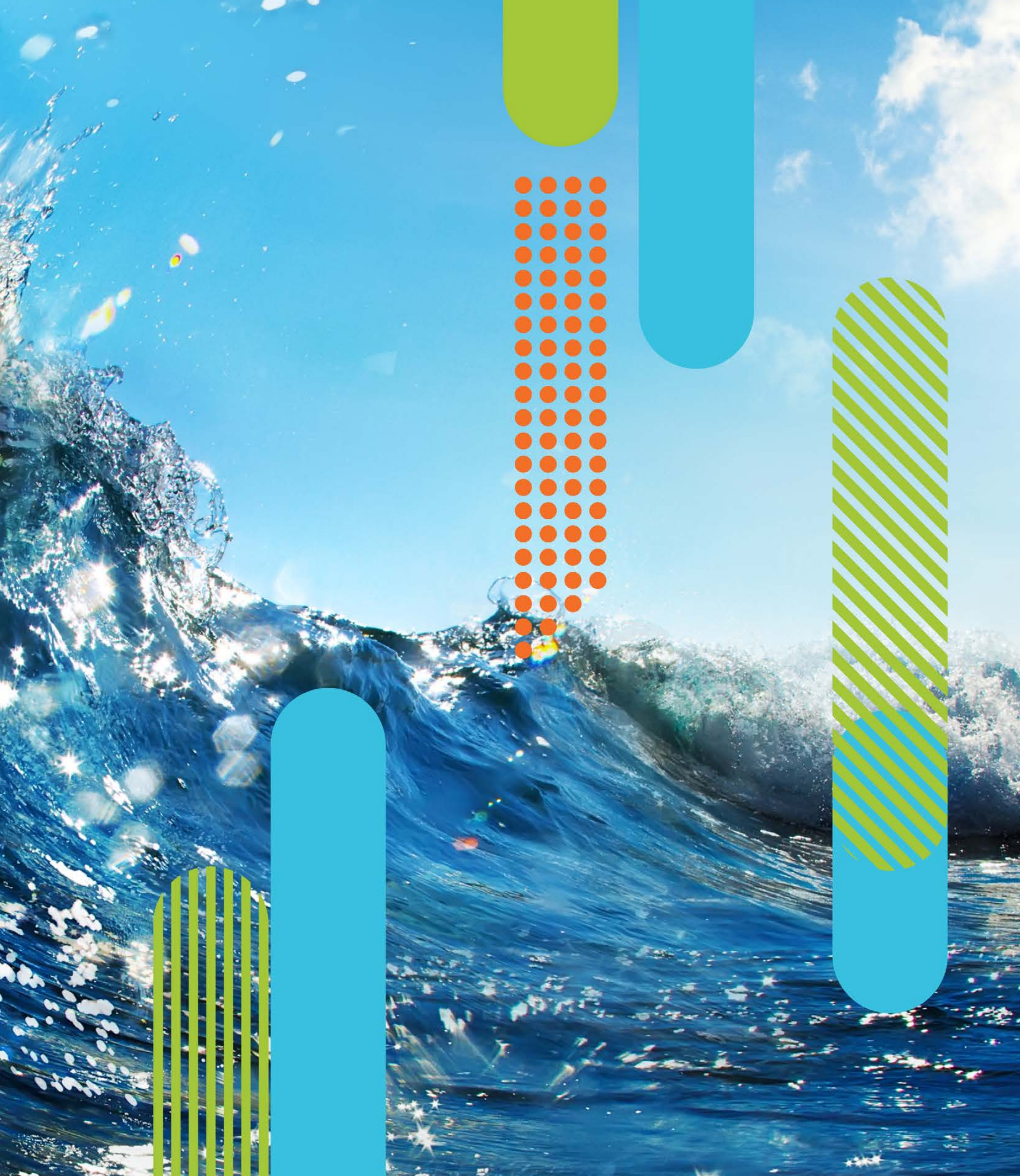
With reference to section 5.25c paragraph 2, sub c of the Financial Markets Supervision Act *(Wet op het financieel toezicht)*, the Management Board states that, to the best of its knowledge:

- The financial statements for 2021 give a true and fair view of the assets, liabilities, financial position and profit or loss of SBM Offshore and its consolidated companies.
- The Management Report gives a true and fair view of the position as per December 31, 2021 and that of SBM Offshore's and its affiliated companies development during 2021. Furthermore, the Management Report includes a description of the principal risks facing SBM Offshore.

Schiphol, the Netherlands
February 9, 2022

Management Board
Bruno Chabas, CEO
Philippe Barril, COO
Erik Lagendijk, CGCO
Douglas Wood, CFO

CHAPTER 4
FINANCIAL INFORMATION 2021



4 FINANCIAL INFORMATION 2021

4 FINANCIAL INFORMATION 2021

4.1 FINANCIAL REVIEW

4.1.1 FINANCIAL OVERVIEW

	Directional		IFRS	
in US$ million	FY 2021	FY 2020	FY 2021	FY 2020
Revenue	**2,242**	**2,368**	**3,747**	**3,496**
Lease and Operate	1,509	1,699	1,270	1,761
Turnkey	733	669	2,477	1,735
Underlying Revenue	**2,317**	**2,291**	**3,822**	**3,419**
Lease and Operate	1,584	1,622	1,345	1,684
Turnkey	733	669	2,477	1,735
EBITDA[1]	**849**	**1,021**	**823**	**1,043**
Lease and Operate	914	1,108	636	1,007
Turnkey	19	(9)	271	114
Other	(84)	(78)	(84)	(78)
Underlying EBITDA	**931**	**944**	**906**	**966**
Lease and Operate	989	1,031	711	930
Turnkey	19	(9)	271	114
Other	(76)	(78)	(76)	(78)
Profit/(loss) attributable to shareholders	**121**	**38**	**400**	**191**
Underlying profit attributable to shareholders	**126**	**125**	**405**	**277**

1 EBITDA, earnings (profit attributable to shareholders) excluding net financing costs, income tax expense, depreciation, amortization and impairment as well as share of profit/(loss) of equity-accounted investees

General

The Company's primary business segments are 'Lease and Operate' and 'Turnkey'. Additionally, the Company discloses separately non-allocated corporate income and expense items presented in the category 'Other'. Revenue and EBITDA are analyzed by segment, but it should be recognized that business activities are closely related.

During recent years the Company's awarded lease contracts were systematically classified under IFRS as finance leases for accounting purposes, whereby the fair value of the leased asset is recorded as a Turnkey 'sale' during construction. For the Turnkey segment, this accounting treatment results in the acceleration of recognition of lease revenues and profits into the construction phase of the asset, whereas the asset generates the cash mainly only after construction and commissioning activities have been completed, as that is the moment the Company is entitled to start receiving the lease payments. In the case of an operating lease, lease revenues and profits are recognized during the lease period, in effect more closely tracking cash receipts. Following the implementation of accounting standards IFRS 10 and 11 starting January 1, 2014, it has also become challenging to extract the Company's proportionate share of results. To address these accounting issues, the Company discloses Directional reporting in addition to its IFRS reporting. Directional reporting treats all lease contracts as operating leases and consolidates all co-owned investees related to lease contracts on a percentage of ownership basis. Under Directional, the accounting results more closely track cash flow generation and this is the basis used by the Management Board of the Company to monitor performance and for business planning. Reference is made to 4.3.2 Operating Segments and Directional Reporting for further detail on the main principles of Directional reporting.

As the Management Board, as chief operating decision maker, monitors the operating results of its operating segments primarily based on Directional reporting, the financial information in this section 4.1 Financial Review is presented both under Directional and IFRS while the financial information presented in note 4.3.2 Operating Segments and Directional Reporting is presented under Directional with a reconciliation to IFRS. For clarity, the remainder of the financial statements are presented solely under IFRS, except where expressly stated otherwise.

4.1.2 FINANCIAL HIGHLIGHTS

The main financial highlights of the year and their associated financial impact are reported in note 4.3.1 Financial Highlights.

4.1.3 FINANCIAL REVIEW DIRECTIONAL

in US$ million	Directional FY 2021	FY 2020
Revenue	**2,242**	**2,368**
Lease and Operate	1,509	1,699
Turnkey	733	669
Underlying Revenue	**2,317**	**2,291**
Lease and Operate	1,584	1,622
Turnkey	733	669
EBITDA	**849**	**1,021**
Lease and Operate	914	1,108
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Other	(84)	(78)
Underlying EBITDA	**931**	**944**
Lease and Operate	989	1,031
Turnkey	19	(9)
Other	(76)	(78)
Profit/(loss) attributable to shareholders	**121**	**38**
Underlying profit attributable to shareholders	**126**	**125**

in US$ billion	Directional FY 2021	FY 2020
Backlog	29.5	21.6

UNDERLYING PERFORMANCE – DIRECTIONAL

Underlying Directional Revenue and EBITDA are adjusted for the non-recurring events during a financial period to enable comparison of normal business activities for the current period in relation to the comparative period.
During 2021 the Directional EBITDA and profit attributable to shareholders were impacted by US$(8) million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.
In addition, the 2021 Underlying Directional Revenue and EBITDA includes US$75 million related to final cash received over the period under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020. This amount was excluded from the Underlying 2020 Revenue and EBITDA. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the Underlying Directional gross margin and profit attributable to shareholders.

For reference, the difference between Directional profit attributable to shareholders and Underlying Directional profit attributable to shareholders was due to the following non-recurring items in 2020:

- A full impairment of US$(57) million of the SBM Installer installation vessel;
- Other impairments of US$(29) million (individually not significant) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

BACKLOG – DIRECTIONAL

Change in ownership scenarios and lease contract duration have the potential to significantly impact the Company's future cash flows, net debt balance as well as the profit and loss statement. The Company therefore provides a pro-forma Directional backlog based on the best available information regarding ownership scenarios and lease contract duration for the various projects.

The pro-forma Directional backlog at the end of 2021 reflects the following key assumptions:

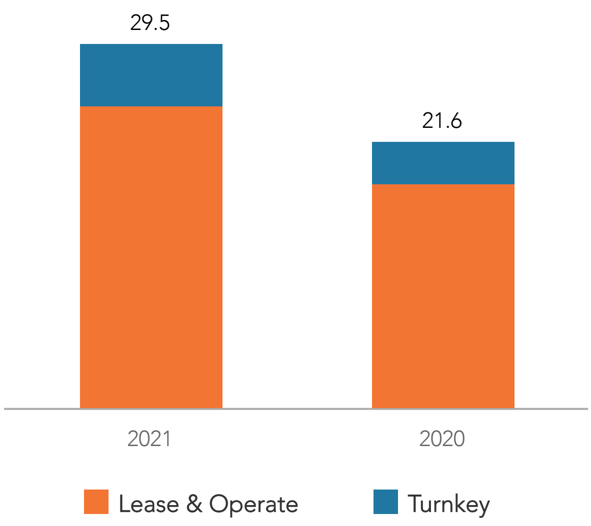
- The *Liza Destiny* (FPSO) contract covers the basic contractual term of 10 years of lease and operate.
- The *Liza Unity* (FPSO) contract covers a maximum period of two years of lease and operate within which the unit will be purchased by the client. The impact of the sale of *Liza Unity* (FPSO) is reflected in the Turnkey backlog at the end of the maximum two year period.

- The *Prosperity* (FPSO) contract awarded to the Company in October 2020 covers a maximum period of lease and operate of two years, within which the FPSO ownership and operation will transfer to the client. The impact of the subsequent sale of *Prosperity* (FPSO) is reflected in the Turnkey backlog at the end of the maximum two year period. Normally, the Company would not yet take the operating and maintenance scope of this contract into account although it has been agreed in principle, pending a final work order. However, to be consistent with the prior year and to better reflect the current reality, the pro-forma backlog set out below takes the operating and maintenance scope on *Prosperity* (FPSO) into account.
- With respect to FPSO for the Yellowtail development project, for which the full lease and operate contract award is subject to necessary government approvals and final work order to be received from the client, the amount included in the pro-forma backlog is limited to the value of the initial limited release of funds to the Company to begin FEED activities and secure a Fast4Ward® hull.
- On December 20, 2021, the Company signed an agreement with China Merchants Financial Leasing (Hong Kong) Holding Co., Limited (CMFL) regarding the future divestment of 13.5% equity ownership in the Sepetiba special purpose companies. This transaction has not yet been reflected in the backlog as it remains subject to various approvals, which include the consent from co-owners, lenders and export credit agencies.
- The *FPSO Almirante Tamandaré* partial divestment to partners (45%) was concluded after the reporting period on January 25, 2022. As a consequence, the ownership share (55%) in the 26.25 years lease and operate contracts was added to the Lease and Operate backlog and the partial divestment to partners (45%) was added to the Turnkey backlog
- The pro-forma backlog of *FPSO Alexandre de Gusmão* takes into account the initially targeted Company ownership share (55%) in the 22.5 years lease and operate contracts. As a consequence, this targeted share was added to the the Lease and Operate backlog whereas the partial divestment to partners (45%), which remains subject to finalization of the shareholder agreement and various approvals, was added to the Turnkey backlog.

The pro-forma Directional backlog at the end of December 2021 increased by almost US$7.9 billion to a total of US$29.5 billion. This increase was mainly the result of (i) the awarded contracts for the *FPSO Almirante Tamandaré* project and the *FPSO Alexandre de Gusmão* project and (ii) the awarded initial scope to begin FEED activities and secure a Fast4Ward® hull for the FPSO for the Yellowtail development project less turnover for the period consumed of US$2.2 billion.

in billions of US$	Turnkey	Lease & Operate	Total
2022	1.5	1.6	3.1
2023	0.8	1.6	2.4
2024	1.5	1.8	3.3
Beyond 2024	1.2	19.5	20.7
Total Backlog	**5.0**	**24.5**	**29.5**

Pro-forma Directional Backlog (in billions of US$)



PROFITABILITY – DIRECTIONAL

Preliminary remark

It should be noted that the ongoing EPC works on *FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão, Liza Unity* (FPSO), *Prosperity* (FPSO) and the FPSO for the Yellowtail development project did not contribute to Directional net income over the period. This is because the contracts were 100% owned by the Company as of December 31, 2021 and are classified as operating leases as per Directional accounting principles.

As far as *Liza Unity* (FPSO), *Prosperity* (FPSO) and the FPSO for the Yellowtail development project are concerned, the Company has determined that it is optimal from an operational and financial perspective to retain full ownership as opposed to partnering on these projects. Therefore, under the Company's Directional accounting policy, the revenue recognition on these three FPSO projects is as follows:

- The Company does not recognize any revenue and margin during the Turnkey phase of the project unless defined invoicing (if any) to the client occurred during the construction phase to cover specific construction work and/or services performed before the commencement of the lease. These upfront payments are recognized as revenues and the costs associated with the related construction work and/or services are recognized as cost of sales with no margin during construction.
- The Company will book all revenue and margin associated with the lease and operate contracts related to its 100% share during the lease phase, in line with the cash flows.
- Upon transfer of the FPSO to the client, after reaching the end of the lease period or upon exercising of the purchase option by the client, the Company will book all revenue and margin associated with the transfer in the Turnkey segment.

With respect to *FPSO Almirante Tamandaré,* the partial divestment to partners (45%) was concluded on 25 January 2022. For *FPSO Alexandre de Gusmão*, a similar transaction (involvind a divestment of 45%) is expected to materialize in the course of 2022. Therefore, under the Company's Directional accounting policy, the revenue recognition on these two FPSO projects is as follows:

- Until the partial divestment dates, the Company does not recognize any revenue and margin unless defined invoicing (if any) to the client occurred during the construction phase to cover specific construction work and/or services performed before the commencement of the lease. These upfront payments are recognized as revenues and the costs associated with the related construction work and/or services are recognized as cost of sales with no margin.
- Upon partial divestments to partners, the Company will book revenue and (once the gate progress of completion is reached) margin associated with the EPC works to the extent of the portion of the sale to partners in the special purpose entity (e.g. 45% of EPC works).

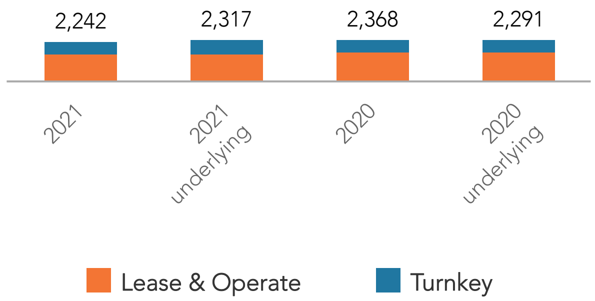
- The Company will book its share (estimated at 55%) in revenue and margin associated to the lease and operate contracts during the lease phase.

Therefore, the contribution of these five FPSO projects to the Directional profit and loss will largely materialize in the coming years, in line with the operating cash flows.

Revenue

Total Directional revenue decreased by 5% to US$2,242 million compared with US$2,368 million in 2020, with the decrease primarily attributable to the Lease and Operate segment. Adjusted for the non-recurring item of US$75 million (refer to paragraph 'Underlying Performance'), Underlying Directional revenue increased to US$2,317 million compared with US$2,291 million for the same period in 2020.

Revenue Directional (in millions of US$)



This variance of the Underlying Directional revenue is further detailed by segment as follows:

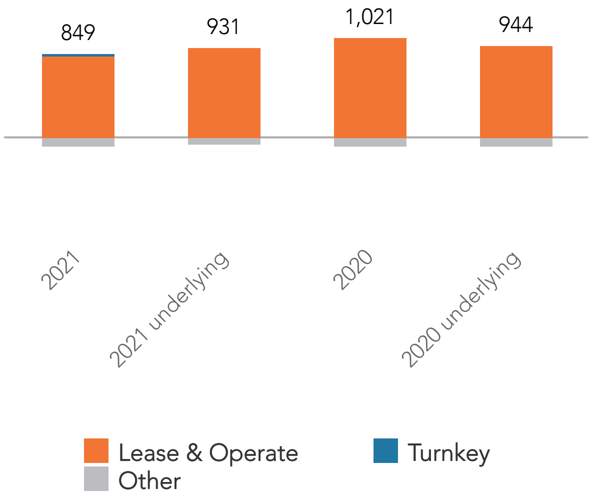
Underlying Directional Lease and Operate revenue was US$1,584 million, a slight decrease versus US$1,622 million in the prior period. This reflects the stability of the Fleet over the period. The slight decrease is mainly explained by Deep Panuke MOPU decommissioning activities which contributed to the 2020 revenue only. It is worth mentioning that the Deep Panuke MOPU lease revenue is almost stable considering that the Underlying Directional Revenue has been adjusted for the lease payments received in 2021 under the final settlement signed with the client following the early redelivery in 2020. Lease and Operate revenue in 2021 represents 68% of total underlying Directional revenue contribution in 2021, down from a 71% contribution in 2020.

Underlying Directional Turnkey revenue increased to US$733 million, representing 32% of total underlying 2021 revenue. This compares with US$669 million, or 28% of total revenue, in 2020. This increase is mostly attributable to the general ramp-up of Turnkey activities with five FPSOs under construction in 2021, the awarded limited scope for the FPSO for the Yellowtail development project and the higher contribution from the renewable and offshore services product lines. The revenue increase from this general ramp-up more than offsets the year-on-year decrease resulting from the Johan Castberg Turret Mooring System EPC project delivery in 2020.

EBITDA

Directional EBITDA amounted to US$849 million, representing a 17% decrease compared with US$1,021 million in 2020. Adjusted for the non-recurring items (see paragraph 'Underlying Performance' in the same section), Underlying Directional EBITDA amounted to US$931 million in 2021, almost stable compared with US$944 million in 2020.

EBITDA Directional (in millions of US$)

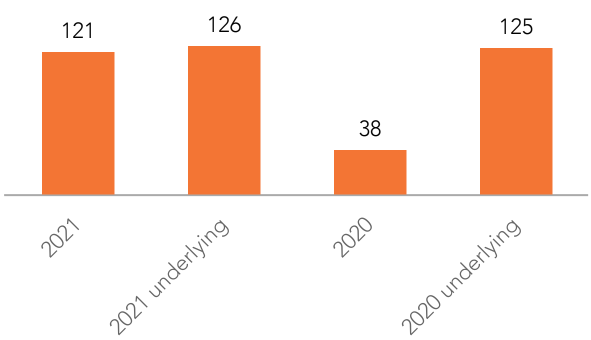


The variance of Underlying Directional EBITDA is further detailed by segment as follows:

- Underlying Directional Lease and Operate EBITDA moved from US$1,031 million in the year-ago period to US$989 million in the current year period. This decrease is mainly explained by (i) the net incremental costs from the implementation of additional safety measures linked to COVID-19, (ii) repair costs incurred in 2021 on damaged mooring lines on one unit (for which compensation from insurance is not yet secured) and (iii) higher maintenance and repair activities, including maintenance campaigns postponed to 2021 due to the COVID-19 new pandemic context in 2020. The 2020 EBITDA also benefited from the contribution of the Deep Panuke MOPU decommissioning activities. As a result, full year 2021 Underlying Directional Lease & Operate EBITDA margin decreased to 62% (64% in 2020).
- Underlying Directional Turnkey EBITDA increased from US$(9) million in the year-ago period to US$19 million in the current year. The reduced level of EPC activity in the Turret and Mooring product line, following the Johan Castberg Turret Mooring System project delivery was nearly offset by the general ramp up of other Turnkey activities (including higher contribution from Offshore Services). In addition, the Turnkey EBITDA benefits from positive project and risk close out in 2021, while it was impacted by US$(40) million of restructuring costs in 2020. The Underlying Directional Turnkey EBITDA margin, expressed as a percentage of Turnkey revenue, therefore increased to 3%, compared with -1% the year-ago period.
- The other non-allocated costs charged to EBITDA are almost stable moving from US$(78) million in the year ago period to US$(76) million in the current year. These costs include continuing investment in the Company's digital initiatives in line with the prior periods.

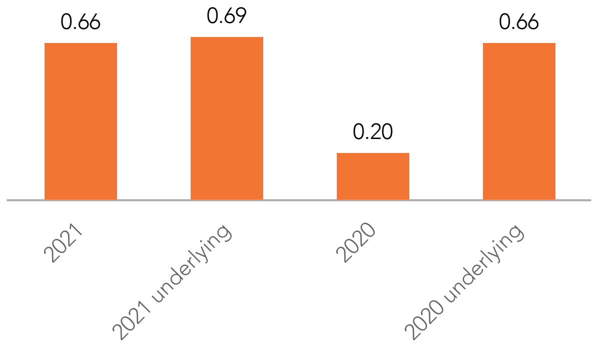
Net income

Net Income Directional (in millions of US$)



4 FINANCIAL INFORMATION 2021

Weighted Average Earnings Per Share Directional (in US$)



Underlying Directional depreciation, amortization and impairment decreased by US$42 million year-on-year. This primarily resulted from a lower depreciation on *FPSO Espirito Santo,* following the five years' extension of the lease and operate contracts of this unit signed in 2020, and a net release of impairment on financial assets due to the Company's clients credit ratings improvement compared with 2020.

Directional net financing costs totaled US$(171) million in 2021 and are almost stable compared with US$(175) million in the year-ago period.

The Underlying Directional effective tax rate increased to 36% versus 25% in the year-ago period mainly explained by higher taxes paid in relation to the Brazilian and Guyanese fleets.

As a result, the Company recorded an Underlying Directional net profit of US$126 million, or US$0.69 per share, a 1% and 4% increase respectively when compared with US$125 million, or US$0.66 per share, in the year-ago period.

STATEMENT OF FINANCIAL POSITION – DIRECTIONAL

in millions of US$	2021	2020
Total equity	604	858
Net debt[1]	5,401	4,093
Net cash	1,059	383
Total assets	9,690	7,894
Solvency ratio[2]	28.9	34.0

1 Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents.
2 Solvency ratio is calculated in accordance with the definition provided in section 4.3.24 Covenants

Shareholders' equity decreased by US$254 million from US$858 million at year-end 2020 to US$604 million at year-end 2021, mostly due to the following items:

- Completion of the EUR150 million (US$178 million) share repurchase program executed between August 5, 2021 and October 11, 2021;
- Dividend distributed to the shareholders for US$165 million;
- Decrease of the hedging reserves by US$54 million; and
- Positive net result of US$121 million in 2021.

The movement in hedging reserve is mainly caused by the increase of the marked-to-market value of the interest rate swaps due to increasing market interest rates during the year. This was partially offset by the decreased marked-to-market value of forward currency contracts, mainly driven by the appreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

It should be noted that under Directional policy, the contribution to profit and equity of the substantial FPSOs program under construction will largely materialize in the coming years, subject to project execution performance, in line with the generation of associated operating cash flows.

Net debt increased by US$1,308 million to US$5,401 million at year-end 2021. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew (i) on project finance facilities for *Liza Unity* (FPSO), *Prosperity* (FPSO) and the *FPSO Sepetiba* and (ii) on the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* to fund continued investment in growth.

Almost half of the Company's debt as of December 31, 2021 consisted of non-recourse project financing (US$2.9billion) in special purpose investees. The remainder (US$3.5 billion) comprised of (i) borrowings to support the on-going construction of five FPSOs which will become non-recourse following project execution finalization and release of the Parent Company Guarantee and (ii) the loan related to the DSCV SBM Installer. The Company's Revolving Credit Facility (RCF) was undrawn at year-end and the net cash balance stood at US$1,059 million (December 31, 2020: US$383 million). The year-end cash balance includes significant residual proceeds from the aggregate US$1,255 million bridge loans for the *FPSOs Almirante Tamandaré and Alexandre de Gusmão* which were both fully drawn in 2021. Lease liabilities totaled US$57 million (December 31, 2020: US$71 million).

Total assets increased to US$9.7 billion as of December 31, 2021, compared with US$7.9 billion at year-end 2020. This resulted from the substantial investments in property, plant and equipment (mainly *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba*, *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and awarded limited scope for the FPSO for the Yellowtail development project) and the increase in the net cash balance following the full drawdown of the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*.

The relevant covenants (solvency ratio and interest cover ratio) applicable for the Company's RCF, undrawn as at year-end 2021, were all met at December 31, 2021. In line with previous years, the Company had no off-balance sheet financing.

The Company's financial position has remained strong as a result of the cash flow generated by the fleet and the successful adaptation of the Turnkey segment to a more competitive and unpredictable market.

CASH FLOW / LIQUIDITIES – DIRECTIONAL

Cash and undrawn committed credit facilities amount to US$2,984 million at December 31, 2021, of which US$1,069 million is considered as pledged to specific project debts servicing related to *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* or otherwise restricted in its utilization.

The consolidated cash flow statement under Directional reporting is as follows:

in millions of US$	2021	2020
EBITDA	**849**	**1,021**
Adjustments for non-cash and investing items		
Addition/(release) provision	14	25
(Gain)/loss on disposal of property, plant and equipment	(1)	1
(Gain) / loss on acquisition of shares in investees	0	(1)
Share-based payments	27	26
Changes in operating assets and liabilities		
(Increase)/Decrease in operating receivables	17	(227)
Movement in construction work-in-progress / contract liability	(42)	24
(Increase)/Decrease in inventories	(1)	(134)
Increase/(Decrease) in operating liabilities	(82)	11
Income taxes paid	(66)	(51)
Net cash flows from (used in) operating activities	**715**	**696**
Capital expenditures	(1,483)	(871)
(Addition) / repayments of funding loans	(6)	3
Cash receipts from sale of investments in joint ventures	53	28
Other investing activities	20	4
Net cash flows from (used in) investing activities	**(1,415)**	**(837)**
Additions and repayments of borrowings and lease liabilities	1,945	534
Dividends paid to shareholders	(165)	(150)
Share repurchase program	(178)	(165)
Interest paid	(224)	(155)
Net cash flows from (used in) financing activities	**1,377**	**62**
Foreign currency variations	(2)	5
Net increase/(decrease) in cash and cash equivalents	**676**	**(74)**

Significant cash has been generated in 2021. The (i) strong operating cash flows, (ii) drawdowns on project financings and bridge loans and (iii) net proceed from the issuance of the senior secure notes on *FPSO Cidade de Ilhabela* were partially used to:

- Invest in the five FPSOs under construction and the limited scope for the FPSO for the Yellowtail development project;
- Return funds to the shareholders through dividends and the share repurchase program; and
- Service the Company's non-recourse debt and interest in accordance with the respective repayment schedules.

The fact that the bridge loans related to *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* were drawn in full during the last quarter of 2021 for a total amount of US$1,255 million generated a significant excess of financing cash flow compared with actual investments to date on these two units (approximately US$800 million as of December 31, 2021). As a result, cash and cash equivalents increased from US$383 million at year-end 2020 to US$1,059 million at year-end 2021.

4.1.4 FINANCIAL REVIEW IFRS

in US$ million	IFRS FY 2021	FY 2020
Revenue	**3,747**	**3,496**
Lease and Operate	1,270	1,761
Turnkey	2,477	1,735
Underlying Revenue	**3,822**	**3,419**
Lease and Operate	1,345	1,684
Turnkey	2,477	1,735
EBITDA	**823**	**1,043**
Lease and Operate	636	1,007
Turnkey	271	114
Other	(84)	(78)
Underlying EBITDA	**906**	**966**
Lease and Operate	711	930
Turnkey	271	114
Other	(76)	(78)
Profit/(loss) attributable to shareholders	**400**	**191**
Underlying profit attributable to shareholders	**405**	**277**

UNDERLYING PERFORMANCE

Underlying IFRS Revenue and EBITDA are adjusted for the non-recurring events during a financial period to enable comparison of normal business activities for the current period in relation to the comparative period.
During 2021 the IFRS EBITDA and profit attributable to shareholders is impacted by US$(8) million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.
In addition, the 2021 Underlying IFRS Revenue and EBITDA includes US$75 million related to final cash received for the period under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020. This amount was excluded from the Underlying 2020 Revenue and EBITDA. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the Underlying IFRS gross margin and the profit attributable to shareholders.

For reference, the difference between profit attributable to shareholders and Underlying IFRS profit attributable to shareholders was due to the following non-recurring items in 2020:

- A full impairment of US$(57) million of the SBM Installer installation vessel.
- Other impairments of US$(29) million (individually not significant) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

PROFITABILITY

Preliminary remark

In contrast to Directional, the construction of *Liza Unity* (FPSO) and *Prosperity* (FPSO) contributed to both IFRS Turnkey revenue and gross margin over the period. This is because these contracts are classified as finance leases as per IFRS 16 and are therefore accounted for as a direct sale under IFRS.

The same treatment applied to the construction of *FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão* and the FPSO for the Yellowtail development project under IFRS, except that revenue recognition on these projects was limited to cost incurred over the period as they have not yet reached the gate progress of completion allowing margin recognition under the Company policy (this gate being formalized by an independent project review mitigating uncertainties related to the cost at completion).

With respect to the construction of *FPSO Sepetiba*, it fully contributed to both IFRS Turnkey revenue and gross margin over the period given this contract is classified as finance lease (versus a contribution to Directional Turnkey revenue and gross margin limited to the portion of the sale to partners in the special purpose entity, i.e 35.5%).

Revenue

Total Underlying IFRS revenue increased by 12% to US$3,822 million compared with US$3,419 million in 2020.

This increase was driven by the Turnkey segment with the progress of construction activity on the FPSO projects and, to a lower extent, the higher contribution from the renewables and offshore services product lines. This growth in revenue more than offsets the year-on-year decrease resulting from the Johan Castberg Turret Mooring System EPC project delivery in 2020.

Underlying IFRS Lease and Operate revenue decreased by 20% to US$1,345 million compared with US$1,684 million in the year-ago period. This decrease is mainly explained by the extension of the *FPSO Espirito Santo* lease contract at the end of 2020 which resulted in the classification of the extended lease arrangement as a finance lease, while the previous arrangement was accounted as an operating lease. Due to the finance lease classification, a significant portion of the transaction was recognized as revenue in 2020 for an amount of US$249 million, as if it was a direct sale to the client. Over the rest of the Fleet, the underlying revenue slightly decreased due to the Deep Panuke MOPU decommissioning activities which contributed to the 2020 revenue only.

EBITDA

Underlying EBITDA amounted to US$906 million, representing a 6% decrease compared with Underlying EBITDA of US$966 million in the year-ago period. This resulted from the decreased contribution of the Lease and Operate segment, partially offset by the increased contribution of the Turnkey segment, both impacted by the same drivers as the changes in IFRS revenue. The variation of Underlying EBITDA by segment also resulted from the following items:

- On the Lease and Operate segment (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;
- US$(40) million of restructuring costs which impacted the Underlying 2020 Turnkey EBITDA.

Net income

2021 underlying consolidated IFRS net income attributable to shareholders stood at US$405 million, an increase of US$128 million from the previous year. The decrease in the Underlying IFRS EBITDA was more than offset by:

- A decrease in the Underlying IFRS depreciation, amortization and impairment primarily due to (i) the requalification of the *FPSO Espirito Santo contract* as finance lease following the extension of the contract late 2020 and (ii) the release of impairment on financial assets due to lower credit and counterparty risks;
- An increase in share of profits in associates mainly driven by the additional six years' extension for the lease and operate contracts of the *FPSO Kikeh*. As a result of the revised terms and conditions, the lease contract of *FPSO Kikeh* remained classified as a finance lease under IFRS and the Company recognized a profit of US$76 million corresponding to its share of the increase in the discounted value of future lease payments.

STATEMENT OF FINANCIAL POSITION

in millions of US$	2021	2020	2019	2018	2017
Total equity	3,537	3,462	3,613	3,612	3,559
Net debt[1]	6,681	5,209	4,416	3,818	4,613
Net cash	1,021	414	506	718	957
Total assets	13,211	11,085	10,287	9,992	11,007

1 Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents.

Total equity increased from US$3,462 million at December 31, 2020 to US$3,537 million, with the positive result over the current year period and the equity injection from non-controlling interest in special purpose entities being partially offset by:

- The completion of the EUR150 million (US$178 million) share repurchase program executed between April 5, 2021 and October 11, 2021;
- Dividends distributed to the shareholders and non-controlling interests (US$292 million); and
- A decrease of the hedging reserves (US$18 million). The movement in hedging reserve was mainly caused by the increase of the marked-to-market value of the interest rate swaps due to declining market interest rates during the year. This was

partially offset by the decrease of the marked-to-market value of forward currency contracts, mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

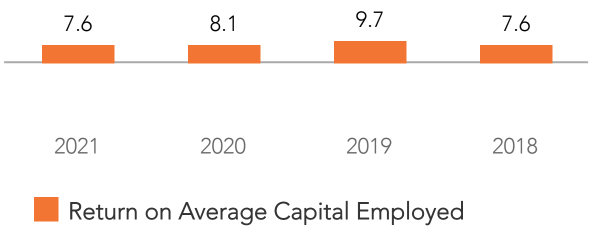
Net debt increased by US$1,472 million to US$6,681 million at year-end 2021. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew on project finance and bridge loan facilities to fund the continued investment in growth.

Half of the Company's debt as of December 31, 2021 consisted of non-recourse project financing (US$3.8 billion) in special purpose investees. The remainder (US$3.8 billion) comprised of (i) borrowings to support the ongoing construction of five FPSOs which will become non-recourse following project execution finalization and release of the related Parent Company Guarantee and (ii) the loan related to the DSCV SBM Installer. The Revolving Credit Facility (RCF) was undrawn at year-end and the net cash balance stood at US$ 1,021 million (December 31, 2020: US$414 million). The bridge loans related to *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* were drawn in full during the last quarter of 2021 for a total amount of US$1,255 million. This generated a significant excess of financing cash flow compared with actual investments to date on these two units (approximately US$800 million as of December 31, 2021). Lease liabilities totaled US$56 million as of December 31, 2021.

Total assets increased to US$13.2 billion as of December 31, 2021, compared with US$11.1 billion at year-end 2020. This primarily resulted from (i) the increase of work-in-progress related to the FPSO projects under construction, and (ii) the increase in the net cash balance. These variations were partially offset by a reduction of the gross amount of the finance lease receivables, in line with the repayment schedules, as well as regular depreciation of PP&E.

RETURN ON AVERAGE CAPITAL EMPLOYED

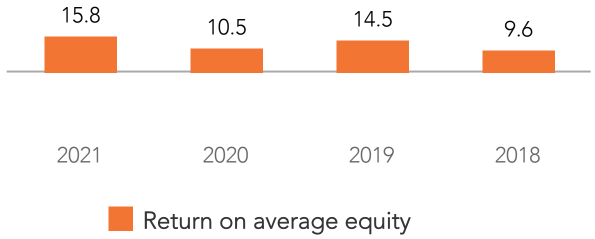
Return on average capital employed (ROACE) is a measure of the return generated on capital invested in the Company. The measure provides a guide for long-term value creation by the Company. ROACE is calculated as Underlying EBIT divided by the annual average of: i) total equity, ii) total borrowings and lease liabilities, iii) non-current provisions and iv) deferred tax liabilities minus the cash and cash equivalents.



2021 ROACE stood at 7.6%, which is below the past three-year average of 8.5%. This is mainly explained by a significant increase in the Capital Employed in 2021 on projects under construction which have yet to fully contribute to earnings, as three FPSO projects under construction have not yet reached the gate progress of completion allowing margin recognition under the Company policy.

RETURN ON AVERAGE EQUITY

Return on average equity (ROAE) measures the performance of the Company based on the average equity attributable to the shareholders of the parent company. ROAE is calculated as Underlying profit attributable to shareholders divided by the annual average of equity attributable to shareholders of the parent company.



2021 ROAE stood at 15.8%,above the past three-year average of 11.5%. This is driven by a higher underlying profit attributable to shareholders, mainly explained by the increase in the Turnkey activity.

4.1.5 OUTLOOK AND GUIDANCE

The pandemic and associated impact on the oil market has caused oil and gas companies to reassess their portfolios and investments. However, large capacity deep water developments, continue to be preferentially selected by customers thanks to their cost and carbon efficient characteristics. The Company remains disciplined in the selection of its opportunities and prioritizes these large capacity projects. In addition, the Company continues to invest in its positioning in the floating offshore wind market.

The Company's 2022 Directional revenue guidance is above US$3.1 billion, of which around US$1.6 billion is expected from the Lease and Operate segment and above US$1.5 billion from the Turnkey segment. 2022 Directional EBITDA guidance is around US$900 million for the Company.

This guidance considers the currently foreseen COVID-19 impacts on projects and fleet operations, including supply chain effects. The Company highlights that the direct and indirect impact of the pandemic could continue to have a material impact on the Company's business and results and the realization of the guidance for 2022.

4.2 CONSOLIDATED FINANCIAL STATEMENTS

4.2.1 CONSOLIDATED INCOME STATEMENT

in millions of US$	Notes	2021	2020
Revenue from contracts with customers		3,262	2,992
Interest revenue from finance lease calculated using the effective interest method		486	504
Total revenue	*4.3.2 / 4.3.3*	**3,747**	**3,496**
Cost of sales	*4.3.5*	(2,826)	(2,607)
Gross margin		**922**	**889**
Other operating income/(expense)	*4.3.4 / 4.3.5*	6	(53)
Selling and marketing expenses	*4.3.5*	(31)	(40)
General and administrative expenses	*4.3.5*	(146)	(143)
Research and development expenses	*4.3.5 / 4.3.7*	(29)	(24)
Net impairment gains/(losses) on financial and contract assets	*4.3.5 / 4.3.8*	12	(24)
Operating profit/(loss) (EBIT)		**734**	**605**
Financial income	*4.3.9*	3	9
Financial expenses	*4.3.9*	(304)	(265)
Net financing costs		**(301)**	**(257)**
Share of profit/(loss) of equity-accounted investees	*4.3.30*	110	17
Profit/(loss) before income tax		**543**	**366**
Income tax expense	*4.3.10*	(71)	(38)
Profit/(loss)		**472**	**327**
Attributable to shareholders of the parent company		400	191
Attributable to non-controlling interests	*4.3.31*	72	137
Profit/(loss)		**472**	**327**

Earnings/(loss) per share

	Notes	2021	2020
Weighted average number of shares outstanding	*4.3.11*	183,717,155	189,810,371
Basic earnings/(loss) per share in US$	*4.3.11*	2.18	1.00
Fully diluted earnings/(loss) per share in US$	*4.3.11*	2.16	1.00

4.2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of US$	2021	2020
Profit/(loss) for the period	**472**	**327**
Cash flow hedges	(18)	(98)
Foreign currency variations	(2)	(7)
Items that are or may be reclassified to profit or loss	**(21)**	**(105)**
Remeasurements of defined benefit liabilities	7	(3)
Items that will never be reclassified to profit or loss	**7**	**(3)**
Other comprehensive income/(expense) for the period, net of tax	**(14)**	**(107)**
Total comprehensive income/(expense) for the period, net of tax	**459**	**220**
Of which		
- on controlled entities	342	211
- on equity-accounted entities	116	9
Attributable to shareholders of the parent company	349	123
Attributable to non-controlling interests	110	97
Total comprehensive income/(expense) for the period, net of tax	**459**	**220**

4.2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of US$	Notes	31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	4.3.13	396	542
Intangible assets	4.3.14	86	50
Investment in associates and joint ventures	4.3.30	361	282
Finance lease receivables	4.3.15	5,843	6,171
Other financial assets	4.3.16	82	114
Deferred tax assets	4.3.17	13	46
Derivative financial instruments	4.3.21	14	38
Total non-current assets		**6,795**	**7,243**
Inventories	4.3.18	14	143
Finance lease receivables	4.3.15	339	317
Trade and other receivables	4.3.19	839	614
Income tax receivables		7	7
Construction work-in-progress	4.3.20	4,140	2,248
Derivative financial instruments	4.3.21	32	99
Cash and cash equivalents	4.3.22	1,021	414
Assets held for sale	4.3.13	25	0
Total current assets		**6,416**	**3,842**
TOTAL ASSETS		**13,211**	**11,085**
EQUITY AND LIABILITIES			
Issued share capital		51	58
Share premium reserve		1,034	1,034
Treasury shares		(69)	(51)
Retained earnings		1,910	1,811
Other reserves		(347)	(296)
Equity attributable to shareholders of the parent company	4.3.23	**2,579**	**2,556**
Non-controlling interests	4.3.31	957	905
Total Equity		**3,537**	**3,462**
Borrowings and lease liabilities	4.3.24	5,928	4,386
Provisions	4.3.25	235	248
Deferred tax liabilities	4.3.17	19	37
Derivative financial instruments	4.3.21	162	277
Other non-current liabilities	4.3.26	132	101
Total non-current liabilities		**6,476**	**5,050**
Borrowings and lease liabilities	4.3.24	1,773	1,236
Provisions	4.3.25	149	128
Trade and other payables	4.3.26	1,111	1,033
Income tax payables		40	43
Derivative financial instruments	4.3.21	126	134
Total current liabilities		**3,198**	**2,574**
TOTAL EQUITY AND LIABILITIES		**13,211**	**11,085**

4.2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of US$	Notes	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	**Attributable to shareholders**	Non-controlling interests	**Total Equity**
At 1 January 2021		**58**	**1,034**	**(51)**	**1,811**	**(296)**	**2,556**	**905**	**3,462**
Profit/(loss) for the period		-	-	-	400	-	**400**	72	**472**
Foreign currency translation		(5)	-	5	0	(2)	**(2)**	0	**(2)**
Remeasurements of defined benefit provisions		-	-	-	-	7	**7**	-	**7**
Cash flow hedges		-	-	-	-	(57)	**(57)**	38	**(18)**
Total comprehensive income for the period		**(5)**	**-**	**5**	**400**	**(52)**	**349**	**110**	**459**
IFRS 2 vesting cost of share based payments		-	-	-	-	20	**20**	-	**20**
Re-issuance treasury shares on the share based scheme		-	-	20	5	(20)	**5**	-	**5**
Purchase of treasury shares		-	-	(178)	-	-	**(178)**	-	**(178)**
Share cancellation	*4.3.23*	(2)	-	136	(134)	-	**0**	-	**0**
Cash dividend		-	-	-	(165)	-	**(165)**	(126)	**(291)**
Transaction with non-controlling interests	*4.3.31*	-	-	-	(8)	-	**(8)**	68	**60**
At 31 December 2021		51	1,034	(69)	1,910	(347)	**2,579**	957	**3,537**

in millions of US$	Notes	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	**Attributable to shareholders**	Non-controlling interests	**Total Equity**
At 1 January 2020		**56**	**1,034**	**(46)**	**1,942**	**(238)**	**2,748**	**865**	**3,613**
Profit/(loss) for the period		-	-	-	191	-	**191**	137	**327**
Foreign currency translation		5	-	(10)	-	(2)	**(7)**	0	**(7)**
Remeasurements of defined benefit provisions		-	-	-	-	(3)	**(3)**	-	**(3)**
Cash flow hedges		-	-	-	-	(58)	**(58)**	(40)	**(98)**
Total comprehensive income for the period		**5**	**-**	**(10)**	**191**	**(62)**	**123**	**97**	**220**
IFRS 2 vesting cost of share based payments		-	-	-	-	20	**20**	-	**20**
Re-issuance treasury shares on the share based scheme		-	-	22	(4)	(16)	**3**	-	**3**
Purchase of treasury shares		-	-	(165)	-	-	**(165)**	-	**(165)**
Share cancellation		(3)	-	148	(145)	-	**0**	-	**-**
Cash dividend		-	-	-	(150)	-	**(150)**	(83)	**(233)**
Equity repayment		-	-	-	-	-	**-**	(23)	**(23)**
Transaction with non-controlling interests	*4.3.31 / 4.3.23*	0	-	-	(22)	-	**(22)**	51	**28**
At 31 December 2020		58	1,034	(51)	1,811	(296)	**2,556**	905	**3,462**

4.2.5 CONSOLIDATED CASH FLOW STATEMENT

in millions of US$	Notes	2021	2020
Cash flow from operating activities			
Profit/(loss) before income tax		**543**	**366**
Adjustments to reconcile profit before taxation to net cash flows:			
Depreciation and amortization		112	320
Impairment		(23)	117
Net financing costs		302	258
Share net income of associates and joint ventures		(110)	(17)
Share based compensation		27	27
Other adjustments for non-cash items	*4.3.15*	-	(123)
Net gain on sale of Property, Plant and Equipment		(1)	1
(Increase)/Decrease in working capital:			
- (Increase)/Decrease Trade and other receivables		(139)	(166)
- (Increase)/Decrease Construction work in progress		(1,887)	(1,258)
- (Increase)/Decrease Inventories		128	(135)
- Increase/(Decrease) Trade and other payables		13	134
Increase/(Decrease) Other provisions	*4.3.25*	24	103
Reimbursement finance lease assets		316	288
Income taxes paid		(62)	(42)
Net cash flows from (used in) operating activities		**(755)**	**(128)**
Cash flow from investing activities			
Investment in property, plant and equipment		(14)	(41)
Investment in intangible assets	*4.3.14*	(47)	(29)
Additions to funding loans	*4.3.16*	(3)	(15)
Redemption of funding loans	*4.3.16*	5	20
Interest received		1	5
Dividends received from equity-accounted investees		43	44
Proceeds from disposal of property, plant and equipment	*4.3.13*	25	-
Purchase of interests in equity-accounted investees		(6)	(0)
Net cash flows from (used in) investing activities		**5**	**(17)**
Cash flow from financing activities			
Equity funding from/repayment to non-controlling interests	*4.3.31*	80	(23)
Additions to borrowings and loans	*4.3.24*	3,765	1,290
Repayments of borrowings and lease liabilities	*4.3.24*	(1,730)	(617)
Dividends paid to shareholders and non-controlling interests		(292)	(233)
Payments from/to non-controlling interests for change in ownership	*4.3.31*	(0)	28
Share repurchase program		(178)	(165)
Increase in other non-current financial liabilities		52	-
Interest paid		(340)	(228)
Net cash flows from (used in) financing activities		**1,359**	**50**
Net increase/(decrease) in cash and cash equivalents		**609**	**(95)**
Net cash and cash equivalents as at 1 January		414	506
Net increase/(decrease) in net cash and cash equivalents		609	(95)
Foreign currency variations		(2)	5
Net cash and cash equivalents as at 31 December		**1,021**	**414**

The reconciliation of the net cash and cash equivalents as at December 31, 2021 with the corresponding amounts in the statement of financial position is as follows:

Reconciliation of net cash and cash equivalents as at 31 December

in millions of US$	31 December 2021	31 December 2020
Cash and cash equivalents	1,021	414
Net cash and cash equivalents	**1,021**	**414**

4.2.6 GENERAL INFORMATION

SBM Offshore N.V. has its registered office in Amsterdam, the Netherlands and is located at Evert van de Beekstraat 1-77, 1118 CL, Schiphol, the Netherlands. SBM Offshore N.V. is the holding company of a group of international marine technology-oriented companies. The Company globally serves the offshore energy industry by supplying engineered products, vessels and systems, as well as offshore energy production services.

The Company is registered at the Dutch Chamber of Commerce under number 24233482 and is listed on the Euronext Amsterdam stock exchange.

The consolidated financial statements for the year ended December 31, 2021 comprise the financial statements of SBM Offshore N.V., its subsidiaries and interests in associates and joint ventures (together referred to as 'the Company'). They are presented in millions of US dollars, except when otherwise indicated. Figures may not add up due to rounding.

The consolidated financial statements were authorized for issue by the Supervisory Board on February 9, 2022.

4.2.7 ACCOUNTING PRINCIPLES

A. ACCOUNTING FRAMEWORK

The consolidated financial statements of the Company have been prepared in accordance with, and comply with International Financial Reporting Standards ('IFRS') and interpretations adopted by the European Union, where effective, for financial years beginning January 1, 2021 and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The Company financial statements included in section 4.4 are part of the 2021 financial statements of SBM Offshore N.V.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS OF JANUARY 1, 2021

The Company has adopted the following new standards as of January 1, 2021:
- Amendments to IFRS 7, IFRS 9 and IAS 39 – 'Interest Rate Benchmark Reform Phase 2';
- Amendment to IFRS 16 Leases – 'COVID-19-Related Rent Concessions' including 'IFRS 16 and COVID-19 beyond 30 June 2021';
- IFRIC Interpretation of IAS 19 Employee Benefits – 'Attributing Benefit to Periods of Service'

IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform Phase 2

The Phase 2 amendments that were published in August 2020 address issues that arise during the reform of an interest rate benchmark when the replacement of IBOR with an alternative one is necessary. The key reliefs provided by the Phase 2 amendments are as follows:
- When changing the reference rate used to determine contractual cash flows for financial assets and liabilities (including lease liabilities), the relief has the effect that changes in the reference rate will not result in immediate gains and losses in the income statement.
- The hedge accounting reliefs will allow most hedge relationships that are directly affected by the reform to continue. However, additional hedge ineffectiveness could possibly arise.

On the Interest rate benchmark reform, the Company is managing its IBOR transition plan. All impacted contracts and financial instruments have been identified. As of December 31, 2021 the Company has amended all contracts referring to the USD LIBOR 1 Week and 2 Months, outstanding book value of borrowings are disclosed in the note 24 Borrowings and Lease Liabilities.

New financial instruments being issued already include wordings to address the transition to alternative benchmark rates. As the counterparties to the Company's interest rate swaps are also counterparties to the floating loans which are being hedged, it is expected that the result of the negotiations with external banks and the implementation of Secured Overnight Financing Rate (SOFR) will not have material impacts on the Company's future financial results.

The adoption of the amendments did not have a material accounting impact on the financial statements for the year ended December 31, 2021. The Company intends to use the practical expedients in future periods if they become applicable.

There will however be operational impacts affecting systems, processes and potentially risk and valuation models. To limit those, the Company is studying best practices and feedback from banks and peers in the market who are facing the same challenges.

IFRS 16 - COVID-19-Related Rent Concessions

The amendment to IFRS 16 permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

This amendment had no impact on the consolidated financial statements for the year ended December 31, 2021.

IAS 19 Employee Benefits – 'Attributing Benefit to Periods of Service'

During May 2021 the IFRIC received a request to clarify the accounting treatment of attributing the defined benefit cost in relation to the periods of service. The request focused on the attribution of defined benefit cost when (i) employees are entitled to a lump sum payment when they reach a specified retirement age provided they are employed by the entity when they reach that retirement age, and (ii) the amount of the retirement benefit to which an employee is entitled depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service.

The Committee concluded that the current standard provides sufficient guidance regarding the appropriate treatment. This clarification did not have a material impact on the consolidated financial statements for the year ended December 31, 2021.

STANDARDS AND INTERPRETATIONS NOT MANDATORILY APPLICABLE TO THE COMPANY AS OF JANUARY 1, 2021

The following standards and amendments published by the IASB and endorsed by the European Union are not mandatorily applicable as of January 1, 2021:

- Amendments to IFRS 3 – 'Reference to the Conceptual Framework for Financial Reporting';
- Amendments to IAS 16 – 'Property, Plant and Equipment - Proceeds before Intended Use';
- Amendments to IAS 37 – 'Onerous Contracts - Cost of Fulfilling a Contract'; and
- Annual Improvements to IFRS Standards 2018-2020.

Other new standards and amendments have been published by the IASB but have not been endorsed yet by the European Commission. Early adoption is not possible until European Commission endorsement. Those which may be relevant to the Company are set out below:

- Amendments to IAS 1 – 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-current';
- Amendments to IAS 1 – 'Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies';
- Amendments to IAS 8 – 'Definition of Accounting Estimates'; and
- Amendments to IAS 12 – 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction';

Regarding the IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction', the Company determined that amendment could have possible implications related to the demobilization provisions, right-of-use assets and related lease liabilities. During 2021, the Company performed an assessment regarding the impact of this amendment. The Company determined that the impact on the statement of financial position and retained earnings is not material due to the fact that currently enacted tax rates are low in the jurisdictions where the related balances are recognized.
The IAS 12 amendment is effective as of 1 January 2023 and the Company will continue to monitor the impact of the amendment during the preceding financial periods in order to assess whether the expected impact could change due to assumptions such as the enacted tax rates and accounting treatment per location identified.

The Company does not expect a significant effect on the financial statements due to the adoption of the remaining amendments. Other standards and amendments are not relevant to the Company.

B. CRITICAL ACCOUNTING POLICIES

Critical accounting policies involving a high degree of judgement or complexity, or areas where assumptions and estimates are material, are disclosed in the paragraphs below.

(a) Use of estimates and judgement

When preparing the financial statements, it is necessary for the Management of the Company to make estimates and certain assumptions that can influence the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and assumptions, due to changes in facts and circumstances. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Estimates:

Significant areas of estimation and uncertainty in applying accounting policies that have the most significant impact on amounts recognized in the financial statements are:

The measurement and recognition of revenues on construction contracts based on the input method:

Revenue of the Company is measured and recognized based on the input method (i.e. costs incurred). Costs and revenue at completion are reviewed periodically throughout the life of the contract. This requires a large number of estimates, especially of the total expected costs at completion, due to the complex nature of the Company's construction contracts. Judgement is also required for the accounting of contract modifications and claims from clients where negotiations or discussions are at a sufficiently advanced stage. Costs and revenue (and the resulting gross margin) at completion reflect, at each reporting period, the Management's current best estimate of the probable future benefits and obligations associated with the contract. The policy for measurement of transaction price including variable considerations (i.e. claims, performance-based incentives) is included below in the point (d) Revenue.

In case a contract meets the definition of an onerous contract as per IAS 37, provisions for anticipated losses are made in full in the period in which they become known.

Impairments:

Assumptions and estimates used in the discounted cash flow model and the adjusted net present value model to determine the value in use of assets or group of assets (e.g. discount rates, residual values and business plans) are subject to uncertainty. There is a possibility that changes in circumstances or in market conditions could impact the recoverable amount of the asset or group of assets.

The anticipated useful life of the leased facilities under an operating lease:

Management uses its experience to estimate the remaining useful life of an asset. The actual useful life of an asset may be impacted by an unexpected event that may result in an adjustment to the carrying amount of the asset.

Uncertain income tax treatment:

The Company is subject to income taxes in multiple jurisdictions. Significant judgement is required in determining the Company's overall income tax liability. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company takes into account the following considerations when determining the liabilities related to uncertain income tax treatment:

- When necessary the Company engages with local tax advisers which provide advice on the expected view of tax authorities on the treatment of judgmental areas of income tax;
- The Company considers any changes in tax legislation and knowledge built based on prior cases to make an estimate/judgement on whether or not to provide for any tax payable; and
- The Company takes into account any dispute resolutions, case law and discussions between peer companies and the tax authorities on similar cases over an uncertain tax treatment.

The Company consistently monitors each issue around uncertain income tax treatments across the group in order to ensure that the Company applies sufficient judgement to the resolution of tax disputes that might arise from examination by relevant tax authorities of the Company's tax position.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The income tax liabilities include any penalties and interest that could be associated with a tax audit issue. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made.

The Company's exposure to litigation and non-compliance:
The Company identifies and provides analysis on a regular basis of current litigation and measures, when necessary, provisions based on its best estimate of the expenditure required to settle the obligations, taking into account information available and different possible outcomes at the reporting date.

The warranty provision:
A warranty provision is accrued during the construction phase of projects, based on historical warranty expenditure per product type. At the completion of a project, a warranty provision (depending on the nature of the project) is therefore provided for and reported as provision in the statement of financial position. Following the acceptance of a project the warranty provision is released over the warranty period. For some specific claims formally notified by the customer and which can be reliably estimated, an amount is provided in full and without discounting. An overall review of the warranty provision is performed by Management at each reporting date. Nevertheless, considering the specificity of each asset, actual warranty expenditures could vary significantly from one project to another and therefore differ materially from initial statistical warranty provision provided at the completion of a said project.

The timing and estimated cost of demobilization:
The estimated future costs of demobilization are reviewed on a regular basis and adjusted when appropriate. Nevertheless, considering the long-term expiry date of the obligations, these costs are subject to uncertainty. Cost estimates can vary in response to many factors, including for example new demobilization techniques, the Company's own experience on demobilization operations, future changes in laws and regulations, and timing of demobilization operation.

Estimates and assumptions made in determining these obligations, can therefore lead to significant adjustments to the future financial results. Nevertheless, the cost of demobilization obligations at the reporting date represent Management's best estimate of the present value of the future costs required.

Significant estimates and judgements in the context of the COVID-19 pandemic:
During the 2021 financial year, the COVID-19 pandemic situation resulted in the Company reassessing significant estimates and judgments. The following key areas were identified as potentially affected by the COVID-19 pandemic:
- Key assumptions used in the impairment test of assets or group of assets;
- Expected credit losses; and
- Additional costs in order to satisfy the performance obligations on some of the construction contracts mainly due to expected delay in the project delivery following lockdown periods, international travel restrictions and remote working

The impact of COVID-19 on the impairment of the tangible assets is disclosed in note 4.3.13 Property, Plant and Equipment. Regarding the Company's considerations for estimation of expected credit losses, refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets. In relation to the impact of additional costs incurred due to COVID-19 when satisfying the Company's performance obligations we refer to note 4.3.3 Revenue.

Judgements:
In addition to the above estimates, the Management exercises the following judgements:

Lease classification as Lessor:
When the Company enters into a new lease arrangement, the terms and conditions of the contract are analyzed in order to assess whether or not the Company retains the significant risks and rewards of ownership of the asset subject of the lease contract. To identify whether risks and rewards are retained, the Company systematically considers, among others, all the examples and indicators listed by IFRS 16.63 on a contract-by-contract basis. By performing such analysis, the Company makes significant judgement to determine whether the arrangement results in a finance lease or an operating lease. This judgement can have a significant effect on the amounts recognized in the consolidated financial statements and its recognition of profits in the future. The most important judgement areas assessed by the Company are (i) determination of

the fair value, (ii) determination of the useful life of the asset and (iii) the probability of the client exercising the purchase or termination option (if relevant).

(b) Leases: accounting by lessor

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Under an operating lease, the asset is included in the statement of financial position as property, plant and equipment. Lease income is recognized over the term of the lease on a straight-line basis. This implies the recognition of deferred income when the contractual day rates are not constant during the initial term of the lease contract.

When assets are leased under a finance lease, the present value of the lease payments is recognized as a finance lease receivable. Under a finance lease, the difference between the gross receivable and the present value of the receivable is recognized as revenue during the lease phase. Lease income is, as of the commencement date of the lease contract, recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. During the construction phase of the facility, the contract is accounted for as a construction contract.

(c) Impairment of non-financial assets

Under certain circumstances, impairment tests must be performed. Assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's Cash Generating Unit's ('CGU') fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. An impairment loss is recognized for the amount by which the assets or CGU's carrying amount exceeds its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. The Company bases its future cash flows on detailed budgets and forecasts.

Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each statement of financial position date.

(d) Revenue

The Company provides design, supply, installation, operation, life extension and demobilization of Floating Production, Storage and Offloading (FPSO) vessels. The vessels are either owned and operated by SBM Offshore and leased to its clients (Lease and Operate arrangements) or supplied on a Turnkey sale basis (construction contracts). Even in the latter case, the vessels can be operated by the Company, under a separate operating and maintenance agreement, after transfer to the clients.

Other products of the Company include: semi-submersibles, Tension-Leg Platforms ('TLP'), Liquefied Natural Gas FPSOs, Turret Mooring Systems ('TMS'), LNG Regasification to Power vessels, Floating Offshore Wind ('FOW'), brownfield and offshore (off)loading terminals. These products are mostly delivered as construction, lease or service type agreements.

Some contracts include multiple deliverables (such as Front-End Engineering Design ('FEED'), engineering, construction, procurement, installation, maintenance, operating services, demobilization). The Company assesses the level of integration between different deliverables and ability of the deliverable to be performed by another party. Based on this assessment the Company concludes whether the multiple deliverables are one, or separate, performance obligation(s).

The Company determines the transaction price for its performance obligations based on contractually agreed prices. The Company has various arrangements with its customers in terms of pricing, but in principle i) the construction contracts have agreed fixed pricing terms, including fixed lump sums and reimbursable type of contracts, ii) the majority of the Company's lease arrangements have fixed lease rates and iii) the operating and service type of contracts can be based on fixed lump sums or reimbursable type of contracts. The Lease and Operate contracts generally include a variable component for which the treatment is described below under 'Lease and Operate contracts'. In rare cases when the transaction prices are not directly observable from the contract, they are estimated based on expected cost plus margin (e.g. based on an operating service component in a lease arrangement).

The Company assesses for each performance obligation whether the revenue should be recognized over time or at a point in time, this is explained more in detail under the below sections 'Construction contracts' and 'Lease and Operate contracts'.

The Company can agree on various payment arrangements which generally reflect the progress of delivered performance obligations. However, if the Company's delivered performance obligation exceeds instalments invoiced to the client, a 'Construction work-in-progress' (contract asset) is recognized (see note 4.3.20 Construction Work-In-Progress). If the instalments invoiced to the client exceed the work performed, a contract liability is recognized (see note 4.3.26 Trade and Other Payables).

Revenue policies related to specific arrangements with customers are described below.

Construction contracts:
The Company under its construction contracts usually provides Engineering, Procurement, Construction and Installation ('EPCI') of vessels. The Company assesses the contracts on an individual basis as per the policy described above. Based on the analysis performed for existing contracts:

- The construction contracts generally include one performance obligation due to significant integration of the activities involved; and
- Revenue is recognized over time as the Company has an enforceable right to payment for performance completed to date and the assets created have no direct alternative use.

Based on these requirements, the Company concludes that, in principle, construction contracts meet the criteria of revenue to be recognized over time. Revenue is recognized at each period based upon the advancement of the work, using the input method. The input method is based on the ratio of costs incurred to date to total estimated costs. Up to the moment that the Company can reasonably measure the outcome of the performance obligation, revenue is recognized to the extent of cost incurred.

Complex projects that present a high-risk profile due to technical novelty, complexity or pricing arrangements agreed with the client are subject to independent project reviews at advanced degrees of completion in engineering. An independent project review is an internal but independent review of the status of a project based upon an assessment of a range of project management and company factors. Until this point, and when other significant uncertainties related to the cost at completion are mitigated, revenue is recognized to the extent of cost incurred.

Due to the nature of the services performed, variation orders and claims are commonly billed to clients in the normal course of business. The variation orders and claims are modifications of contracts that are usually not distinct and are therefore normally considered as part of the existing performance obligation. When the contract modification (including claims) is initially approved by oral agreement or implied by customary business practice, the Company recognizes revenue only to the extent of contract costs incurred. Once contract modifications and claims are approved, the revenue is no longer capped at the level of costs and is recognized based on the input method.

Generally, the payments related to the construction contracts (under EPCI arrangements) are corresponding to the work completed to date, therefore the Company does not adjust any of the transaction prices for the time value of money. However the time value of money is assessed on a contract by contract basis and in case the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, the transaction price is adjusted for the identified and quantified financing component.

Furthermore, finance lease arrangements under which the Company delivers a unit to a client are treated as direct sales (see also point (b) above), therefore revenue is recognized over time during the construction period as the present value of the lease payments accruing to the lessor, discounted using a market rate of interest. In order to determine the revenue to be recognized based on this policy, the Company determines discounting using a market rate of interest that takes into account among others: time value of money, financing structure and risk profile of a client and project.

Lease and Operate contracts:

The Company provides to its customers possibilities to lease the units under charter contracts. The charter contracts are multi-year contracts and some of them contain options to extend the term of the lease or terminate the lease earlier. Some of the contracts also contain purchase options that are exercisable throughout the lease term.

Charter rates

Charter rates received on long-term operating lease contracts are reported on a straight-line basis over the period of the contract once the facility has been brought into service. The difference between straight-line revenue and the contractual day-rates, which may not be constant throughout the charter, is accounted for as deferred income.

Revenue from finance lease contracts is, as of the commencement date of the lease contract, recognized over the term of the lease using the amortized cost method, which reflects a constant periodic rate of return.

Operating fees

Operating fees are received by the Company for facilitating receipt, processing and storage of petroleum services on board of the facilities which occur continuously through the term of the contract. As such, they are a series of services that are substantially the same and that have the same pattern of transfer to the customer. Revenue is recognized over time based on input methods by reference to the stage of completion of the service rendered either on a straight-line basis for lump sum contracts or in line with cost incurred on reimbursable contracts.

Bonuses/penalties

On some contracts the Company is entitled to receive bonuses (incentives) and incurs penalties depending on the level of interruption of production or processing of oil. Bonuses are recognized as revenue once it is highly probable that no significant reversal of revenue recognized will occur, which is generally the case only once the performance bonus is earned. Penalties are recognized as a deduction of revenue when they become probable. For estimation of bonuses and penalties the Company applies the 'most likely' method, where the Company assesses which single amount is the most likely in a range of possible outcomes.

Contract costs

The incremental costs of obtaining a contract with a customer (for example sales commissions) are recognized as an asset. The Company uses a practical expedient that permits to expense the costs to obtain a contract as incurred when the expected amortization period is one year or less. Costs of obtaining a contract that are not incremental are expensed as incurred unless those costs are explicitly chargeable to the customer. Bid, proposal, and selling and marketing costs, as well as legal costs incurred in connection with the pursuit of the contract, are not incremental, as the Company would have incurred those costs even if it did not obtain the contract.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another IFRS standard (e.g. IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset for the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

An asset recognized for contract costs is amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

(e) Operating segment information

As per IFRS 8, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose segmental operating results are regularly reviewed by the entity's chief operating decision maker, and for which distinct financial information is available.

The Management Board, as chief operating decision maker, monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, gross margin, EBIT and EBITDA, and prepared in accordance with Directional reporting. The Company has two reportable segments:

- The Lease and Operate segment includes all earned day-rates on operating lease and operate contracts.
- The Turnkey segment includes revenues from Turnkey supply contracts and after-sales services, which consist mainly of large production systems, large mooring systems, deep water export systems, fluid transfer systems, tanker loading and discharge terminals, design services and supply of special components and proprietary designs and equipment.

No operating segments have been aggregated to form the above reportable operating segments.

The Company's corporate overhead functions do not constitute an operating segment as defined by IFRS 8 'Operating segments' and are reported under the 'Other' section in note 4.3.2 Operating Segments and Directional Reporting.

Operating segment information is prepared and evaluated based on Directional reporting for which the main principles are explained in note 4.3.2 Operating Segments and Directional Reporting.

(f) Construction work-in-progress

Construction work-in-progress represents the Company's contract assets as defined in IFRS 15. Construction work-in-progress is the Company's right to consideration in exchange for goods and services that the Company has transferred to the customer. The Company's construction work-in-progress is measured as revenue recognizable to date, less invoiced instalments. The Company recognizes any losses from onerous contracts under provisions in line with IAS 37. Further, the impairment of construction work-in-progress is measured, presented and disclosed on the same basis as financial assets that are within the scope of IFRS 9. The Company applies the simplified approach in measuring expected credit losses for construction work-in-progress. In case of construction work-in-progress balances relating to the finance lease contracts, the Company applies the low credit risk simplification of IFRS 9 for the computation of the expected credit loss. The simplification is applied as the credit risk profile of these balances has been assessed as low.

The Company recognizes a contract liability (included in 'Trade and other payables') where installments are received in advance of satisfying the performance obligation towards the customer.

(g) Demobilization obligations

The demobilization obligations of the Company are either stated in the lease contract or derived from the international conventions and the specific legislation applied in the countries where the Company operates assets. Demobilization costs will be incurred by the Company at the end of the operating life of the Company's facilities.

For operating leases, the net present value of the future obligations is included in property, plant and equipment with a corresponding amount included in the provision for demobilization. As the remaining duration of each lease reduces, and the discounting effect on the provision unwinds, accrued interest is recognized as part of financial expenses and added to the provision. The subsequent updates of the measurement of the demobilization costs are recognized both impacting the provision and the asset.

In some cases, when the contract includes a demobilization bareboat fee that the Company invoices to the client during the demobilization phase, a receivable is recognized at the beginning of the lease phase for the discounted value of the fee. These receivables are subject to expected credit loss impairment which are analyzed together with the finance lease receivable using the same methodology.

For finance leases, demobilization obligations are analyzed as a component of the sale recognized under IFRS 15. It is determined whether the demobilization obligation should be defined as a separate performance obligation. In that case, because the demobilization operation is performed at a later stage, the related revenue is deferred until the demobilization operations occur. Subsequent updates of the measurement of the demobilization costs are recognized immediately through deferred revenue, for the present value of the change.

C. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

(a) Distinction between current and non-current assets and liabilities

The Company classifies its assets as current when it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle. Inventory and construction work-in-progress are classified as current while the time when these assets are sold or consumed might be longer than twelve months. Financial assets are classified as current when they are realized within twelve months. Liabilities are classified as current when they are expected to be settled within less than twelve months and the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All other assets and liabilities are classified as non-current.

(b) Consolidation

The Company's consolidated financial statements include the financial statements of all controlled subsidiaries.

In determining under IFRS 10 whether the Company controls an investee, the Company assesses whether it has i) power over the investee, ii) exposure or rights to variable returns from its involvement, and iii) the ability to use power over investees to affect the amount of return. To determine whether the Company has power over the investee, multiple contractual elements are analyzed, among which i) voting rights of the Company at the General Meeting, ii) voting rights of the Company at Board level and iii) the power of the Company to appoint, reassign or remove other key management personnel.

For investees whereby such contractual elements are not conclusive because all decisions about the relevant activities are taken on a mutual consent basis, the main deciding feature resides then in the deadlock clause existing in shareholders' agreements. In case a deadlock situation arises at the Board of Directors of an entity, whereby the Board is unable to conclude on a decision, the deadlock clause of the shareholders' agreements generally stipulates whether a substantive right is granted to the Company or to all the partners in the entity to buy its shares through a compensation mechanism that is fair enough for the Company or one of the partners to acquire these shares. In case such a substantive right resides with the Company, the entity will be defined under IFRS 10 as controlled by the Company. In case no such substantive right is held by any of the shareholders through the deadlock clause, the entity will be defined as a joint arrangement.

Subsidiaries:

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated using the full consolidation method.

All reciprocal transactions between two controlled subsidiaries, with no profit or loss impact at consolidation level, are fully eliminated for the preparation of the consolidated financial statements.

Interests in joint ventures:

The Company has applied IFRS 11 'Joint Arrangements' to all joint arrangements. Under IFRS 11 investment in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. In determining under IFRS 11 the classification of a joint arrangement, the Company assessed that all joint arrangements were structured through private limited liability companies incorporated in various jurisdictions. As a result, assets and liabilities held in these separate vehicles were those of the separate vehicles and not those of the shareholders of these limited liability companies. Shareholders had therefore no direct rights to the assets, nor primary obligations for liabilities of these vehicles. As a result the Company has determined its joint arrangements to be joint ventures. Joint ventures are accounted for using the equity method.

Investments in associates:

Associates are all entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control over those policies. Investments in associates are accounted for using the equity method.

When losses of an equity-accounted entity are greater than the value of the Company's net investment in that entity, these losses are not recognized unless the Company has a constructive obligation to fund the entity. The share of the negative net equity of these is first accounted for against the loans held by the owner towards the equity-accounted company that forms part of the net investment. Any excess is accounted for under provisions.

Reciprocal transactions carried out between a subsidiary and an equity-accounted entity, are not eliminated for the preparation of the consolidated financial statements. Only transactions leading to an internal profit (e.g. for dividends or internal margin on asset sale) are eliminated applying the percentage owned in the equity-accounted entity.

The financial statements of the subsidiaries, associates and joint ventures are prepared for the same reporting period as the Company and the accounting policies are in line with those of the Company.

(c) Non-derivative financial assets
The Company's financial assets consist of finance lease receivables, loans to joint ventures and associates and trade and other receivables. The accounting policy on trade and other receivables is described separately.

Finance lease receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market.

Loans to joint ventures and associates relate primarily to interest-bearing loans to joint ventures. These financial assets are initially measured at fair value plus transaction costs (if any) and subsequently measured at amortized cost.

The Company classifies its financial assets at amortized cost only if both of the following criteria are met:
- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(d) Borrowings (bank and other loans) and lease liabilities
Borrowings are recognized on settlement date, being the date on which cash is paid or received. They are initially recognized at fair value, net of transaction costs incurred (transaction price), subsequently measured at amortized cost and classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized into the cost of the asset in the period in which they are incurred. Otherwise, borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowings are derecognized when the Company either discharges the borrowing by paying the creditor or is legally released from primary responsibility for the borrowing either by process of law or by the creditor.

Lease liabilities, arising from lease contracts in which the Company is the lessee, are initially measured at the net present value of the following:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Each lease payment is allocated between the lease liability and finance cost. Finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(e) Foreign currency transactions and derivative financial instruments
Foreign currency transactions are translated into the functional currency, the US dollar, at the exchange rate applicable on the transaction date. At the closing date, monetary assets and liabilities stated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. Resulting exchange gains or losses are directly recorded in

the income statement. At the closing date, non-monetary assets and liabilities stated in foreign currency remain translated into the functional currency using the exchange rate at the date of the transaction.

Translation of foreign currency income statements of subsidiaries (except for foreign operations in hyperinflationary economies) into US dollars is converted at the average exchange rate prevailing during the year. Statements of financial position are translated at the exchange rate at the closing date. Differences arising in the translation of financial statements of foreign subsidiaries are recorded in other comprehensive income as foreign currency translation reserve. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and borrowings of such investments, are taken to Company equity.

Derivative financial instruments held by the Company are aimed at hedging risks associated with market risk fluctuations. The Company uses primarily forward currency contracts and interest rate swaps to hedge foreign currency risk and interest rate risk. Further information about the financial risk management objectives and policies is included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

A derivative instrument (cash flow hedge) qualifies for hedge accounting when all relevant criteria are met. A cash flow hedge aims at reducing risks incurred by variations in the value of future cash flows that may impact net income. In order for a derivative to be eligible for hedge accounting, the following criteria must be met:

- There is an economic relationship between the hedging instrument and the hedged item.
- The effect of credit risk does not dominate the value changes resulting from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that used for risk management purposes.

All derivative instruments are recorded and disclosed in the statement of financial position at fair value. Purchases and sales of derivatives are accounted for at trade date. Where a portion of a financial derivative is expected to be realized within twelve months of the reporting date, that portion is presented as current; the remainder of the financial derivative as non-current.

Changes in fair value of derivatives designated as cash flow hedge relationships are recognized as follows:

- The effective portion of the gain or loss of the hedging instrument is recorded directly in other comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement. The gain or loss which is deferred in equity, is reclassified to the net income in the period(s) in which the specified hedged transaction affects the income statement.
- The changes in fair value of derivative financial instruments that do not qualify as hedging in accounting standards are directly recorded in the income statement.

The sources of hedge ineffectiveness are:

- The non-occurrence of the hedged item;
- The change in the principal terms of the hedged item;
- The severe deterioration of the credit risk of the Company and, or the derivative counterparty.

When measuring the fair value of a financial instrument, the Company uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. Further information about the fair value measurement of financial derivatives is included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

(f) Provisions

Provisions are recognized if and only if the following criteria are simultaneously met:

- The Company has an ongoing obligation (legal or constructive) as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- The amount of the obligation can be reliably estimated; provisions are measured according to the risk assessment or the exposed charge, based upon best-known facts.

Demobilization provisions relate to estimated costs for demobilization of leased facilities at the end of the respective lease period or operating life.

Warranty provisions relate to the Company's obligations to replace or repair defective items that become apparent within an agreed period starting from final acceptance of the delivered system. These assurance-type warranties are provided to customers on most Turnkey sales. These provisions are estimated on a statistical basis regarding the Company's past experience or on an individual basis in the case of any warranty claim already identified. These provisions are classified as current by nature as it coincides with the production cycle of the Company.

Restructuring provision is recognized by the Company when it has an obligation to restructure based upon a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The restructuring provision only includes the direct expenditures arising from the restructuring, which are those that are both necessarily incurred by the restructuring and not associated with the ongoing activities of the entity. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Other provisions include provisions like commercial claims, regulatory fines related to operations and local content penalty. In relation to local content penalty, Brazilian oil and gas contracts typically include local content requirements. These requirements are issued by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) to the winning concessionaire/consortia of auctioned Brazilian exploratory blocks or areas at the end of the bidding round, with the intention to strengthen the domestic Brazilian market and expand local employment. The owning concessionaire/consortia normally contractually passes such requirements on to, among other suppliers, the company delivering the FPSO. For the Company's Brazilian contracts, the Company assesses the execution strategy and may decide that execution of the project in locations other than Brazil is more beneficial. Such a decision takes into account factors such as optimization of overall cost of delivery, quality and timeliness. As a result, following the chosen execution strategy, the Company may expect to not meet entirely the agreed local content requirements. In such circumstances, the expected penalty to be paid, as a result of not meeting the local content requirements, is determined based on management's best estimate and recognized as provision during the construction period. The corresponding cost is expensed over the construction period of the asset.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of such items. The capital value of a facility to be leased and operated for a client is the sum of external costs (such as shipyards, subcontractors and suppliers), internal costs (design, engineering, construction supervision, etc.), third party financial costs including interest paid during construction and attributable overhead.

Subsequent costs are included in an assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The costs of assets include the initial estimate of costs of demobilization of the asset net of reimbursement expected to be received by the client. Costs related to major overhaul which meet the criteria for capitalization are included in the asset's carrying amount. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate line items of property, plant and equipment. The depreciation charge is calculated based on future anticipated economic benefits, e.g. based on the unit of production method or on a straight-line basis as follows:

- New build Fast4Ward® FPSO up to 30 years (included in vessels and floating equipment);
- Converted tankers FPSO 10-20 years (included in vessels and floating equipment);
- Floating equipment 3-15 years (included in vessels and floating equipment);
- Buildings 30-50 years;
- Other assets 2-20 years;
- Land is not depreciated.

Regarding useful lives for vessels in operation, they are usually aligned with the lease period. Useful lives and methods of depreciation are reviewed at least annually and adjusted if appropriate.

The assets' residual values are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains and losses arising on disposals or retirement of assets are determined by comparing any sales proceeds and the carrying amount of the asset. These are reflected in the income statement in the period that the asset is disposed of or retired.

Right-of-use assets related to the Company's lease contracts in which the Company is a lessee are included in Property, plant and equipment. Right-of-use assets and corresponding liabilities are recognized when the leased asset is available for use by the Company. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs; and
- Restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(h) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition, less accumulated impairment.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of the annual impairment testing.

Patents are recognized at historical cost and patents acquired in a business combination are recognized at fair value at the acquisition date when intangible assets criteria are met and amortized on a straight-line basis over their useful life, generally over 15 years.

Software is recognized at historical cost and is amortized on a straight-line basis over its useful life. The useful life of software is generally between 3 and 5 year, dependent on the type of software.

Research costs are expensed when incurred. In compliance with IAS 38, development costs are capitalized if all of the following criteria are met:

- The projects are clearly defined.
- The Company is able to reliably measure expenditures incurred by each project during its development.
- The Company is able to demonstrate the technical feasibility of the project.
- The Company has the financial and technical resources available to achieve the project.
- The Company can demonstrate its intention to complete, to use or to commercialize products resulting from the project.
- The Company is able to demonstrate the existence of a market for the output of the intangible asset, or, if it is used internally, the usefulness of the intangible asset.

When capitalized, development costs are carried at cost less any accumulated amortization. Amortization begins when the project is complete and available for use. It is amortized over the period of expected future benefit, which is generally between 3 and 5 years.

(i) Assets (or disposal groups) held for sale

The Company classifies assets or disposal groups as being held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

(j) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Inventories comprise semi-finished, finished products and the Company's Fast4Ward® Multi Purpose

Floater ('MPF') valued at cost including attributable overheads and spare parts stated at the lower of purchase price or market value. MPFs under construction are accounted for as inventories until they are allocated to awarded projects.

(k) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a maximum of 90 days and are therefore all classified as current. Trade receivables are recognized initially at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The Company applies the simplified approach in measuring expected credit losses for trade receivables.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method. Interest income, together with gains and losses when the receivables are derecognized or impaired, is recognized in the income statement.

(l) Impairment of finance lease receivables

For finance lease receivables the Company assumes that the credit risk has not increased significantly since the initial recognition if the finance lease receivable is determined to have a low credit risk at the reporting date (i.e. the Company applies the low credit risk simplification). As a result, if the finance lease receivable is determined to have a low credit risk at the reporting date, the Company recognizes a 12-month expected credit loss.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and in hand fulfilling the following criteria: a maturity of usually less than three months, highly liquid, a fixed exchange value and an extremely low risk of loss of value.

(n) Share capital

Ordinary shares and protective preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(o) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the associated tax is also recognized in other comprehensive income or directly in equity.

Income tax expenses comprise corporate income tax due in countries of incorporation of the Company's main subsidiaries and levied on actual profits. Income tax expense also includes the corporate income taxes which are levied on a deemed profit basis and revenue basis (withholding taxes in the scope of IAS 12). This presentation adequately reflects the Company's global tax burden.

(p) Deferred income tax

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided for on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Employee benefits

Pension obligations: the Company operates various pension schemes that are generally funded through payments determined by periodic actuarial calculations to insurance companies or are defined as multi-employer plans. The Company has both defined benefit and defined contribution plans:

- A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

- A defined contribution plan is a pension plan under which the Company pays fixed contributions to public or private pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions to defined contribution plans and multi-employer plans are recognized as an expense in the income statement as incurred.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations.

The expense recognized within the EBIT comprises the current service cost and the effects of any change, reduction or winding up of the plan. The accretion impact on actuarial debt and interest income on plan assets are recognized under the net financing cost.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in comprehensive income.

Share-based payments: within the Company there are four types of share-based payment plans that qualify as equity settled:
- Restricted Share Unit (RSU);
- Short-term Incentive Program of Bonus Shares and Matching Shares;
- Value Creation Stake (VCS); and
- Ownership Shares.

The estimated total amount to be expensed over the vesting period related to share-based payments is determined by (i) reference to the fair value of the instruments determined at the grant date, and (ii) non-market vesting conditions included in assumptions about the number of shares that the employee will ultimately receive. Main assumptions for estimates are revised at statement of financial position date. Total cost for the period is charged or credited to the income statement, with a corresponding adjustment to equity.

When equity instruments vest, the Company issues new shares, unless the Company has Treasury shares in stock.

Any cancellation of matching shares will lead to an accelerated expense recognition of the total fair value, with a corresponding adjustment to equity.

(r) Trade payables

Trade payables are amounts due to suppliers for goods sold or services received in the ordinary course of business. They are generally due for settlement within a maximum of 90 days and are therefore classified as current. Trade payables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.3.1 FINANCIAL HIGHLIGHTS

Impact of COVID-19 pandemic

The COVID-19 pandemic has emerged in 2020 and impacted the global economy and the demand for energy. During 2021, the challenges for and impact on many areas of the global economy due to the pandemic have persisted. Despite this, the Company has been able to continue to manage these challenges.

Offshore energy industry

The Company serves the offshore energy industry on a global basis by supplying engineered products, vessels and systems, as well as offshore energy production services. These construction and service activities are rendered based on long-term contracts. Despite of uncertainties of the global pandemic, in 2021 the Company reached a record-breaking backlog demonstrating market confidence in the Company. Consequently, the Company has a substantial proforma contractual backlog, which is not linked to the oil price, amounting to US$29.5 billion at December 31, 2021 (2020: US$21.6 billion). This provides the Company with 29 years cash flow visibility up to 2050. The pandemic and associated impact on the oil market has caused oil and gas companies to reassess their portfolios and investments. However, deep water projects in high quality resource basins rank very competitively, as illustrated by the recent several awards of contracts to the Company for *Prosperity* (FPSO) (awarded in October 2020), *FPSO Almirante Tamandaré* (awarded in February 2021), *FPSO Alexandre de Gusmão* (contract awarded November 2021), and limited scope award related to the FPSO for the Yellowtail development project. In this context, the Company continues to foresee further FPSO market opportunities, while continuing to diversify its product offering through innovative solutions for the offshore gas and renewable markets.

Based on the strength and resilience of its business model, as it has demonstrated in the past and since the beginning of the pandemic, the Company has the ability to navigate through the current uncertainties.

Operational activities

The Company was able to maintain the fleet's uptime at historical highs by minimizing the impact of COVID-19 environment on the offshore environment. In order to achieve such results, specific measures were implemented by the Company such as: (i) optimization of crew rotations (in order to adjust to the impact of international travel restrictions), (ii) implementation of prescreening protocols prior to offshore embarkation, (iii) creation of local secured quarantine facilities and (iv) development of internal Polymerase Chain Reaction (PCR) testing capability, which is now available in all operating locations. More generally, the Company's COVID-19 response strategy aims to prevent the occurrence of cases on board of the vessels and in onshore locations and to minimize impact on operations if and when cases are identified.

Construction activities were impacted during 2021 for the Company's major projects. These include travel and logistical restrictions, price inflation of materials and services, yard closures and yard and supplier capacity constraints. Project teams have continued to work closely with client teams and contractors to mitigate the impacts on projects' execution. The degree to which these challenges can be mitigated going forward varies from project to project. Based on currently known circumstances, the ultimate delivery of major projects is not considered at risk as of December 31, 2021.

Implications on 2021 Financial performance

Due to the COVID-19 pandemic, the Company incurred additional costs in order to satisfy its performance obligations on some of its Turnkey projects. This was mainly due to delay in project delivery following lockdown periods, subsequent acceleration programs negotiated with sub-contractors, international travel restrictions and remote working. The costs contribute to the progress of transfer of control of the construction asset to the customer over the construction period. When the costs are partially recharged to the Company's clients, it is considered as part of the total consideration for the project which is recognized as revenue over time.

On the Lease and Operate segment, the incremental costs from the implementation of additional measures linked to the safe management of the impacts from the COVID-19 pandemic have been partially recharged to clients within the contractual terms of reimbursable contracts

Financial risk management

The Company is proactively monitoring challenges caused by the COVID-19 pandemic. As part of this, the Company regularly assesses liquidity, credit and counterparty risks. The Company performed analyses on the credit and counterparty risks of its clients and financial partners. The analysis resulted in an assessment of no significant impact which is reflected in the US$12 million net impairment reversal on financial and contract assets over the period. This is caused by improving credit ratings of the Company's clients compared with last year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company regularly conducts various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion is that the Company's lease portfolio and the existing financing facilities and overall financing capacity are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and that it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients, the Company has considerable time under charters to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. As at December 31, 2021 the Company had a total of US$2.4 billion undrawn credit facilities and unused credit lines, which includes US$1.0 billion under its Revolving Credit Facility.

Impairment of non-financial assets

The Company assessed impairment triggers in 2021 and concluded that there were no triggers that have resulted in impairment charges of non-financial assets in 2021 result.

Successful pricing of US$850 million senior secured notes

The Company announced on February 9, 2021 the successful pricing of a US$850 million non-recourse senior secured notes transaction in a 144A/Reg S offering by a subsidiary company. The issuer of the notes is Guara Norte S.à r.l. (Guara Norte), which owns the *FPSO Cidade de Ilhabela*. The Company owns 75% of the equity in Guara Norte and the remaining 25% equity is held by Mitsubishi Corporation.

The transaction was closed on February 11, 2021 at which date the notes were issued and settlement occurred. The notes are rated Ba1 (Moody's) and BB+ (Fitch) and were priced at 99.995% of par value with a 5.198% fixed coupon which is paid semiannually. The notes are fully amortizing over the 13.5 years tenor. The notes trade on the Singapore Stock Exchange. This is the Company's first issuance of a 144A/Reg S bond and as such this offering further diversifies its sourcing for project debt.

Award for FPSO Almirante Tamandaré lease and operate contracts

On February 25, 2021, the Company announced that it has signed a Letter of Intent (LOI) together with Petróleo Brasileiro S.A. (Petrobras) for a 26.25 years lease and operate contracts for the *FPSO Almirante Tamandaré*, to be deployed at the Búzios field in the Santos Basin approximately 180 kilometers offshore Rio de Janeiro in Brazil. Subsequently in July 2021, the Company has signed the contracts in line with the terms agreed in the LOI.

Under the contract, the Company is responsible for the engineering, procurement, construction, installation and operation of the FPSO. The Company will design and construct the *FPSO Almirante Tamandaré* using its industry leading Fast4Ward® program as it incorporates the Company's new build, Multi-Purpose Floater (MPF) hull combined with several standardized topsides modules. SBM Offshore's fourth Fast4Ward® MPF hull has been allocated to this project.

The *FPSO Almirante Tamandaré* is expected to be deployed in 2024. The contract is classified as finance lease in accordance with IFRS 16 at inception of the lease.

Deep Panuke

During the first quarter of 2021 the Company received notification, effective as of April 1, 2021, from the client of the Deep Panuke project of their election, as per the final agreement signed in 2020, to pay the contractually agreed lump sum amount replacing the initial contractual charter payments up to fourth quarter 2021. The lump-sum payment (c. US$55 million) was received in April 2021. Adding the monthly contractual payments received over the first quarter of 2021, total final cash consideration received by the Company over the period amounted to US$75 million. These cash receipts were already recognized as accrued income in the statement of financial position as at December 31, 2020.

The cash balance in the debt service account combined with part of the lump-sum payment was used to redeem the outstanding debt held by the noteholders for an amount of c. US$70 million.

US$1.05 billion financing of Prosperity (FPSO)

The Company has completed the project financing of *Prosperity* (FPSO) for a total of US$1.05 billion on June 25, 2021.

The project financing was secured by a consortium of 11 international banks. The first drawdown on the project loan facility occurred in July 2021. The financing will become non-recourse once the FPSO is completed and the pre-completion guarantee has been released. The project loan has a tenor of two years post completion, in line with the duration of the charter, and carries a variable interest rate plus 1.60%.

Award of FPSO Alexandre de Gusmão lease and operate contracts

On August 3, 2021, the Company announced that it has signed with Petróleo Brasileiro S.A. (Petrobras) the Letter of Intent for a 22.5 years lease and operate contracts of *FPSO Alexandre de Gusmão*. Following this letter of intent, the Company announced on November 30, 2021 that the contracts were awarded. The unit will be deployed at the Mero field in the Santos Basin offshore Brazil, approximately 160 kilometers from Arraial do Cabo, Rio de Janeiro state, in Brazil.

The Company will design and construct the *FPSO Alexandre de Gusmão* using its industry leading Fast4Ward® program as it incorporates the Company's new build Multi-Purpose Floater (MPF) hull combined with several standardized topsides modules. The Company's fifth MPF hull has been allocated to this project. Completion of the FPSO is expected in 2024.

The contract is classified as finance lease in accordance with IFRS 16 at inception of the lease.

Completion of US$1.6 billion financing for FPSO Sepetiba

On September 16, 2021, the Company completed the project financing of *FPSO Sepetiba* for a total of US$1.6 billion, its largest ever such financing. The project financing was secured by a consortium of 13 international banks with insurance cover from Export Credit Agencies (ECA). The Company is the majority owner of this special purpose company (with 64.5% equity ownership), together with Mitsubishi Corporation (20%) and Nippon Yusen Kabushiki Kaisha (15.5%).

The facility is composed of four separate tranches with a 4.3% weighted average cost of debt, a fourteen-year post-completion maturity for the ECA covered tranches and a fifteen-year post-completion maturity on the uncovered tranches. The financing will become non-recourse once the FPSO is completed and the pre-completion guarantee has been released.

Completion of US$635 million bridge loan for FPSO Almirante Tamandaré

On the 23rd of September, the Company secured a US$635 million bridge loan facility for the financing of the construction of *FPSO Almirante Tamandaré*. The facility was secured by the special purpose company which will own *FPSO Almirante Tamandaré*. The Company was the sole owner of this special purpose company in 2021, however a divestment of 45% of the equity ownership to partners was completed on January 24, 2022.

The facility has been fully drawn over the last quarter of 2021. The tenor of the bridge loan is twelve months with an extension option for another six months. Repayment is expected to take place upon closure and first drawdown of the project loan.

Share Repurchase Program

On October 11, 2021, the Company completed its EUR150 million (US$178 million) share repurchase program. Between August 5, 2021 and October 11, 2021 a total of 9,958,318 common shares were repurchased, at an average price of EUR15.06 per share.

The repurchases were made under the EUR150 million (US$178 million) share repurchase program announced on and effective from August 5, 2021. The objective of the program was to reduce share capital and, in addition, to provide shares for regular management and employee share programs.

Award of contracts for the FPSO for the Yellowtail development project

On November 17, 2021, the Company announced that it has been awarded contracts to perform Front End Engineering and Design (FEED) for a Floating Production, Storage and Offloading vessel (FPSO) for the Yellowtail development project. The

FEED contract award triggers the initial release of funds by ExxonMobil's subsidiary Esso Exploration and Production Guyana Limited (EEPGL) to begin FEED activities and secure a Fast4Ward® hull.

Following FEED and subject to government approvals in Guyana of the development plan, project sanction including final investment decision by ExxonMobil, and EEPGL's release of the second phase of work, the Company will construct, install and then lease the FPSO and operate it for a period of up to 2 years. First oil is expected in 2025. The Company will design and construct the FPSO using its industry leading Fast4Ward® program allocating the Company's sixth new build, Multi-Purpose Hull combined with several standardized topsides modules.

In order to strengthen its execution model given the current challenging market environment, the Company established a Special Purpose Company (SPC) with McDermott for the execution of the turnkey phase of the project. This SPC will benefit from the combined engineering and fabrication capacity as well as the experience of both companies in delivering EPC solutions to the energy industry. The Company will hold 70% and McDermott will hold 30% equity ownership in this SPC. The FPSO will be fully owned by the Company.

The contract is classified as finance lease in accordance with IFRS 16 at inception of the lease.

Conclusion of legacy issue in Switzerland

In November 2020, the Company communicated that three of the Company's subsidiaries in Switzerland received a notification from the Bundesanwaltschaft (federal prosecutor's office) in Bern. It concerned a suspicion that from 2005 till 2012 these subsidiaries failed to take all reasonable and necessary organizational measures to prevent the commission of acts of active bribery of foreign public officials during said period.

On this matter, the Swiss public prosecutor has issued an investigation termination order and a criminal penalty order against the three Swiss subsidiaries, amounting to US$7.6 million.

The fact pattern and compliance shortcomings prior to 2012 that led to the Swiss penalty were also covered by the legacy resolutions the Company concluded in the Netherlands (2014), the United States (2017), and Brazil (2018). The termination of the investigation and penalty also closed this issue in Switzerland on a full and final basis.

Since 2012, the Company has implemented substantial measures to ensure that it operates with integrity and fully in line with laws, regulations and with its compliance standards. These measures were also recognized by the Swiss Public Prosecutor Office.

Contract extension for FPSO Kikeh

The Company's investee signed an agreement with its client PTTEP for an additional 6 years' extension for the lease and operate contracts of the *FPSO Kikeh* located in Malaysia. The end of the contractual lease and operate period was extended from January 2022 to January 2028. The Company is the minority owner of the lease and operating companies related to *FPSO Kikeh* with 49% equity ownership, together with MISC with 51% equity ownership. As a result of the revised terms and conditions, the contract remains classified as a Finance lease under IFRS and the Company recognized a profit of US$76 million corresponding to its share of the increase in the discounted value of future lease payment. This profit is presented in the line item 'Share of profit/(loss) of equity-accounted investees' of the 2021 consolidated Income Statement.

Under Directional segment reporting, the extended lease contract remains classified as operating lease and will follow linear revenue recognition over the extended period of lease.

Completion of US$620 million bridge loan for FPSO Alexandre de Gusmão

On December 17, 2021, the Company announced the securing of a US$620 million bridge loan facility for the financing of the construction of *FPSO Alexandre de Gusmão.*

The facility was secured by the special purpose company which will own *FPSO Alexandre de Gusmão*. Currently, SBM Offshore is the sole owner of this special purpose company. Discussions around the divestment of 45% of the equity ownership to partners continue to progress.

The facility was fully drawn in December 2021. The tenor of the bridge loan is twelve months with an extension option for another six months. Repayment is expected to take place upon closure and first drawdown of the project loan.

4.3.2 OPERATING SEGMENTS AND DIRECTIONAL REPORTING

OPERATING SEGMENTS

The Company's reportable operating segments as defined by IFRS 8 'Operating segments' are:

- Lease and Operate;
- Turnkey
- Other.

DIRECTIONAL REPORTING

Strictly for the purposes of this note, the operating segments are measured under Directional reporting, which in essence follows IFRS, but deviates on two main points:

- All lease contracts are classified and accounted for as if they were operating lease contracts under IFRS 16. Some lease and operate contracts may provide for defined invoicing ('upfront payments') to the client occurring during the construction phase or at first-oil (beginning of the lease phase), to cover specific construction work and/or services performed during the construction phase. These 'upfront payments' are recognized as revenues and the costs associated with the construction work and/or services are recognized as 'Cost of sales' with no margin during the construction. As a consequence, these costs are not capitalized in the gross value of the assets under construction.
- All investees related to Lease and Operate contracts are accounted for at the Company's share as if they were classified as joint operations under IFRS 11, whereby all lines of the income statement, statement of financial position and cash flow statement are consolidated based on Company's percentage of ownership (hereafter referred to as 'percentage of ownership consolidation'). Yards and installation vessel related joint ventures remain equity accounted.

In 2021, all other accounting principles remain unchanged compared with applicable IFRS standards.

The above differences to the consolidated financial statements between Directional reporting and IFRS are highlighted in the reconciliations provided in this note on revenue, gross margin, EBIT and EBITDA as required by IFRS 8 'Operating segments'. The Company also provides the reconciliation of the statement of financial position and cash flow statement under IFRS and Directional reporting. The statement of financial position and the cash flow statement under Directional reporting are evaluated regularly by the Management Board in assessing the financial position and cash generation of the Company. The Company believes that these disclosures should enable users of its financial statements to better evaluate the nature and financial effects of the business activities in which it engages, while facilitating the understanding of the Directional reporting by providing a straightforward reconciliation with IFRS for all key financial metrics.

SEGMENT HIGHLIGHTS

The Lease and Operate Directional Revenue and EBITDA decreased versus the year ago period mainly driven by the Deep Panuke MOPU early redelivery in July 2020. That unit has fully contributed to positive results of the Lease and Operate during the year 2020, including (i) accelerated Revenue and EBITDA recognized for US$77 million following the final settlement signed with the client and (ii) additional one-off contributions from the demobilization activities, while not contributing to the results in 2021.

The Turnkey Directional Revenue and EBITDA increased versus the year ago period, reflecting the general ramp-up of Turnkey activities with (i) five FPSO's under construction, (ii) the awarded limited scope for the FPSO for the Yellowtail development project and (iii) the increase in Offshore services business in 2021. The 2020 Turnkey EBTIDA was also impacted by US$40 million of restructuring costs following the company decision to reorganize the allocation of activities between centers to become more efficient.

2021 operating segments (Directional)

	Lease and Operate	Turnkey	**Reported segments**	Other	**Total Directional reporting**
Third party revenue	**1,509**	**733**	**2,242**	-	**2,242**
Cost of sales	(1,032)	(640)	(1,672)	-	(1,672)
Gross margin	**477**	**93**	**570**	-	**570**
Other operating income/expense	12	(2)	10	(10)	**1**
Selling and marketing expenses	(1)	(29)	(31)	(0)	**(31)**
General and administrative expenses	(29)	(41)	(70)	(76)	**(146)**
Research and development expenses	(5)	(24)	(29)	(0)	**(29)**
Net impairment gains/(losses) on financial and contract assets	(1)	1	0	2	**2**
Operating profit/(loss) (EBIT)	**452**	**(1)**	**451**	**(85)**	**366**
Net financing costs					(171)
Share of profit of equity-accounted investees					(1)
Income tax expense					(72)
Profit/(Loss)					**122**
Operating profit/(loss) (EBIT)	452	(1)	451	(85)	**366**
Depreciation, amortization and impairment	462	20	482	0	**483**
EBITDA	**914**	**19**	**933**	**(84)**	**849**
Other segment information :					
Impairment charge/(reversal)	(0)	(1)	(1)	0	**(1)**

Reconciliation of 2021 operating segments (Directional to IFRS)

	Reported segments under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	1,509	(327)	88	1,270
Turnkey	733	1,786	(42)	2,477
Total revenue	**2,242**	1,459	46	**3,747**
Gross margin				
Lease and Operate	477	48	35	560
Turnkey	93	289	(21)	362
Total gross margin	**570**	337	14	**922**
EBITDA				
Lease and Operate	914	(320)	42	636
Turnkey	19	271	(18)	271
Other	(84)	-	(0)	(84)
Total EBITDA	**849**	(49)	23	**823**
EBIT				
Lease and Operate	452	55	50	557
Turnkey	(1)	282	(20)	261
Other	(85)	-	1	(84)
Total EBIT	**366**	338	30	**734**
Net financing costs	(171)	(68)	(63)	(301)
Share of profit of equity-accounted investees	(1)	-	111	110
Income tax expense	(72)	(1)	3	(71)
Profit/(loss)	**121**	268	82	472
Impairment charge/(reversal)	(1)	(14)	4	(11)

The reconciliation from Directional reporting to IFRS comprises two main steps:

- In the first step, those lease contracts that are classified and accounted for as finance lease contracts under IFRS are restated from an operating lease accounting treatment to a finance lease accounting treatment.
- In the second step, the consolidation method is changed i) from percentage of ownership consolidation to full consolidation for those Lease and Operate related subsidiaries over which the Company has control and ii) from percentage of ownership consolidation to the equity method for those Lease and Operate related investees that are classified as joint ventures in accordance with IFRS 11.

Impact of lease accounting treatment

For the Lease and Operate segment, the restatement from an operating to a finance lease accounting treatment has the main following impacts for the 2021 period:

- Revenue reduced by US$(327) million. This primarily resulted from the two following opposite effects:
  - During the lease period, under IFRS, the revenue from finance leases is limited to that portion of charter rates that is recognized as interest using the interest effective method. Under Directional reporting, in accordance with the operating lease treatment, the full charter rate is recognized as revenue, on a straight-line basis. This resulted in a difference of US$(406) million in 2021.
  - A revenue of US$155 million (at 100%) was accounted under IFRS following the signature of an agreement for a six years extension for the lease and operate contracts of the *FPSO Kikeh* located in Malaysia. This additional revenue resulted from the qualification of the lease as a finance lease under IFRS and is reported as US$76 million (the Company's ownership share) within the '*Impact of Lease accounting treatment*' and entirely reclassified to the line item Share of profit/(loss) of equity-accounted investees' within the '*Impact of the consolidation method*' (the *FPSO Kikeh*

being accounted as per equity method under IFRS). The one-shot impact related to the extension is thus recognized at the Company's ownership share through 'Share of profit/(loss) of equity-accounted investees' under IFRS only.

- Gross margin increased by US$48 million and EBIT increased by US$55 million. This again resulted mainly from two opposite effects:
  - Under IFRS, gross margin and EBIT from finance leases equal to the recognized revenue, following the declining profile of the interest recognized using the interest effective method. On the other side, under the operating lease treatment applied under Directional, the gross margin and the EBIT correspond to the revenue and depreciation of the recognized PP&E, both accounted for on a straight-line basis over the lease period. This resulted in a difference of US $(28) million in 2021.
  - As mentioned above, *FPSO Kikeh* had a positive impact on the IFRS Gross Margin following the extension of the lease and operate contracts, to the same extent as for revenue. This additional Gross margin amounting US$76 million, recognized only under IFRS, is reported within the '*Impact of lease accounting treatment*' and entirely reclassified to the line item 'Share of profit/(loss) of equity-accounted investees' within the '*Impact of the consolidation method*'.

For the Turnkey segment, the restatement from operating to finance lease accounting treatment had the following impacts over the 2021 period:

- Revenue and gross margin increased by US$1,786 million and US$289 million respectively, mainly due to the accounting treatment of *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba, FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão* and the initial limited scope for the FPSO for the Yellowtail development project as finance leases under IFRS. Under IFRS, a finance lease is considered as if it was a sale of the asset leading to recognition of revenue during the construction of the asset corresponding to the present value of the future lease payments. This (mostly non-cash) revenue is recognized within the Turnkey segment.
- The basic impact on Turnkey EBIT is largely in line with the impact on gross margin. EBITDA impact is lower than for EBIT and gross margin due to the exclusion from EBITDA of the impact of the reassessment of residual value of finance lease receivable leading to a reversal of impairment in 2021.

As a result, the restatement from operating to finance lease accounting treatment results in an increase of net profit of US$268 million under IFRS when compared with Directional reporting.

Impact of consolidation methods

The impact of consolidation methods in the above table describes the net impact from:

- Percentage of ownership consolidation to full consolidation for those Lease and Operate related subsidiaries over which the Company has control, resulting in an increase of revenue, gross margin, EBIT and EBITDA;
- Percentage of ownership consolidation to the equity accounting method for those Lease and Operate related investees that are classified as joint ventures in accordance with IFRS 11, resulting in a decrease of revenue, gross margin, EBIT and EBITDA.

For the Lease and Operate segment, the impact of the changes in consolidation methods results in a net increase of revenue, gross margin, EBIT, EBITDA and net profit under IFRS when compared with Directional reporting. This reflects the fact that the majority of the Company's FPSOs, that are leased under finance lease contracts, are owned by subsidiaries over which the Company has control and which are consolidated using the full consolidation method under IFRS.

For the Turnkey segment, the impact of the changes in consolidation methods is limited, reflecting the fact that most of the turnkey activities are performed by subsidiaries fully owned by the Company.

2020 operating segments (Directional)

	Lease and Operate	Turnkey	**Reported segments**	Other	**Total Directional reporting**
Third party revenue	**1,699**	**669**	**2,368**	**-**	**2,368**
Cost of sales	(1,207)	(622)	(1,829)	-	(1,829)
Gross margin	**492**	**48**	**539**	**-**	**540**
Other operating income/expense	(8)	(42)	(49)	(4)	**(53)**
Selling and marketing expenses	(1)	(39)	(40)	(0)	**(40)**
General and administrative expenses	(24)	(42)	(66)	(77)	**(142)**
Research and development expenses	(2)	(22)	(24)	(0)	**(24)**
Net impairment gains/(losses) on financial and contract assets	(20)	(3)	(23)	(2)	**(25)**
Operating profit/(loss) (EBIT)	**438**	**(100)**	**337**	**(83)**	**254**
Net financing costs					(175)
Share of profit of equity-accounted investees					1
Income tax expense					(42)
Profit/(Loss)					**39**
Operating profit/(loss) (EBIT)	438	(100)	337	(83)	**254**
Depreciation, amortization and impairment[1]	671	91	762	5	767
EBITDA	**1,108**	**(9)**	**1,099**	**(78)**	**1,021**
Other segment information					
Impairment charge/(reversal)	20	61	81	0	**81**

1 Includes net impairment losses on financial and contract assets.

Reconciliation of 2020 operating segments (Directional to IFRS)

	Reported segments under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	1,699	(241)	303	1,761
Turnkey	669	1,050	16	1,735
Total revenue	**2,368**	809	319	**3,496**
Gross margin				
Lease and Operate	492	49	187	728
Turnkey	48	117	(5)	160
Total gross margin	**539**	167	183	**889**
EBITDA				
Lease and Operate	1,108	(303)	202	1,007
Turnkey	(9)	134	(11)	114
Other	(78)	-	(0)	(78)
Total EBITDA	1,021	(169)	191	**1,043**
EBIT				
Lease and Operate	438	55	186	678
Turnkey	(100)	113	(3)	10
Other	(83)	-	0	(83)
Total EBIT	**254**	168	183	**605**
Net financing costs	(175)	(31)	(51)	(257)
Share of profit of equity-accounted investees	1	-	15	17
Income tax expense	(42)	(3)	6	(38)
Profit/(loss)	39	134	154	327
Impairment charge/(reversal)	81	20	(8)	94

Reconciliation of 2021 statement of financial position (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment and Intangible assets[1]	7,234[2]	(6,750)	(2)	482
Investment in associates and joint ventures	10	-	351	361
Finance lease receivables	0	4,706	1,475	6,182
Other financial assets	281[3]	(209)	19	91
Construction work-in-progress	109	3,532	498	4,140
Trade receivables and other assets	926	1	(63)	864
Derivative financial instruments	47	-	-	47
Cash and cash equivalents	1,059	-	(38)	1,021
Assets held for sale	25	-	-	25
Total Assets	**9,690**	1,281	2,241	**13,211**
EQUITY AND LIABILITIES				
Equity attributable to parent company	603	1,969	7	2,579
Non-controlling interests	2	0	956	957
Equity	**604**	1,969	963	**3,537**
Borrowings and lease liabilities	6,460[4]	-	1,241	7,701
Provisions	590	(213)	6	383
Trade payable and other liabilities	1,479	(168)	(15)	1,295
Deferred income	316	(308)	(2)	7
Derivative financial instruments	240	-	48	288
Total Equity and Liabilities	**9,690**	1,281	2,241	**13,211**

1 Under Directional, the cost related to the Brazilian local content penalty is capitalized in line with construction progress of related assets and presented in the Directional statement of financial position under 'Property, plant and equipment and Intangible assets'. Under IFRS the same cost is directly recognized as cost of sales in the IFRS consolidated income statement

2 Includes US$3,310 million related to units under construction.

3 Includes US$246 million related to demobilization receivable.

4 Includes US$2,928 million non-recourse debt and US$57 million lease liability.

Consistent with the reconciliation of the key income statement line items, the above table details:

- The restatement from the operating lease accounting treatment to the finance lease accounting treatment for those lease contracts that are classified and accounted for as finance lease contracts under IFRS; and
- The change from percentage of ownership consolidation to either full consolidation or equity accounting for investees related to Lease and Operate contracts.

Impact of lease accounting treatment

For the statement of financial position, the main adjustments from Directional reporting to IFRS as of December 31, 2021 are:

- For those lease contracts that are classified and accounted for as finance lease contracts under IFRS, de-recognition of property, plant and equipment recognized under Directional reporting (US$(6,750) million) and subsequent recognition of (i) finance lease receivables (US$4,706 million) and (ii) construction work-in-progress (US$3,532 million) for those assets still under construction.
- For operating lease contracts with non-linear bareboat day rates, a deferred income provision is recognized to show linear revenues under Directional reporting. The part of the balance (US$(308) million) is derecognized for the contracts that are classified and accounted for as finance lease contracts under IFRS.
- Restatement of the provisions for demobilization and associated non-current receivable assets, mainly impacting other financial assets (US$(209) million) and provisions (US$(213) million).

As a result, the restatement from operating to finance lease accounting treatment gives rise to an increase of equity of US $1,969 million under IFRS compared with Directional reporting. This primarily reflects the earlier margin recognition on finance lease contracts under IFRS compared to Directional reporting.

Impact of consolidation methods

The above table of statement of financial position also describes the net impact of moving from percentage of ownership consolidation to either full consolidation, for those lease related investees in which the Company has control, or equity accounting, for those investees that are classified as joint ventures under IFRS 11. The two main impacts are:

- Full consolidation of asset specific entities that mainly comprise finance lease receivables (representing the net present value of the future lease payments to be received) and non-recourse project debts.
- Derecognition of the individual line items from the statement of financial positions for those entities that are equity accounted under IFRS, rolling up in the line item 'Investment in associates and joint ventures'.

Reconciliation of 2021 cash flow statement (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**849**	(49)	23	**823**
Adjustments for non-cash and investing items	41	(28)	51	64
Changes in operating assets and liabilities	(109)	(1,626)	(161)	(1,896)
Reimbursement finance lease assets	(0)	330	(14)	316
Income taxes paid	(66)	(0)	4	(62)
Net cash flows from (used in) operating activities	**715**	(1,373)	(98)	**(755)**
Capital expenditures	(1,483)	1,422	-	(61)
Other investing activities	68	2	(4)	66
Net cash flows from (used in) investing activities	**(1,415)**	1,424	(4)	**5**
Equity payment from/(repayment to) partners	-	-	80	80
Additions and repayments of borrowings and lease liabilities	1,945	-	90	2,035
Dividends paid to shareholders and non-controlling interests	(165)	-	(127)	(292)
Interest paid	(224)	(51)	(64)	(340)
Share repurchase program	(178)	-	-	(178)
Payments from non-controlling interests for change in ownership	0	0	53	53
Net cash flows from (used in) financing activities	**1,377**	(51)	32	**1,359**
Net cash and cash equivalents as at 1 January	383	-	31	414
Net increase/(decrease) in net cash and cash equivalents	678	-	(69)	609
Foreign currency variations	(2)	-	(0)	(2)
Net cash and cash equivalents as at 31 December	**1,059**	-	(38)	**1,021**

Impact of lease accounting treatment

At net cash level, the difference in lease accounting treatment is neutral. The impact of the different lease accounting treatment under Directional reporting versus IFRS is limited to reclassifications between cash flow activities.

A large part of the capital expenditures (US$1,422 million) are reclassified from investing activities under Directional, to net cash flows from operating activity under IFRS, where finance lease contracts are accounted for as construction contracts. Furthermore, the financing costs incurred during the construction of the FPSOs, which are capitalized under Directional as part of asset under construction (and therefore presented in investing activities) are reclassified to financing activities under IFRS.

The impact of the change of lease accounting treatment at EBITDA level is described in further detail in the earlier reconciliation of the Company's income statement.

Impact of consolidation methods

The impact of the consolidation method on the cash flow statement is in line with the impact described for the statement of financial position. The full consolidation of asset specific entities, mainly comprising finance lease receivables and the related non-recourse project debts, results in increased additions and repayments of borrowings under IFRS versus Directional.

Reconciliation of 2020 statement of financial position (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	**Total Consolidated IFRS**
ASSETS				
Property, plant and equipment and Intangible assets[1]	6,133[2]	(5,539)	(2)	592
Investment in associates and joint ventures	4	0	278	282
Finance lease receivables	0	4,941	1,546	6,487
Other financial assets	307[3]	(209)	25	122
Construction work-in-progress	69	1,862	317	2,248
Trade receivables and other assets	860	(2)	(56)	802
Derivative financial instruments	137	-	(0)	137
Cash and cash equivalents	383	-	31	414
Assets held for sale	0	-	-	0
Total Assets	**7,894**	1,053	2,138	**11,085**
EQUITY AND LIABILITIES				
Equity attributable to parent company	858	1,694	4	2,556
Non-controlling interests	1	0	905	905
Equity	**858**	1,694	909	**3,462**
Loans and borrowings	4,476[4]	-	1,147	5,623
Provisions	549	(205)	32	376
Trade payable and other liabilities	1,290	(51)	(32)	1,207
Deferred income	395	(386)	(3)	6
Derivative financial instruments	327	-	84	411
Total Equity and Liabilities	**7,894**	1,053	2,138	**11,085**

1 Under Directional, the cost related to the Brazilian local content penalty is capitalized in line with construction progress of related assets and presented in the Directional statement of financial position under 'Property, plant and equipment and Intangible assets'. Under IFRS the same cost is directly recognized as cost of sales in the IFRS consolidated income statement

2 Includes US$1,759 million related to (i) units under construction (i.e. FPSOs Liza Unity, Prosperity and Sepetiba) and (ii) Gene tanker.

3 Includes US$273 million related to demobilization receivable.

4 Includes US$3,150 million non-recourse debt and US$71 million lease liability.

Reconciliation of 2020 cash flow statement (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**1,021**	(169)	191	**1,043**
Adjustments for non-cash and investing items	52	4	(34)	23
Changes in operating assets and liabilities	(326)	(912)	(202)	(1,440)
Reimbursement finance lease assets	(0)	300	(13)	288
Income taxes paid	(51)	0	10	(42)
Net cash flows from (used in) operating activities	**696**	(777)	(48)	**(128)**
Capital expenditures	(871)	801	0	(70)
Acquisition of shares in co-owned entities	2	(0)	(2)	0
Other investing activities	33	4	16	53
Net cash flows from (used in) investing activities	**(837)**	805	15	**(17)**
Equity payment from/repayment to partners	-	-	(23)	(23)
Additions and repayments of borrowings and loans	534	0	139	673
Dividends paid to shareholders non-controlling interests	(150)	-	(83)	(233)
Interest paid	(155)	(24)	(50)	(228)
Share repurchase program	(165)	-	-	(165)
Payments to non-controlling interests for change in ownership	(0)	-	28	28
Net cash flows from (used in) financing activities	**62**	(24)	12	**50**
Net cash and cash equivalents as at 1 January	458	-	48	506
Net increase/(decrease) in net cash and cash equivalents	(80)	0	(16)	(95)
Foreign currency variations	5	(0)	(0)	5
Net cash and cash equivalents as at 31 December	**383**	-	31	**414**

Deferred income (Directional)

	31 December 2021	31 December 2020
Within one year	70	82
Between 1 and 2 years	48	67
Between 2 and 5 years	122	133
More than 5 years	77	113
Balance at 31 December	**316**	**395**

The Directional deferred income is mainly related to the revenue of those lease contracts, which include a decreasing day-rate schedule. As revenue is recognized in the income statement on a straight-line basis with reference to IFRS 16 'Leases', the difference between the yearly straight-line revenue and the contractual day rates is included as deferred income. The deferral will be released through the income statement over the remaining duration of the relevant lease contracts.

GEOGRAPHICAL INFORMATION

The classification by country is determined by the final destination of the product for both revenues and non-current assets.

The revenue by country is analyzed as follows:

2021 geographical information (revenue by country and segment)

	Directional			IFRS		
	Lease and Operate	Turnkey	**Reported segments**	Lease and Operate	Turnkey	**Reported segments**
Brazil	858	246	1,104	983	1,067	2,049
Guyana	237	300	537	159	1,217	1,377
Angola	201	4	205	0	7	8
Equatorial Guinea	102	10	113	96	10	106
Malaysia	79	2	81	1	5	5
The United States of America	31	3	34	31	3	34
France	-	37	37	-	37	37
Mozambique	-	31	31	-	31	31
Nigeria	-	32	32	-	32	32
Norway	-	12	12	-	12	12
Gabon	-	14	14	-	14	14
China	-	11	11	-	11	11
Other	0	32	32	0	32	33
Total revenue	**1,509**	**733**	**2,242**	**1,270**	**2,477**	**3,747**

2020 geographical information (revenue by country and segment)

	Directional			IFRS		
	Lease and Operate	Turnkey	**Reported segments**	Lease and Operate	Turnkey	**Reported segments**
Brazil	834	258	1,092	1,254	759	2,014
Guyana	209	141	350	135	701	836
Canada	224	2	227	224	2	227
Angola	195	7	202	0	10	10
Norway	-	114	114	-	114	114
Equatorial Guinea	97	8	105	88	8	96
Malaysia	81	9	91	1	11	12
China	-	33	33	-	33	33
The United States of America	33	2	35	33	2	35
Gabon	-	21	21	-	21	21
Korea	-	19	19	-	19	19
Nigeria	-	14	14	-	14	14
Other	25	42	67	25	42	67
Total revenue	**1,699**	**669**	**2,368**	**1,761**	**1,735**	**3,496**

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

	31 December 2021		31 December 2020	
	IFRS	DIR	IFRS	DIR
Brazil	5,364	4,526	5,709	3,933
Guyana	716	2,427	791	1,817
Angola	303	211	257	269
Equatorial Guinea	75	115	87	138
Switzerland	40	79	66	79
Monaco	40	40	57	57
Malaysia	92	11	57	43
The United States of America	36	36	50	51
Netherlands	15	15	28	28
Other	113	89	141	114
Total	**6,795**	**7,550**	**7,243**	**6,528**

RELIANCE ON MAJOR CUSTOMERS

Under Directional, two customers each represent more than 10% of the consolidated revenue. Total revenue from these two major customers amounts to US$1,476 million (US$842 million and US$634 million, respectively). In 2020, the revenue related to the two major customers was US$1,469 million (US$1,023 million and US$446 million, respectively). In 2021 and 2020, the revenue of these major customers was mainly related to the Lease and Operate segment.

Under IFRS, two customers each represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$3,406 million (US$1,998 million, US$1,408 million respectively). In 2020, three customers accounted for more than 10% of the consolidated revenue (US$2,879 million), respectively for US$1,661 million, US$867 million and US$352 million.

4.3.3 REVENUE

The Company's revenue mainly originates from construction contracts and lease and operate contracts. Revenue originating from construction contracts is presented in the Turnkey segment while revenue from lease and operate contracts is presented in the Lease and Operate segment. Around 51% of the Company's 2021 lease and operate revenue is made of charter rates related to lease contracts while the remaining amount originates from operating contracts. The Company recognizes most of its revenue (i.e. more than 95%) over time.

The Company's policy regarding revenue recognition is described in further detail in note 4.2.7 B. Critical Accounting Policies – (d) Revenue. For the disaggregation of total revenue by country and by segment, please refer to Geographical Information under note 4.3.2 Operating Segments and Directional Reporting .

The Company's construction contracts can last for multiple years depending on the type of product, scope and complexity of the project while the Company's Lease and Operate contracts are generally multiple-year contracts. As a result, the Company has (partially) outstanding performance obligations to its clients (unsatisfied performance obligations) at December 31, 2021. These unsatisfied performance obligations relate to:

- Ongoing construction contracts, including the construction of vessels under finance leases that still need to be completed;
- Ongoing multiple-year operating contracts. Note that for this specific disclosure on unsatisfied performance obligations, the lease component of the Lease and Operate contracts is excluded (this component being described in further detail in notes 4.3.13 Property, Plant and Equipment and 4.3.15 Finance Lease Receivables). As noted, some contracts include (performance) bonuses when earned or penalties incurred under the Company's Lease and Operate contracts. The amount of performance-related payments for 2021 was US$101 million (2020: US$68 million).

The following table presents the unsatisfied performance obligations as at December 31, 2021 (in billions of US$):

Unsatisfied performance obligations related to:	2021	2020
- constructions contracts including finance leases	6.0	3.0
- operating contracts	10.0	7.0
Total	16.0	10.0

The unsatisfied performance obligations for the committed construction contracts relate mostly to five major construction FPSO contracts as well as the remaining work to be performed on the award of limited scope on the FPSO for the Yellowtail development project. Revenue related to these construction contracts is expected to be recognized over the coming three years in line with the construction progress on these projects.

The unsatisfied performance obligations for the operating contracts relate to i) the Company's vessels leased to clients where the Company is the operator (both operating and finance lease contracts) and ii) one operating contract for operating services on a vessel that is owned by the client. The operating contracts end between 2022 and 2050. The Company will recognize the unsatisfied performance obligation over this period in line with the work performed.

The Company can agree on various payment arrangements which generally reflect the progress of delivered performance obligations. However, if the Company's delivered performance obligation exceeds instalments invoiced to the client, a 'Construction work-in-progress' (contract asset) is recognized (see note 4.3.20 Construction Work-In-Progress). If the instalments invoiced to the client exceed the work performed, a contract liability is recognized (see note 4.3.26 Trade and Other Payables).

As a result of various commercial discussions with clients, the Company recognized revenue amounting to US$6 million in 2021 (2020: US$28 million) originating from performance obligations satisfied in previous periods.

Lease revenue recognized for leases where the Company is the lessor, for both operating and finance leases, relates to fixed and variable lease payments. Most of the Company's revenue from lease contracts is based on fixed day rates. To the extent that lease payments are dependent on an index or a rate, they are excluded from the initial recognition of the lease payments receivable. The impact related to a change in index or a rate is recognized in the consolidated income statement when a change occurs.

4.3.4 OTHER OPERATING INCOME AND EXPENSE

	2021	2020
Insurance claim income	16	-
Gains from sale of financial participations, property, plant and equipment	2	(1)
Other operating income	1	5
Total other operating income	**19**	**4**
Other operating expenses	(12)	(1)
Impairment of other assets and onerous contracts	-	(10)
Restructuring expenses	(1)	(46)
Total other operating expense	**(13)**	**(57)**
Total	**7**	**(53)**

In 2021, the other operating income mainly included an insurance recovery of US$16 million related to the reimbursement in respect of damage on one of the Brazilian units that occurred in January 2016. The other operating expense mainly included the US$7.6 million penalty order against the Company issued by the Swiss public prosecutor in November 2021 (refer to section 4.3.1 Financial Highlights).

The decrease in expenses compared with the prior period is mainly due to restructuring expenses recognized in 2020.

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 (MNOPF). The MNOPF is a defined benefit multi-employer plan, which is closed to new members. The fund is managed by a corporate Trustee, MNOPF 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 versus 2020, explained by a lower valuation of the Value Creation Stake mainly offset by a higher STI. The Management Board's remuneration in US$ increased by US$282 thousand due to the change in foreign currency conversion.

The increased remuneration of other key personnel is mainly related to the addition of an additional member of the Executive Committee, it now has 7 members (2020: 6).

The total remuneration and associated costs of the Management Board and other key management personnel (members of the Executive Committee) is specified as follows:

Remuneration key management personnel

in thousands of US$	Base salary	STI[1]	Sharebased compensation[2]	Other[3]	Pensions[4]	Total remuneration
Management Board Members						
2021	3,109	3,486	5,818	630	840	13,883
2020	3,002	3,094	6,177	514	814	13,601
Other key personnel[5]						
2021	2,757	836	1,637	601	368	6,198
2020	2,514	427	1,492	564	204	5,201
Total 2021	**5,866**	**4,341**	**7,455**	**1,231**	**1,209**	**20,082**
Total 2020	**5,516**	**3,522**	**7,669**	**1,078**	**1,018**	**18,803**

1 For the Management Board this represents the actual STI approved by the Supervisory Board, which has been accrued over the calendar year, payment of which will be made in the following year.

2 This share-based compensation represents the period expense of share-based payments in accordance with IFRS 2.

3 Consisting of social charges, lease car expenses, and other allowances.

4 This represents company contributions to defined contribution pension plans; in case of absence of a qualifying pension scheme such contribution is paid gross, withholding wage tax at source borne by the individuals.

5 The definition of 'Other key personnel' is aligned with the Executive Committee, as disclosed on the Company's website.

The table above represents the total remuneration in US dollar, being the reporting currency of the Company.

The following table represents the movements during 2021 of all unvested shares of (former) Management Board members (the total number of vested shares held by (former) Management Board members are reported in note 4.3.23 Equity Attributable to Shareholders). As at December 31, 2021 there are no share-based incentives outstanding:

Shared-based incentives	Outstanding at the beginning of period	Granted	Vested	Outstanding at the end of period
2021	-	-	-	-
2020	247,689	-	247,689	-

SHORT-TERM INCENTIVE PROGRAM OF THE MANAGEMENT BOARD

The Short-Term Incentive Program is based upon the short-term operational performance, which includes three sets of Performance Indicators as noted below:

- Profitability;
- Growth;
- Sustainability Performance.

The Supervisory Board may adjust the outcome of the STI down by 10%. Any such adjustment would be reported in the Remuneration Report. No such reduction has been made for 2021 or 2020.

For 2021 (equal to 2020), the Supervisory Board concluded that the Company's performance indicators had outcomes ranging from threshold to maximum. For the year 2021 a total of seven performance indicators were established (2020: seven). The Company's performance resulted in performance of 133% (2020: 122%) of salary for the CEO and 100% (2020: 92%) for the other Management Board members.

VALUE CREATION STAKE SHARES OF THE MANAGEMENT BOARD

Under the Remuneration Policy 2018, the members of the Management Board are entitled to a Value Creation Stake, being a number of shares determined by a four-year average share price (volume weighted). These shares vest immediately upon the award date, and must be retained for five years from the vesting date, or – in the event of retirement or termination – two years after such event.

Number of issued shares	2021	2020
Total	313,239	324,875

The number of shares granted is based upon 175% of the individual's base salary and determined by the 4-year average volume-weighed share price (VWAP) over the years 2017 through 2020 (2020: 2016 through 2019), being EUR14.69 (2020: EUR14.16). The grant date fair value of these shares upon issue was EUR15.71, being the opening share price of January 3, 2021 (2020: EUR16.74).

RESTRICTED SHARE UNIT (RSU) PLANS

The number of shares granted under the RSU plan in 2021 was 754,450 (2020: 638,780), with the three year employment period starting on January 1, 2021 (2020: January 1, 2020).

The annual RSU award is based on individual performance. The RSU plans themselves have no performance condition, only a service condition, and will vest at the end of three years' continuing service. The fair value is determined based on the share price at the grant dates, with an adjustment for the present value of the expected dividends during the vesting period.

	2021	2020
RSU grant date fair value per share	€ 11.89	€ 10.41

For RSUs, a vesting probability (based on expectations on for example the number of employees leaving the Company before the vesting date of their respective RSU plan) of 5% is assumed. The Company periodically reviews this estimate and aligns to the actual forfeitures.

OWNERSHIP SHARES

Ownership Shares is an annual award in shares to compensate the overall STI target reduction of 3-6% of annualized gross salary under the Company's 2019 STI plan awarded to employees based on seniority. The Ownership Shares have no performance conditions, only a service condition. The Ownership Shares are subject to a three-year holding requirement after the grant date. This means that a fixed population of onshore employees, based on seniority in the Company, are eligible to the Ownership Shares equal to 4-8% of annualized gross salary.

The total number of Ownership Shares that vested during 2021 was 90,189 shares (2020: 95,681). The fair value of the Ownership Shares is measured at the opening share price of February 1, 2021.

	2021	2020
Ownership Shares grant date fair value per share	€ 14.21	€ 11.78

MATCHING SHARES

Under the STI plans for the management and staff of the Company, 20% of the STI is or can be paid in shares. Subject to a vesting period of four years, an identical number of shares (matching shares) will be issued to participants, assuming a probability of 95%. The Company periodically reviews this estimate and aligns to the actual forfeitures. The grant date fair value is measured indirectly based on the grant date price of the equity instrument, with an adjustment for the present value of the expected dividends during the vesting period.

The assumptions included in the calculation for the matching shares are:

	2021	2020
Matching shares grant date fair value per share	€ 13.40	€ 10.75

TOTAL SHARE-BASED PAYMENT COSTS

The amounts recognized in operating profit for all share-based payment transactions have been summarized by taking into account both the provisional awards for the current year and the additional awards related to prior years. Total share-based compensation has slightly decreased in comparison to 2020.

2021	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	15,153	4,523	**19,676**
Total expenses 2021	**15,153**	**4,523**	**19,676**

2020	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	15,288	4,780	**20,068**
Total expenses 2020	**15,288**	**4,780**	**20,068**

Rules of conduct with regard to inside information are in place to ensure compliance with the act on financial supervision. For example these rules forbid the exercise of options or other financial instruments during certain periods, more specifically when an employee is in possession of price-sensitive information.

The movement in the outstanding number of shares which could potentially vest at a point in time under the Company share-based payment plans is illustrated in the following table.

in number of shares	2021	2020
Outstanding at 1 January	**2,530,336**	**1,991,476**
Granted	1,734,267	1,631,655
Vested	(1,090,015)	(955,922)
True-up at vesting		
Cancelled or forfeited	(263,863)	(136,873)
Total movements	**380,389**	**538,860**
Outstanding at 31 December	**2,910,725**	**2,530,336**

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board amounted to EUR656,000 (2020: EUR741,000) and can be specified as follows:

	2021			2020		
in thousands of EUR	Basic remuneration	Committees	Total	Basic remuneration	Committees	Total
Total	**579**	**77**	**656**	**659**	**82**	**741**

There are no share-based incentives granted to the members of the Supervisory Board. Nor are there any loans outstanding to the members of the Supervisory Board or guarantees given on behalf of members of the Supervisory Board.

NUMBER OF EMPLOYEES

Number of employees (by operating segment)

	2021		2020	
By operating segment:	Average	Year-end	Average	Year-end
Lease and Operate	1,872	1,971	1,714	1,772
Turnkey	1,898	1,999	1,790	1,796
Other	496	522	473	470
Total excluding employees working for JVs and associates	**4,265**	**4,492**	**3,976**	**4,038**
Employees working for JVs and associates	532	527	531	536
Total	**4,797**	**5,019**	**4,507**	**4,574**

Number of employees (by geographical area)

By geographical area:	2021 Average	2021 Year-end	2020 Average	2020 Year-end
the Netherlands	430	424	444	435
Worldwide	3,836	4,068	3,532	3,603
Total excluding employees working for JVs and associates	**4,265**	**4,492**	**3,976**	**4,038**
Employees working for JVs and associates	532	527	531	536
Total	**4,797**	**5,019**	**4,507**	**4,574**

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits. The increase in headcount is primary due to 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.

4.3.7 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to US$29 million (2020: US$24 million) and mainly relate to the internal projects 'Digital FPSO' and Renewables development costs.

The amortization of development costs recognized in the statement of financial position is allocated to cost of sales when the developed technology is used through one or several projects. Otherwise, it is allocated to research and development expenses.

4.3.8 NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL AND CONTRACT ASSETS

In the context of recovering oil and gas market and raising oil price, the Company's clients' credit ratings generally have significantly improved comparing to 2020 despite the remaining uncertainties regarding the COVID-19 pandemic. As part of the regular update of 'Impairment gains/(losses) on financial and contract assets', the Company has therefore recognized an overall net impairment gain of US$12 million (December, 2020: loss of US$(24) million).

During the year, the following gains/(losses) related to credit risks were recognized:

	2021	2020
Impairment losses		
- Movement in loss allowance for trade receivables	0	(1)
- Movement in loss allowance for construction work-in-progress	3	(4)
- Movement in loss allowance for finance lease receivables	1	(1)
- Movement in loss allowance for other assets	2	(18)
(Impairment)/impairment reversal losses on other financial assets	7	-
Net impairment gains/(losses) on financial and contract assets	**12**	**(24)**

During the year 2021, the Company recognized a partial impairment reversal of a funding loan provided to an equity accounted joint venture. The impairment reversal of US$7 million was recognized based on updated forecasted cash available at the level of the joint venture.

4.3.9 NET FINANCING COSTS

	2021	2020
Interest income on loans & receivables	1	3
Interest income on investments	1	3
Net foreign exchange gain	-	2
Other financial income	1	1
Financial income	**3**	**9**
Interest expenses on financial liabilities at amortized cost	(202)	(181)
Interest expenses on hedging derivatives	(99)	(76)
Interest expenses on lease liabilities	(2)	(5)
Interest addition to provisions	(1)	(1)
Net cash flow hedges ineffectiveness	-	(3)
Other financial expenses	0	(0)
Financial expenses	**(304)**	**(265)**
Net financing costs	**(301)**	**(257)**

The increase in net financing costs is mainly due to: (i) higher interest expenses as a result of the Company's new project financing obtained for projects under construction, namely project financing of *FPSO Sepetiba* and *Prosperity* (FPSO), as well as bridge loan for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, and (ii) refinancing of *FPSO Cidade de Ilhabela* through non-recourse senior secured notes transaction. Additionally the Company incurred in 2021 one-off additional financial expenses mostly related to *FPSO Cidade de Ilhabela* refinancing.

4.3.10 INCOME TAX EXPENSE

The relationship between the Company's income tax expense and profit before income tax (referred to as 'effective tax rate') can vary significantly from period to period considering, among other factors: (i) changes in the blend of income that is taxed based on revenues versus profit; (ii) the different statutory tax rates in the location of the Company's operations and (iii) the possibility to recognize deferred tax assets on tax losses to the extent that suitable future taxable profits will be available.

Some of the taxes are withholding taxes (paid on revenues). The assessment of whether the withholding tax is in scope of IAS 12 is judgmental; the Company performed this assessment in the past and some of the withholding taxes that the Company pays in certain countries qualify as income taxes as it creates an income tax credit or it is considered as deemed profit taxation.

Consequently, income tax expense does not change proportionally with profit before income taxes. Significant decreases in profit before income tax typically lead to a higher effective tax rate, while significant increases in profit before income taxes can lead to a lower effective tax rate, subject to the other factors impacting income tax expense noted above. Additionally, where a deferred tax asset is not recognized on a loss carry forward, the effective tax rate is impacted by the unrecognized tax loss.

The components of the Company's income taxes were as follows:

Income tax recognized in the consolidated Income Statement

	Note	2021	2020
Corporation tax on profits for the year		(73)	(47)
Adjustments in respect of prior years		14	(1)
Movements in uncertain tax positions		3	-
Total current income tax		**(56)**	**(48)**
Deferred tax	*4.3.17*	(14)	10
Total		**(71)**	**(38)**

The Company's operational activities are subject to taxation at rates, which range up to 35% (2020: 35%).

For the year ended December 31, 2021, the respective tax rates, the change in the blend of income tax based on income withholding tax and deemed profit assessment versus income tax based on net profit, the unrecognized deferred tax asset on certain tax losses, tax-exempt profits and non-deductible costs resulted in an effective tax on continuing operations of 16% (2020: 11%).

The reconciliation of the effective tax rate is as follows:

Reconciliation of total income tax charge

	2021		2020	
	%		%	
Profit/(Loss) before income tax		**543**		**366**
Share of profit of equity-accounted investees		110		17
Profit/(Loss) before income tax and share of profit of equity-accounted investees		**433**		**349**
Income tax using the domestic corporation tax rate (25% for the Netherlands)	25%	(108)	25%	(87)
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other jurisdictions	(8%)	34	(24%)	82
Withholding taxes and taxes based on deemed profits	10%	(45)	5%	(18)
Non-deductible expenses	7%	(30)	20%	(71)
Non-taxable income	(21%)	91	(25%)	87
Adjustments related to prior years	(3%)	14	0%	(1)
Adjustments recognized in the current year in relation to deferred income tax of previous year	2%	(11)	(3%)	9
Effects of unrecognized and unused current tax losses not recognized as deferred tax assets	4%	(18)	11%	(39)
Movements in uncertain tax positions	(1%)	3	0%	(1)
Total tax effects	**(9%)**	**38**	**(14%)**	**48**
Total of tax charge on the Consolidated Income Statement	**16%**	**(71)**	**11%**	**(38)**

The 2021 effective tax rate of the Company was primarily impacted by the higher taxes paid in relation to Brazilian fleet, caused by the change in the tax rules applied on charter revenues. For reference, in 2020 the corporate income tax charge was also positively impacted by deferred tax recognition in Canada and Switzerland. Similar to last year, the effective tax was also impacted by unrecognized deferred tax assets concerning Brazil, USA, Switzerland, Luxembourg, Monaco and the Netherlands.

Details of the withholding taxes and other taxes are as follows:

Withholding taxes per country

	2021	2020
Withholding Tax and Overseas Taxes (per location)	Withholding tax	Withholding tax
Angola	-	(1)
Brazil	(23)	(6)
Guyana	(20)	(9)
Other	(2)	(2)
Total withholding and overseas taxes	**(45)**	**(18)**

Brazil withholding tax

The Company incurred a higher withholding tax charge in 2021 in relation to its Brazilian fleet time charter revenue. This is a consequence of change of Brazilian tax law that applied in late December 2020. Four more units are now subject to this taxation with an impact of US$17 million of additional corporate income tax charge in 2021.

Guyana withholding tax

The Company's construction and lease activities are subject of Guyanese withholding tax. The increase of the withholding tax charge in 2021 compared with 2020 relates mainly to the level of construction activities. In 2021, the Company provided specific construction and engineering work subject of the Guyanese withholding tax related mainly to *Liza Unity* (FPSO) approaching finalization of the project (e.g. readiness for operation), while the Company did not incur similar level of activities subject of the withholding tax in 2020.

TAX RETURNS AND TAX CONTINGENCIES

The Company files federal and local tax returns in several jurisdictions throughout the world. Tax returns in the major jurisdictions in which the Company operates are generally subject to examination for periods ranging from three to six years. Tax authorities in certain jurisdictions are examining tax returns and in some cases have issued assessments. The Company believes there is a sound basis for its tax positions in those jurisdictions. The Company provides for taxes that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. While the Company cannot predict or provide assurance as to the final outcome of these proceedings, the Company does not expect the ultimate liability to have a material effect on its consolidated statement of financial position or results of operations, although it could have a significant adverse effect on its consolidated cash flows.

Each year management completes a detailed review of uncertain tax positions across the Company and makes provisions based on the probability of the liability arising. The principal risks that arise for the Company are in respect of permanent establishment, transfer pricing and other similar international tax issues. In common with other international groups, the difference in alignment between the Company's global operating model and the jurisdictional approach of tax authorities often leads to uncertainty on tax positions.

As a result of the above, in the period, the Company recorded a net tax decrease of US$33 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. This decrease is primarily in relation to uncertain tax positions other than corporate income tax. However it is possible that the ultimate resolution of the tax exposures could result in tax charges that are materially higher or lower than the amount provided.

The Company conducts operations through its various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, the Company may identify changes to previously evaluated tax positions that could result in adjustments to its recorded assets and liabilities. Although the Company is unable to predict the outcome of these changes, it does not expect the effect, if any, resulting from these adjustments to have a material effect on its consolidated statement of financial position, results of operations or cash flows.

4.3.11 EARNINGS/(LOSS) PER SHARE

The basic earnings per share for the year amounted to US$2.18 (2020: US$1.00); the fully diluted earnings per share amounted to US$2.16 (2020: US$1.00).

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive shares into ordinary shares.

The following reflects the share data used in the basic and diluted earnings per share computations:

Earnings per share

	2021	2020
Earnings attributable to shareholders (in thousands of US$)	400,297	190,641
Number of shares outstanding at January 1 (excluding treasury shares)	185,314,742	196,227,113
Average number of treasury shares transferred to employee share programs	1,247,857	914,487
Average number of shares repurchased / cancelled	(2,845,444)	(7,331,229)
Weighted average number of shares outstanding	**183,717,155**	**189,810,371**
Impact shares to be issued	-	-
Weighted average number of shares (for calculations basic earnings per share)	**183,717,155**	**189,810,371**
Potential dilutive shares from stock option scheme and other share-based payments	1,927,813	1,651,613
Weighted average number of shares (diluted)	**185,644,968**	**191,461,984**
Basic earnings per share in US$	2.18	1.00
Fully diluted earnings per share in US$	2.16	1.00

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for the issuance of Value Creation Stake shares for the Management Board, Ownership Shares for the Company's senior management and the Matching Shares and RSUs that have vested on January 1, 2022 (see note 4.3.6 Employee Benefit Expenses).

4.3.12 DIVIDENDS PAID AND PROPOSED

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company proposes to pay out a dividend of US$1 per share, equivalent to c.US$180[1]million, to be paid out of retained earnings. This dividend will be proposed at the Annual General Meeting on April 6, 2022. This represents an increase of 13% compared to the US$0.8854 dividend per share paid in 2021.

4.3.13 PROPERTY, PLANT AND EQUIPMENT

The line item 'Property, plant and equipment' consists of property, plant and equipment owned by the Company and right-of-use assets:

Property, plant and equipment (summary)

	31 December 2021	31 December 2020
Property, plant and equipment excluding leases	351	490
Right-of-use assets	45	52
Total	**396**	**542**

[1] Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date. The amount disclosed is based on the number of shares outstanding less the treasury shares held at December 31, 2021.

PROPERTY, PLANT AND EQUIPMENT OWNED BY THE COMPANY

The movement of the Property, plant and equipment during the year 2021 is summarized as follows:

2021

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	67	2,751	93	11	**2,922**
Accumulated depreciation and impairment	(35)	(2,335)	(61)	(0)	**(2,431)**
Book value at 1 January	**32**	**416**	**32**	**11**	**490**
Additions	0	0	4	(0)	**4**
Disposals	0	(23)[1]	0	0	**(23)**
Depreciation	(6)	(74)	(11)	-	**(91)**
Impairment	-	(0)	-	0	**0**
Foreign currency variations	(2)	(0)	(2)	0	**(3)**
Other movements	1	(23)[2]	4	(6)	**(24)**
Total movements	**(6)**	**(121)**	**(4)**	**(6)**	**(138)**
Cost	63	1,741	83	4	**1,891**
Accumulated depreciation and impairment	(38)	(1,446)	(55)	-	**(1,540)**
Book value at 31 December	**25**	**295**	**28**	**4**	**351**

1 Disposals mainly relate to the sale of the Gene vessel

2 Other movements mainly relate to the reclassification of the DSCV Installer as Asset Held For Sale

2020

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	57	3,299	82	22	**3,460**
Accumulated depreciation and impairment	(28)	(2,490)	(52)	-	**(2,570)**
Book value at 1 January	**29**	**809**	**30**	**22**	**890**
Additions	4	35	10	(3)	**46**
Disposals	-	(126)[1]	(0)	-	**(126)**
Depreciation	(5)	(279)	(10)	-	**(294)**
Impairment	-	(24)	-	(0)	**(24)**
Foreign currency variations	2	-	1	0	**3**
Other movements	1	-	2	(8)	**(5)**
Total movements	**2**	**(394)**	**3**	**(11)**	**(400)**
Cost	67	2,751	93	11	**2,921**
Accumulated depreciation and impairment	(35)	(2,335)	(61)	(0)	**(2,431)**
Book value at 31 December	**32**	**416**	**32**	**11**	**490**

1 The net disposal amount for FPSO Espirito Santo of US$126 million consists of historical cost of US$584 million less accumulated depreciation of US$458 million.

During the 2021 period, the following main events occurred regarding owned property, plant and equipment:

- US$91 million of annual depreciation charges, following the normal depreciation schedule;
- A decrease in net book value in Vessels and floating equipment of US$23 million due to the disposal of the Gene vessel;
- A reclassification of US$25 million due to the recognition of DSCV SBM Installer as asset held for sale. As announced on August 21, 2020, the Company had the intention to sell DSCV SBM Installer. Following this announcement, the Company successfully signed a memorandum of understanding with a suitable buyer on November 12, 2021. As agreed upon with the buyer the vessel had to undergo maintenance prior to the handover, which occurred in January 2022. The Company sold the vessel for US$34 million (net of costs to sell) and related gain on sale of US$8 million shall be recognized in 2022.

Property, plant and equipment at year-end comprises of:

- Two (2020: two) integrated floating production, storage and offloading systems (FPSOs) (namely *FPSO Capixaba* and *FPSO Cidade de Anchieta*) each consisting of a converted tanker, a processing plant and one mooring system. These two FPSOs are leased to third parties under an operating lease contract;
- One semi-submersible production platform, the *Thunder Hawk* (2020: one), leased to third parties under an operating lease contract;

The depreciation charge for the semi-submersible production facility *Thunder Hawk* is calculated based on its future anticipated economic benefits, resulting in a depreciation plan based on the unit of production method. All other property, plant and equipment is depreciated on a straight-line basis.

Company-owned property, plant and equipment with a carrying amount of US$253 million (2020: US$282 million) has been pledged as security for liabilities, mainly for external financing.

No interest has been capitalized during the financial year as part of the additions to property, plant and equipment (2020: nil).

RIGHT-OF-USE ASSETS

As of December 31, 2021, the Company leases buildings and cars. The movement of the right-of-use assets during the year 2021 is summarized as follows:

2021

	Buildings	Other fixed assets	Total
Book value at 1 January	**52**	**1**	**52**
Additions	9	1	**10**
Disposals	(1)	0	**(1)**
Depreciation	(12)	(1)	**(12)**
Impairment	(0)	-	**(0)**
Foreign currency variations	(3)	(0)	**(3)**
Other movements	(1)	-	**(1)**
Total movements	**(8)**	**0**	**(8)**
Cost	86	2	**88**
Accumulated depreciation and impairment	(42)	(1)	**(43)**
Book value at 31 December	**44**	**1**	**45**

2020

	Buildings	Vessels and floating equipment	Other fixed assets	Total
Book value at 1 January	**59**	**55**	**1**	**115**
Additions	11	-	1	**12**
Depreciation	(14)	(4)	(1)	**(19)**
(Impairment)/impairment reversal	(6)	(51)	-	**(57)**
Foreign currency variations	2	-	0	**2**
Other movements	0	-	(1)	**(1)**
Total movements	**(7)**	**(55)**	**(1)**	**(63)**
Cost	93	20	3	**116**
Accumulated depreciation and impairment	(41)	(20)	(2)	**(64)**
Book value at 31 December	**52**	**-**	**1**	**52**

During the year 2021, the main movements regarding right-of-use assets related to US$12 million of depreciation charges.

Office leases

Significant contracts under buildings relate to the lease of offices. The remaining contract periods of the Company's office rentals vary between one to ten years and most of the contracts include extension options between three to five years. The extension options have been taken into account in the measurement of lease liabilities when the Company is reasonably certain to exercise these options. The lease agreements do not impose any covenants.

OPERATING LEASES AS A LESSOR

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements which terminate between 2022 and 2030. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the vessels and floating equipment

	31 December 2021	31 December 2020
Cost	1,741	2,683
Accumulated depreciation and impairment	(1,447)	(2,317)
Book value at 31 December	**294**	**367**

In December 2021, the units included under leased facilities are *FPSO Capixaba*, *FPSO Cidade de Anchieta* and the semi-sumersible production facility *Thunder Hawk*. The book value of the leased facilities included in the vessels and floating equipment has decreased by US$73 million mainly due to depreciation.

The nominal values of the future expected bareboat receipts (undiscounted lease payments) in respect of the remaining operating lease contracts are:

Nominal values of the future expected bareboat receipts

	31 December 2021	31 December 2020
Within 1 year	146	277
2 years	109	145
3 years	107	95
4 years	100	94
5 years	90	92
After 5 years	313	399
Total	**865**	**1,103**

A number of agreements have extension options, which have not been included in the above table.

Purchase and termination options in operating lease contracts

The operating lease contract of semi-submersible *Thunder Hawk* includes a call option for the client to purchase the underlying asset. The exercise of this call option would have resulted in a gain for the Company as of December 31, 2021.

4.3.14 INTANGIBLE ASSETS

2021

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	29	24	31	19	**103**
Accumulated amortization and impairment	(20)	(14)	-	(19)	**(54)**
Book value at 1 January	**8**	**10**	**31**	**0**	**50**
Additions	5	4	36	-	**46**
Amortization	(5)	(4)	-	-	**(9)**
Total movements	**0**	**(0)**	**35**	**-**	**36**
Cost	34	25	67	19	**145**
Accumulated amortization and impairment	(25)	(15)	-	(19)	**(59)**
Book value at 31 December	**9**	**11**	**67**	**0**	**86**

2020

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	34	16	-	19	**69**
Accumulated amortization and impairment	(16)	(11)	-	(19)	**(46)**
Book value at 1 January	**18**	**5**	**-**	**0**	**23**
Additions	4	8	18	-	**30**
Amortization	(4)	(3)	-	-	**(7)**
Other movements	(9)	0	13	-	**4**
Total movements	**(9)**	**5**	**31**	**-**	**27**
Cost	29	24	31	19	**103**
Accumulated amortization and impairment	(20)	(14)	-	(19)	**(53)**
Book value at 31 December	**9**	**10**	**31**	**0**	**50**

The increase in Intangible Assets Under Construction mainly relates to costs capitalized relating to the design and implementation of the migration to the new global ERP system, the capitalization of software licenses and other capital expenditures related to the IT infrastructure upgrade project.

In 2021, the Company did not recognize any impairment related to intangible assets.

Amortization of development costs is included in 'Research and development expenses' in the income statement in 2021 for US$5 million (2020: US$4 million).

Amortization of software is included in 'General and administrative expenses' in the income statement in 2021 for US$4 million (2020: US$3 million).

4.3.15 FINANCE LEASE RECEIVABLES

The reconciliation between the total gross investment in the lease and the net investment in the lease at the statement of financial position date is as follows:

Finance lease receivables (reconciliation gross/net investment)

	31 December 2021	31 December 2020
Gross receivable	9,729	10,511
Less: unearned finance income	(3,547)	(4,023)
Total	**6,182**	**6,488**
Of which		
Current portion	339	317
Non-current portion	5,843	6,171

As of December 31, 2021, finance lease receivables relate to the finance lease of:
- *Liza Destiny* (FPSO), which started production in December 2019 for a charter of 10 years;
- *FPSO Cidade de Marica*, which started production in February 2016 for a charter of 20 years;
- *FPSO Cidade de Saquarema*, which started production in July 2016 for a charter of 20 years;
- *FPSO Cidade de Ilhabela*, which started production in November 2014 for a charter of 20 years;
- *FPSO Cidade de Paraty*, which started production in June 2013 for a charter of 20 years;
- *FPSO Aseng*, which started production in November 2011 for a charter of 15 years;
- *FPSO Espirito Santo*, which started production in January 2009 for a charter of 15 years until December 2023, and which was extended in December 2020 until December 2028.

The decrease in finance lease receivable is driven by the regular redemptions as per the payment plans of lease contracts.

Unguaranteed residual values

Included in the gross receivable is an amount related to unguaranteed residual values (i.e. scrap value of units). The total amount of unguaranteed residual values at the end of the lease term amounts to US$69 million as of December 31, 2021 (2020: US$49 million). The 2021 reassessment of unguaranteed residual values resulted in an impairment reversal of US$10 million due to the increase of scrap value of units.

As per the contractual terms, gross receivables should be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

	31 December 2021	31 December 2020
Less than 1 year	802	803
Between 1 and 2 years	802	802
Between 2 and 5 years	2,415	2,408
More than 5 years	5,711	6,498
Total Gross receivable	**9,729**	**10,511**

The following part of the net investment in the lease is included as part of the current assets within the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2021	31 December 2020
Gross receivable	802	803
Less: unearned finance income	(463)	(486)
Current portion of finance lease receivable	**339**	**317**

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables taking into account the risk of recoverability. The Company performed an assessment, which concluded that the credit risk for these receivables has not increased significantly since the initial recognition. The Company does not hold any collateral as security.

Purchase and termination options

The finance lease contracts of *FPSO Aseng* and *Liza Destiny* (FPSO), where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early. If the client would have exercised the purchase option for *FPSO Aseng* as of December 31, 2021 this would have resulted in a gain for the Company, while the exercise of the early termination option under which the Company would retain the vessel, would have resulted in a near breakeven result. If the client would have exercised the purchase option for *Liza Destiny* (FPSO) as of December 31, 2021 this would have resulted in a near breakeven result for the Company while the exercise of the early termination option under which the Company would retain the vessel would have resulted in a gain.

The finance lease contract of *FPSO Espirito Santo* includes a call option for the client to terminate the contract early without obtaining the underlying asset. The exercise of the early termination option would have resulted in a non-significant loss for the Company as of December 31, 2021.

The finance lease contracts of *Liza Unity* (FPSO), *Prosperity* (FPSO) (all under construction as per December 31, 2021) contain options for the client to purchase the underlying asset or terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

4.3.16 OTHER FINANCIAL ASSETS

The breakdown of the non-current portion of other financial assets is as follows:

	31 December 2021	31 December 2020
Non-current portion of other receivables	38	80
Sublease receivables	2	2
Non-current portion of loans to joint ventures and associates	42	32
Total	**82**	**114**

The decrease in the Non-current portion of other receivables mainly related to the reclassification as current other receivables of the receivable associated with the demobilization of *FPSO Capixaba* expected in 2022.

The current portion of (i) other receivables and sublease receivables and (ii) loans to joint ventures and associates is included within the 'Trade and other receivables' in the statement of financial position.

In relation to the exposure to credit risk at the reporting date on the carrying amount of the interest-bearing loans, non-current portion of other receivables and sublease receivable, please refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets and note 4.3.28 Financial Instruments – Fair Values and Risk Management for the risk of recoverability (i.e. for expected credit losses). The Company does not hold any collateral as security.

The breakdown of loans to joint ventures and associates is presented below.

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2021	31 December 2020
Current portion of loans to joint ventures and associates	*4.3.19*	9	14
Non-current portion of loans to joint ventures and associates		42	32
Total	*4.3.32*	**51**	**46**

The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to joint ventures and associates, taking into account the risk of recoverability. The Company does not hold any collateral as security.

4.3.17 DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities and associated net positions are summarized as follows:

Deferred tax positions (summary)

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	-	-	28	-	28
Tax losses	6	-	6	9	-	9
Other	7	18	(11)	9	37	(28)
Book value at 31 December	**13**	**18**	**(5)**	**46**	**37**	**9**

Movements in net deferred tax positions

		2021	2020
	Note	Net	Net
Deferred tax at 1 January		**9**	**(1)**
Deferred tax recognized in the income statement	*4.3.10*	(14)	10
Foreign currency variations		(1)	0
Total movements		**(15)**	**10**
Deferred tax at 31 December		**(5)**	**9**

Expected realization and settlement of deferred tax positions is within 8 years. The current portion of the net deferred tax position as of December 31, 2021 amounts to US$3 million. The deferred tax losses are expected to be recovered based on the anticipated profit in the applicable jurisdiction. The Company has US$18 million (2020: US$39 million) of deferred tax assets unrecognized in 2021 due to current tax losses not valued. The term in which these unrecognized deferred tax assets could be settled depends on the respective tax jurisdiction and ranges from five years to an unlimited period of time.

The non-current portion of deferred tax assets amounts to US$10 million (2020: US$14 million). On a cumulative basis a total amount of US$257 million at the end of 2021 (2020: US$216 million) corresponds to deferred tax assets basis unrecognized on temporary differences, unused tax losses and tax credits.

In 2021, the Company fully released deferred tax positions related to the Deep Panuke MOPU which was located in Canada (deferred tax asset of US$28 million, deferred tax liability of US$24 million) due to the final cash settlement of lease agreement by the client (see below the table 'Deferred tax positions per location', specifically Canada).

Deferred tax in connection with unused tax losses carried forward, temporary differences and tax credits:

	31 December 2021	31 December 2020
Unused tax losses carried forward, temporary differences and tax credits not recognised as a deferred tax asset	257	216
Unused tax losses carried forward, temporary differences and tax credits recognised as a deferred tax asset	13	46
Total	**270**	**262**

Expiry date on deferred tax assets unrecognized on temporary differences, unused tax losses and tax credits:

	31 December 2021	31 December 2020
Within one year	21	15
More than a year but less than 5 years	12	15
More than 5 years but less than 10 years	3	1
More than 10 years but less than 20 years	60	82
Unlimited period of time	161	103
Total	**257**	**216**

Deferred tax assets per location are as follows:

Deferred tax positions per location

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Canada	-	-	-	28	24	4
Guyana	-	18	(18)	-	13	(13)
Monaco	3	-	3	4	-	4
Switzerland	7	-	7	9	-	9
the Netherlands	3	-	3	3	-	3
Brazil	-	-	-	2	-	2
Other	-	-	-	-	-	-
Book value at 31 December	**13**	**18**	**(5)**	**46**	**37**	**9**

4.3.18 INVENTORIES

	31 December 2021	31 December 2020
Materials and consumables	11	9
Goods for resale	3	4
Multi-purpose floaters under construction	-	129
Total	**14**	**143**

Multi-purpose floaters ('MPFs') under construction relate to the ongoing EPC phase of Fast4Ward® new-build hulls. The Fast4Ward® hulls remain in inventory until they are allocated to a specific FPSO contract.

The decrease of the inventory balance at year-end 2021 relates to the allocation of the multi-purpose hulls to the FPSO's awarded in 2021 namely *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, as well as the awarded initial limited scope for the FPSO for the Yellowtail development project. As per December 31, 2021, the Company has no unallocated multi-purpose floater under construction.

4.3.19 TRADE AND OTHER RECEIVABLES

Trade and other receivables (summary)

	Note	31 December 2021	31 December 2020
Trade debtors		407	115
Other accrued income		187	280
Prepayments		138	64
Accrued income in respect of delivered orders		12	41
Other receivables		51	67
Taxes and social security		36	33
Current portion of loan to joint ventures and associates	*4.3.16*	9	14
Total		**839**	**614**

The increase in 'Trade debtors' of US$292 million is due to the ramp-up of the Turnkey activities, especially the newly awarded preliminary scope on the FPSO for the Yellowtail development project.

The decrease in other accrued income is mainly due to the final settlement paid by the client for Deep Panuke MOPU lease for which an accrued income of US$77 million had been recognized as at December 31, 2020.

The increase in prepayments of US$74 million is mainly related to advance payments to yards related to the multi-purpose floater (MPF) hulls allocated to the newly awarded *FPSO Alexandre de Gusmão*.

The carrying amounts of the Company's trade debtors are distributed in the following countries:

Trade debtors (countries where Company's trade debtors are distributed)

	31 December 2021	31 December 2020
Angola	27	37
Brazil	64	10
Guyana	279	12
Equatorial Guinea	16	3
The United States of America	3	9
Malaysia	2	2
Australia	2	0
China	-	5
Other	15	37
Total	**407**	**115**

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

Trade debtors (trade debtors balance)

	31 December 2021	31 December 2020
Nominal amount	412	118
Impairment allowance	(5)	(3)
Total	**407**	**115**

The allowance for impairment represents the Company's estimate of losses in respect of trade debtors. The allowance related to credit risk for significant trade debtors is built on specific expected loss components that relate to individual exposures. Furthermore, the Company uses historical credit loss experience as well as forward-looking information to determine a 1% expected credit loss rate on individually insignificant trade receivable balances. The creation and release for impaired trade debtors due to credit risk are reported in the line item 'Net impairment losses on financial and contract assets' of the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The ageing of the nominal amounts of the trade debtors are:

Trade debtors (ageing of the nominal amounts of the trade debtors)

	31 December 2021		31 December 2020	
	Nominal	Impairment	Nominal	Impairment
Not past due	352	(5)	69	(2)
Past due 0-30 days	27	(0)	5	(0)
Past due 31-120 days	11	(0)	15	(0)
Past due 121- 365 days	13	(0)	9	(0)
More than one year	11	(0)	21	(1)
Total	**413**	**(5)**	**118**	**(3)**

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of Company joint ventures and independent customers for whom there is no recent history of default, or the receivable amount can be offset by amounts included in current liabilities.

For the closing balance and movements during the year of allowances on trade receivables, please refer to note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.20 CONSTRUCTION WORK-IN-PROGRESS

The significant portion of the outstanding balance of construction work-in-progress as of December 31, 2021 (US$ 4,140 million) relates to the *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba, FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and initial limited scope of the FPSO for the Yellowtail development project finance lease projects since the Company will receive most of the payments for the construction of these assets only during the lease period through bareboat charter payments. The increase compared with the previous period balance (2020: US$2,248 million) in the construction work-in-progress is mainly driven by the progress made in 2021 on these projects.

Contract liabilities of US$64 million comprises the amounts of those individual contracts for which the total instalments invoiced exceed the total revenue recognized. Contract liabilities are reclassified to other current liabilities (see note 4.3.26 Trade and Other Payables).

Regarding information about expected credit losses recognized for construction work-in-progress, refer to note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.21 DERIVATIVE FINANCIAL INSTRUMENTS

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivative instruments is included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

In the ordinary course of business and in accordance with its hedging policies as of December 31, 2021, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of interest rate financing exposure. The most important floating rate is the US$ 3-month LIBOR. Details of interest percentages of the long-term debt are included in note 4.3.24 Borrowings and Lease Liabilities.

The fair value of the derivative financial instruments included in the statement of financial position is summarized as follows:

Derivative financial instruments

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	13	157	(144)	1	351	(351)
Forward currency contracts cash flow hedge	14	94	(80)	98	21	77
Forward currency contracts fair value through profit and loss	19	37	(18)	38	39	(1)
Total	**47**	**288**	**(242)**	**137**	**411**	**(274)**
Non-current portion	14	162	(148)	38	277	(240)
Current portion	32	126	(94)	99	134	(35)

The movement in the net balance of derivative assets and liabilities of US$31 million over the period is mostly related to (i) the significant increased marked-to-market value of interest rate swaps, which mainly arises from increasing US market interest rates and the settlements of interest rate swaps related to the financing of *FPSO Cidade de Ilhabela* and *FPSO Sepetiba* and (ii) the decreased marked-to-market value of forward currency contracts, which is mainly driven by the appreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

No ineffective portion arising from cash flow hedges was recognized in the income statement in 2021 (2020: US$3 million loss, refer to note 4.3.9 Net Financing Costs). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

No ineffectiveness was recognized due to the IBOR transition, refer to note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.22 NET CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash and bank balances	662	78
Short-term investments	358	336
Cash and cash equivalent	**1,021**	**414**
Net cash and cash equivalent	**1,021**	**414**

The increase of the Cash and bank balances mainly relates to the significant residual proceeds from the aggregate US$1,255 million bridge loans for the financing of the construction of *FPSO Alimarante Tamandaré* and *FPSO Alexandre de Gusmão* which were both fully drawn before year-end 2021. This generated a significant excess of financing cash flow compared with actual investments to date on these two units (approximately US$800 million as of December 31, 2021).

The cash and cash equivalents dedicated to debt and interest payments (and therefore restricted) amounted to US$152 million as per December 31, 2021 (2020: US$215 million). Short-term investment deposits are made for varying periods of up to one year, usually less than three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

The cash and cash equivalents held in countries with restrictions on currency outflow (Angola, Brazil, Equatorial Guinea, Ghana and Nigeria) amounted to US$23 million (2020: US$28 million). These restrictions do not limit the liquidity of the cash balances.

Further disclosure about the fair value measurement is included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.23 EQUITY ATTRIBUTABLE TO SHAREHOLDERS

For a consolidated overview of changes in equity reference is made to the Consolidated Statement of Changes in Equity.

ISSUED SHARE CAPITAL

The authorized share capital of the Company is two hundred million euros (EUR200,000,000). This share capital is divided into four hundred million (400,000,000) ordinary shares with a nominal value of twenty-five eurocents (EUR0.25) each and four hundred million (400,000,000) protective preference shares, with a nominal value of twenty-five euro cents (EUR0.25) each. The protective preference shares can be issued as a protective measure as described in note 3.2.8 Stichting Continuïteit SBM Offshore.

During the financial year the movements in the outstanding number of ordinary shares are as follows:

number of shares	2021	2020
Outstanding at 1 January	**188,671,305**	**198,671,305**
Treasury shares cancelled	(8,000,000)	(10,000,000)
Outstanding 31 December	**180,671,305**	**188,671,305**

All outstanding shares have been fully paid.

TREASURY SHARES

The Company completed its share repurchase program under authorization granted by the AGM of the Company held on April 7, 2021. In the period between August 5, 2021 and October 11, 2021 a total number of 9,958,318 shares totaling EUR150 million (US$178 million) were repurchased. As a result, the Company decided to cancel 8,000,000 shares in 2021.

A total number of 4,016,908 treasury shares are still reported in the outstanding ordinary shares as at December 31, 2021 and are held predominantly for employee share programs. During 2021, a total of 1,329,813 shares were transferred to employee share programs.

Within equity, an amount of US$1,211 million (2020: US$1,304 million) should be treated as legal reserve (refer to note 4.5.5 Shareholders' Equity).

ORDINARY SHARES

In terms of ordinary shares, 1,993,978 shares were held by members of Management Board, in office as at December 31, 2021 (December 31, 2020: 1,931,952) as detailed below:

Ordinary shares held in the Company by the Management Board

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2021	Total shares at 31 December 2020
Bruno Chabas	366,605	824,465	1,191,070	1,127,604
Philippe Barril	263,184	54,778	317,962	387,826
Erik Lagendijk	179,081	77,549	256,630	222,418
Douglas Wood	181,460	46,856	228,316	194,104
Total	**990,330**	**1,003,648**	**1,993,978**	**1,931,952**

Only one member of the Supervisory Board (Sietze Hepkema) holds shares in the Company (256,333 shares as at December 31, 2021), resulting from his previous position as member of the Management Board.

OTHER RESERVES

The other reserves comprises the hedging reserve, actuarial gains/losses, the foreign currency translation reserve and IFRS 2 reserves. The movement and breakdown of the other reserves can be stated as follows (all amounts are expressed net of deferred taxes):

	Hedging reserve Forward currency contracts	Hedging reserve Interest rate swaps	Actuarial gain/(loss) on defined benefit provisions	Foreign currency translation reserve	IFRS 2 Reserves	Total other reserves
Balance at 1 January 2020	**(38)**	**(119)**	**3**	**(101)**	**17**	**(238)**
Cash flow hedges						
Change in fair value	53	(161)	-	-	-	(107)
Transfer to financial income and expenses	3	3	-	-	-	6
Transfer to construction contracts and property, plant and equipment	3	-	-	-	-	3
Transfer to operating profit and loss	41	-	-	-	-	41
IFRS 2 share-based payments						
IFRS 2 vesting costs for the year	-	-	-	-	27	27
IFRS 2 vested share-based payments	-	-	-	-	(16)	(16)
Actuarial gain/(loss) on defined benefit provision						
Change in defined benefit provision due to changes in actuarial assumptions	-	-	(3)	-	-	(3)
Foreign currency variations						
Foreign currency variations	-	-	-	(5)	-	(5)
Mergers and acquisitions	-	-	-		-	-
Balance at 31 December 2020	**62**	**(276)**	**-**	**(105)**	**25**	**(296)**
Cash flow hedges						
Change in fair value	(173)	101	-	-	-	(72)
Transfer to financial income and expenses	(0)	9	-	-	-	8
Transfer to construction contracts and property, plant and equipment	(8)	-	-	-	-	(8)
Transfer to operating profit and loss	15	-	-	-	-	15
IFRS 2 share-based payments						
IFRS 2 vesting costs for the year	-	-	-	-	20	20
IFRS 2 vested share-based payments	-	-	-	-	(20)	(20)
Actuarial gain/(loss) on defined benefit provision						
Change in defined benefit provision due to changes in actuarial assumptions	-	-	7	-	-	7
Foreign currency variations						
Foreign currency variations	-	-	-	(2)	(3)	(5)
Mergers and acquisitions	-	-	-	3		3
Balance at 31 December 2021	**(104)**	**(167)**	**7**	**(105)**	**22**	**(347)**

The hedging reserve consists of the effective portion of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of deferred taxes. The increased fair value of interest rate swaps mainly arises from increasing market interest rates whereas the decreased fair value of forward currency contracts is mainly driven by the variation of the US$ exchange rate versus the hedged currencies.

Actuarial gain/(loss) on defined benefits provisions includes the impact of the remeasurement of defined benefit provisions.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

4.3.24 BORROWINGS AND LEASE LIABILITIES

The line item 'Borrowings and lease liabilities' in the consolidated statement of financial position is further detailed as follows:

Borrowings and lease liabilities (summary)

	31 December 2021	31 December 2020
Borrowings	5,891	4,335
Lease liabilities	37	51
Total Non-current portion of Borrowings and lease liabilities	**5,928**	**4,386**
Borrowings	1,754	1,216
Lease liabilities	19	20
Total Current portion of Borrowings and lease liabilities	**1,773**	**1,236**

BORROWINGS

The movement in bank interest bearing borrowings is as follows:

	2021	2020
Non-current portion	4,335	4,168
Add: current portion	1,216	580
Remaining principal at 1 January	**5,551**	**4,749**
Additions	3,941	1,379
Redemptions	(1,711)	(589)
Transaction and amortized costs	(137)	12
Total movements	**2,094**	**802**
Remaining principal at 31 December	**7,645**	**5,551**
Less: Current portion	(1,754)	(1,216)
Non-current portion	**5,891**	**4,335**
Transaction and amortized costs	207	69
Remaining principal at 31 December (excluding transaction and amortized costs)	**7,851**	**5,621**
Less: Current portion	(1,790)	(1,230)
Non-current portion	**6,061**	**4,390**

The Company has no 'off-balance sheet' financing through special purpose entities. All long-term debt is included in the consolidated statement of financial position.

The additions of US$3,941 million relates mainly to drawdowns on (i) project finance facilities for *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba,* (ii) the senior secured notes issuance on *FPSO Cidade de Ilhabela,* and (iii) the bridge loan facility for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*.

The increase in redemptions is mainly due the full repayment of the outstanding debt related to *FPSO Cidade de Ilhabela* of US$535 million following the issuance of senior secured notes.

On February 11, 2021 the Company issued senior secured notes for the amount of US$850 million. The notes are traded on the Singapore Stock Exchange and are priced at 99.995% of par value with a 5.198% coupon rate which is paid semi-annually. The funding obtained through the issuance was partially used to settle the outstanding project loan which amounted to US535 million at settlement date.

Further disclosures about the fair value measurement are included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

The borrowings, excluding the amount of transaction and amortized costs, have the following forecast repayment schedule:

	31 December 2021	31 December 2020
Within one year	1,790	1,230
Between 1 and 2 years	1,429	1,432
Between 2 and 5 years	1,903	1,454
More than 5 years	2,729	1,504
Balance at 31 December	**7,851**	**5,621**

The increase of the 'Total Current portion of Borrowings and lease liabilities' balance is mainly explained by the addition of the bridge loan facility for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, partially offset by the repayment of the *FPSO Sepetiba* bridge loan facility following the completion of the project financing for this project.

The borrowings by entity are as follows:

Loans and borrowings per entity

Entity name	Project name or nature of loan	% Ownership	% Interest[1]	Maturity	Net book value at 31 December 2021 Non-current	Net book value at 31 December 2021 Current	Net book value at 31 December 2021 Total	Net book value at 31 December 2020 Non-current	Net book value at 31 December 2020 Current	Net book value at 31 December 2020 Total
Project Finance facilities drawn:										
SBM Deep Panuke SA	MOPU Deep Panuke	100.00	3.50%	15-Dec-21	-	-	-	-	70	70
Tupi Nordeste Sarl	FPSO Cidade de Paraty	63.13	5.30%	15-Jun-23	72	123	195	195	116	311
SBM Baleia Azul Sarl	FPSO Cidade de Anchieta	100.00	5.50%	15-Sep-27	202	37	239	239	35	274
Alfa Lula Alto Sarl	FPSO Cidade de Marica	61.00	5.25%	15-Dec-29	793	114	908	908	108	1,016
Beta Lula Central Sarl	FPSO Cidade de Saquarema	61.00	4.15%	15-Jun-30	922	96	1,018	1,018	91	1,109
Guyana Deep Water UK Limited	Liza Destiny (FPSO)	100.00	Libor + 1.65%	31-Oct-29	541	65	606	606	62	668
Senior secured notes										
Guara Norte Sarl	FPSO Cidade de Ilhabela[2]	75.00	5.20%	15-Jun-34	764	40	805	427	128	555
Guaranteed project finance facilities drawn:										
Guyana Deep Water II UK Limited	Liza Unity (FPSO)[3]	100.00	Libor + 1.70%	31-Aug-22	972	(6)	966	840	-	840
Guyana Deep Water III UK Limited	Prosperity (FPSO)	100.00	2.20%	29-Aug-25	619	(4)	615	-	-	-
Mero 2 Owning B.V.	FPSO Sepetiba	64.50	3.90%	15-Mar-38	959	(15)	944	-	600	600
Bridge loan facility										
Tamandare Owning B.V.	FPSO Almirante Tamandaré	100.00	Libor + 0.6%	29-sep-22	-	635	635	-	-	-
Mero 4 Owning B.V.	FPSO Alexandre de Gusmão	100.00	Libor + 0.75%	23-Dec-22	-	620	620	-	-	-
Revolving credit facility:										
SBM Holding Inc	Corporate Facility	100.00	Variable	13-Feb-26	(1)	(1)	(2)	(2)	(1)	(2)
Other:										
OS Installer Limited	SBM Installer	100.00	3.20%	19-Jan-22	0	48	48	58	7	65
Brazilian Deepwater Production B.V.	FPSO Espirito Santo	51.00	Libor + 1.05%	31-Jan-29	46	-	46	45	-	45
Other		100.00			2	-	2	1	-	1
Net book value of loans and borrowings					**5,891**	**1,754**	**7,645**	**4,335**	**1,216**	**5,551**

1 % interest per annum on the remaining loan balance.

2 The project finance facility (in 2020) has been replaced by senior secured notes (in 2021) on the Cidade de Ilhabela FPSO.

3 The Liza Unity Project finance facility maturity date is August 31, 2022 but can be extended in various ways, and up to the expiry date of the 2 years Charter Term provided that the vessel has been completed.

For the project finance facilities, the respective vessels are mortgaged to the banks or to note holders.

The Company has available borrowing facilities being the (i) undrawn revolving credit facility (RCF), (ii) the undrawn portions of *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* project facilities and (iii) short-term credit lines.

Expiry date of the undrawn facilities and unused credit lines

	2021	2020
Expiring within one year	249	249
Expiring beyond one year	2,113	1,298
Total	**2,362**	**1,547**

The increase in undrawn facilities and unused credit lines compared with the previous year is primary driven by the undrawn facilities on the new project facilities for *FPSO Sepetiba and Prosperity* (FPSO) completed over the period partially offset by the 2021 drawdowns under the *Liza Unity* (FPSO) project facility.

The RCF in place as of December 31, 2021 has a maturity date of February 13, 2026, following the exercise of a one-year extension option on February 1, 2021. The US$1 billion facility was secured with a selected group of 11 core relationship banks, increasing to 13 banks in 2021, and has an uncommitted option to increase the RCF by an additional US$500 million. The Company does not have any other extension option remaining.

When needed, the RCF allows the Company to finance EPC activities / working capital, bridge any long-term financing needs, and/or finance general corporate purposes. On December 23, 2021 the RCF was amended by means of an amendment and restatement agreement to reflect a dedicated green funding tranche. By creating this green tranche, US$50 million of the RCF may only be used to fund activities that comply with the Green Loan Principles (primarily activities related to renewable energy projects) and the remaining US$950 million can be used in the following proportions:

- EPC activities / working capital – 100% of the facility;
- General Corporate Purposes – up to 50% of the facility;
- Refinancing project debt – 100% of the facility but limited to a period of 18 months

The pricing of the RCF is currently based on LIBOR, and it includes provisions for the replacement of LIBOR with a compounded reference rate. The margin is adjusted in accordance with the applicable leverage ratio ranging from a minimum level of 0.50% p.a. (0.40% for the green tranche) to a maximum of 1.50% p.a. (1.40% for the green tranche). The margin also includes a Sustainability Adjustment Mechanism whereby the margin may increase or decrease by 0.05% based on the absolute change in the Company performance as measured and reported by Sustainalytics[2]. The Company's Sustainability performance in 2021 allows the 0.05% margin decrease to remain applicable for 2022.

COVENANTS

The following key financial covenants apply to the RCF as agreed with the respective lenders on February 13, 2019, and unless stated otherwise, relate to the Company's consolidated financial statements:

- **Solvency**: Consolidated IFRS Tangible Net Worth divided by Consolidated IFRS Tangible Assets must be > 25%;
- **Interest Cover Ratio**: Consolidated Directional Underlying EBITDA divided by Consolidated Directional Net Interest Payable must be > 4.0.

The **Lease Backlog Cover Ratio (LBCR)** is used to determine the **maximum funding availability** under the RCF. The maximum funding availability is determined by calculating the net present value of the future contracted net cash after debt service of a defined portfolio of operational offshore units in the directional backlog. The maximum theoretical amount available under the RCF is then determined by dividing this net present value by 1.5. The actual availability under the RCF will be the lower of this amount and the applicable Facility Amount. As at December 31, 2021 additional headroom above the US$1 billion capacity under the RCF exceeded US$1.1 billion.

For the purpose of covenants calculations, the following simplified definitions apply:

- **IFRS Tangible Net Worth:** Total equity (including non-controlling interests) of the Company in accordance with IFRS, excluding the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income, dividends declared, value of intangible assets and deferred taxes.
- **Consolidated IFRS Tangible Assets:** The Company's total assets (excluding intangible assets) in accordance with the IFRS consolidated statement of financial position less the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income.

[2] Sustainalytics is a provider of Environmental, Social and Governance and Corporate Governance research and ratings.

- **Consolidated Directional Underlying EBITDA:** Consolidated profit of the Company adjusted for net interest payable, tax and depreciation of assets and impairments, any exceptional or extraordinary items, and by adding back (i) the annualized production EBITDA for units which started operations during the financial year, and (ii) the acquisition annualized EBITDA for units acquired during the financial year.
- **Consolidated Directional Net Interest Payable:** All interest and other financing charges paid up, payable (other than capitalized interest during a construction period and interest paid or payable between wholly owned members of the Company) or incurred by the Company less all interest and other financing charges received or receivable by the Company, as per Directional reporting.

Covenants

	2021	2020
IFRS Tangible Net Worth	3,780	3,709
Consolidated IFRS Tangible Assets	13,079	10,896
Solvency ratio	28.9%	34.0%
Adjusted (Directional) Underlying EBITDA	935[1]	948
Consolidated Directional Net Interest Payable	170	173
Interest cover ratio	5.5	5.5

1 Exceptional items restated from 2020 to 2021 Consolidated Directional Underlying EBITDA are mainly related to the US$77 million anticipated revenue recognition following the early redelivery of the Deep Panuke MOPU. This has been excluded from the 2020 Consolidated Directional Underlying EBITDA and added back in the 2021 Consolidated Directional Underlying EBITDA, in line with effective cash receipts. In addition, the 2021 Consolidated Directional Underlying EBITDA does not include the US$ 8 million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.

None of the borrowings in the statement of financial position were in default as at the reporting date or at any time during the period.

LEASE LIABILITIES

The lease liabilities mostly relate to the leasing of office buildings as of December 31, 2021.

The movement in the lease liabilities is as follows:

	2021	2020
Principal recognized at 1 January	**71**	**173**
Additions	10	12
Redemptions	(20)	(28)
Foreign currency variations	(4)	3
Other	-	(87)
Total movements	**(15)**	**(101)**
Remaining principal at 31 December	**56**	**71**
Of which		
Current portion	19	20
Non-current portion	37	51

The movements in lease liabilities over the period were mainly related to regular redemptions and foreign currency variations. In 2020, the other movements related to the derecognition of the lease liability related to the DSCV Installer.

Maturity of the lease liabilities is analyzed in section 4.3.28 financial instruments - fair values and risk management (paragraph dedicated to liquidity risk).

The total cash outflow for leases in 2021 was US$22 million, which includes redemptions of principal and interest payments. Total interest for the period amounted to US$2 million.

4.3.25 PROVISIONS

The movement and type of provisions during the year 2021 are summarized as follows:

Provisions (movements)

	Demobilisation	Onerous contracts	Warranty	Employee benefits	Other	Total
Balance at 1 January 2021	**134**	**3**	**37**	**34**	**167**	**376**
Arising during the year	(0)	(1)	23	1	30	53
Unwinding of interest	1	-	-	0	-	2
Utilised	(10)	(3)	(0)	(1)	(12)	(26)
Released to profit	(5)	(3)	(6)	0	(1)	(15)
Other movement	0	6	(0)	(9)	(4)	(7)
Balance at 31 December 2021	121	3	54	26	179	383
of which :						
Non-current portion	78	-	-	26	131	235
Current portion	43	3	54	-	49	149

Demobilization

The provision for demobilization relates to the costs for demobilization of the vessels and floating equipment at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in the line item 'Financial expenses' of the consolidated income statement (refer to note 4.3.9 Net Financing Costs).

The decrease in the provision for demobilization mainly relates to the progress in the recycling activities of Deep Panuke MOPU unit during the year 2021.

Expected outflow within one year is US$43 million and amounts to US$53 million between one and five years, and US$25 million after five years.

Onerous contracts

The Company recognized individually immaterial onerous contract provisions for insignificant contracts with clients for a total amount of US$6 million.

Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client. The increase of the warranty provision consists of new provisions accrued on projects under construction over the period.

Other

Other provisions mainly relate to claims, regulatory fines related to operations and local content penalty on construction projects. The latter was the main driver of the increase in Other provisions during 2021.

4.3.26 TRADE AND OTHER PAYABLES

Trade and other payables (summary)

	Notes	31 December 2021	31 December 2020
Trade payables		151	131
Accruals on projects		593	468
Accruals regarding delivered orders		27	53
Other payables		91	109
Contract liability	4.3.20	64	69
Pension taxation		8	7
Taxation and social security costs		76	110
Current portion of deferred income		6	6
Other non-trade payables		95	80
Total	4.3.28	**1,111**	**1,033**

The 'trade payables' and 'accruals on projects' together increased due to the higher Turnkey projects activities during 2021 following award of *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and the awarded initial limited scope for the FPSO for the Yellowtail development project.

'Accruals regarding delivered orders' decreased in 2021 mainly due to successful finalization of discussion with the client regarding long-term outstanding position on a delivered FPSO.

The 'Contract liability' relates mainly to one of the Company's renewable projects and other minor construction projects. The Company recognized revenue of US$53 million during the period, which was included in the contract liability as per December 31, 2020.

Payables related to 'Taxation and social security' concerns uncertain tax positions related mainly to various taxes other than corporate income tax. The decrease in the balance relates mainly to (i) the release of the positions for which the statute of limitations has been reached, and (ii) the reassessment of other positions based on the discussions with tax authority and tax experts engaged by the Company.

'Other non-trade payables' include mostly interest payable and the short-term portion of the outstanding payments related to the Leniency Agreement and the settlement with Brazilian Federal Prosecutor's Office (Ministério Público Federal – 'MPF'). The long-term portion of the outstanding payments related to these agreements is presented in the line item 'Other non-current liabilities' in the Company's statement of financial position.

The line item 'Other non-current liabilities' in the Company's statement of financial position also includes a prepayment of US$52 million relating to the future potential participation of partners to charter contracts.

The contractual maturity of the trade payables is analyzed in the liquidity risk section in 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.27 COMMITMENTS AND CONTINGENCIES

PARENT COMPANY GUARANTEES

SBM Offshore N.V., as the parent company, is committed to fulfill various types of obligations arising from customer contracts, such as full performance and warranty obligations.

In the past, the parent company has issued guarantees for contractual obligations in respect of several Group companies, including equity-accounted joint ventures, with respect to long-term lease and operate contracts. The few remaining guarantees still active as of December 31, 2021 relate to the Deep Panuke MOPU unit, *Thunder Hawk* semi-submersible platform and *FPSO Saxi Batuque*. These have been signed prior to 2010.

BANK GUARANTEES

As of December 31, 2021, the Company has provided bank guarantees to unrelated third parties for an amount of US$348million (2020: US$570 million). No liability is expected to arise under these guarantees.

The Company holds in its favor US$599 million of bank guarantees from unrelated third parties. No withdrawal under these guarantees is expected to occur.

COMMITMENTS

As at December 31, 2021, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$1,600 million (December 31, 2020: US$990million). Investment commitments have increased principally due to the progress made on the construction of the *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba, FPSO Alexandre de Gusmão, FPSO Almirante Tamandaré* and limited scope award of the FPSO for the Yellowtail development project.

CONTINGENT LIABILITY

Following the close out of the legacy issue in Switzerland, there are no remaining identified contingent liabilities. Refer to section 4.3.1 Financial highlights for further information on the close out of the legacy issue in Switzerland.

4.3.28 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

This note presents information about the Company's exposure to risk resulting from its use of financial instruments, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the statement of financial position, which require disclosure of fair value measurements by level:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classification and fair values

			31 December 2021		31 December 2020	
	Notes	Fair value level	Total book value	Total fair value	Total book value	Total fair value
Financial assets measured at amortized cost						
Finance lease receivables	*4.3.15*	3	6,182	6,586	6,488	7,223
Demobilization receivables	*4.3.16*	3	-	-	-	-
Loans to joint ventures and associates	*4.3.16*	3	51	49	46	43
Total			**6,233**	**6,635**	**6,534**	**7,265**
Financial liabilities measured at amortized cost						
US$ project finance facilities drawn	*4.3.24*	2	7,850	7,825	5,620	5,669
Revolving credit facility/Bilateral credit facilities	*4.3.24*	2	-	-	-	-
Lease liabilities		3	56	56	71	71
Other debt	*4.3.24*	2	2	2	1	1
Total			**7,908**	**7,883**	**5,692**	**5,741**

Additional information

- In the above table, the Company has disclosed the fair value of each class of financial assets and financial liabilities for which the book value is different than fair value in a way that permits the information to be compared with the carrying amounts.
- There are financial assets and financial liabilities measured at fair value, namely the interest rate swaps and forward currency contracts which are classified at a Level 2 on the fair value hierarchy. Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The carrying amount for these financial assets and liabilities approximates the fair value as at December 31, 2021.
- The Company has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values as the impact of discounting is insignificant.
- Classes of financial instruments that are not used are not disclosed.
- No instruments were transferred between Level 1 and Level 2.
- No instruments were transferred between Level 2 and Level 3.
- None of the instruments of the Level 3 hierarchy are carried at fair value in the statement of financial position.
- No financial instruments were subject to offsetting as of December 31, 2021 and December 31, 2020.

The effects of the foreign currency related hedging instruments on the Company's financial position and performance including related information is included in the table below:

Effect of the foreign currency and interest swaps related hedging instruments

	2021	2020
Foreign currency forwards		
Carrying amount	(80)	77
Notional amount	(2,845)	(2,162)
Maturity date	2-8-2024	4-9-2021
Hedge ratio	100%	100%
Change in discounted spot value of outstanding hedging instruments since 1 January	(158)	112
Change in value hedged rate for the year (including forward points)	158	(112)
Interest rate swaps		
Carrying amount	(144)	(351)
Notional amount	5,715	5,649
Maturity date	12-4-2033	13-6-2027
Hedge ratio	92%	93%
Change in discounted spot value of outstanding hedging instruments since 1 January	207	(192)
Change in value hedged rate for the year (including forward points)	(207)	192

MEASUREMENT OF FAIR VALUES

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

	Level 2 and level 3 instruments	Level 3 instruments	
Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value			
Interest rate swaps	Income approach – Present value technique	Not applicable	Not applicable
Forward currency contracts	Income approach – Present value technique	Not applicable	Not applicable
Financial instrument not measured at fair value			
Loans to joint ventures and associates	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (1%-7%)	The estimated fair value would increase (decrease) if: ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Finance lease receivables	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (5%-9%)	The estimated fair value would increase (decrease) if: ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Loans and borrowings	Income approach – Present value technique	Not applicable	Not applicable
Other long-term debt	Income approach – Present value technique	Not applicable	Not applicable

DERIVATIVE ASSETS AND LIABILITIES DESIGNATED AS CASH FLOW HEDGES

The following table indicates the period in which the cash flows associated with the cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for interest rate swaps are estimated using the forward rates as at the reporting date.

Cash flows

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2021					
Interest rate swaps (USD LIBOR 3 Months)	(144)	(48)	(73)	(40)	(162)
Forward currency contracts	(80)	(24)	(16)	-	(41)
31 December 2020					
Interest rate swaps (USD LIBOR 3 Months)	(351)	(79)	(190)	(111)	(380)
Forward currency contracts	77	41	32	-	72

The following table indicates the period in which the cash flows hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

Expected profit or loss impact

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2021					
Interest rate swaps (USD LIBOR 3 Months)	(144)	(48)	(73)	(40)	(162)
Forward currency contracts	(80)	(24)	(16)	-	(41)
31 December 2020					
Interest rate swaps (USD LIBOR 3 Months)	(351)	(79)	(190)	(111)	(380)
Forward currency contracts	77	41	32	-	72

Interest rate swaps

Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the final repayment of the hedged items (please refer to note 4.3.23 Equity Attributable to Shareholders).

Forward currency contracts

Gains and losses recognized in the hedging reserve on forward currency contracts are recognized in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within twelve months from the statement of financial position date unless the gain or loss is included in the initial amount recognized in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset. If the gain or loss is included in the initial amount recognized in the carrying amount of the cost incurred on construction contracts then the recognition is over time.

LOSS ALLOWANCE ON FINANCIAL ASSETS AND CONSTRUCTION WORK-IN-PROGRESS

The movement of loss allowance during the year 2021 is summarized as follows:

	Finance lease receivable		Construction work-in-progress		Trade receivables		Other financial assets	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Opening loss allowance as at 1 January	**(1)**	**0**	**(4)**	**(0)**	**(3)**	**(4)**	**(114)**	**(99)**
Increase in loss allowance recognized in profit or loss during the year	(0)	(1)	(2)	(4)	(4)	(3)	(3)	(15)
Receivables written off during the year as uncollectible	-	-	-	-	-	2	-	-
Unused amount reversed	1	0	5	0	4	2	9	0
At 31 December	**(0)**	**(1)**	**(1)**	**(4)**	**(3)**	**(3)**	**(108)**	**(114)**

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, market risks (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company buys and sells derivatives in the ordinary course of business and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set in the Company policy. Generally, the Company seeks to apply hedge accounting in order to manage volatility in the income statement and statement of comprehensive income. The purpose is to manage the interest rate and currency risk arising from the Company's operations and its sources of finance. Derivatives are only used to hedge closely correlated underlying business transactions.

The Company's principal financial instruments, other than derivatives, comprise trade debtors and creditors, bank loans and overdrafts, cash and cash equivalents (including short-term deposits) and financial guarantees. The main purpose of these financial instruments is to finance the Company's operations. Trade debtors and creditors result directly from the business operations of the Company.

Financial risk management is carried out by a central treasury department under policies approved by the Management Board. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries and the Chief Financial Officer (CFO) during the quarterly Asset and Liability Committee. The Management Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. It is, and has been throughout the year under review, the Company's policy that no speculation in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from transactional currency exposures, primarily with respect to the euro, Singapore dollar, and Brazilian real. The exposure arises from sales or purchases in currencies other than the Company's functional currency. The Company uses forward currency contracts to eliminate the currency exposure once the Company has entered into a firm commitment of a project contract.

For foreign currency risk, the principle terms of the forward currency contract (notional and settlement date) and the future expense or revenue (notional and expected cash flow date) are identical. The Company has established a hedge ratio of 1:1 for all its hedging relationships.

The main Company's exposure to foreign currency risk is as follows based on notional amounts:

Foreign exchange risk (summary)

	31 December 2021			31 December 2020		
in millions of local currency	EUR	SGD	BRL	EUR	SGD	BRL
Fixed assets	57	-	84	71	-	93
Current assets	82	3	398	93	6	554
Long-term liabilities	(19)	-	(577)	(28)	-	(43)
Current liabilities	(166)	(6)	(743)	(174)	(16)	(633)
Gross balance sheet exposure	**(46)**	**(3)**	**(837)**	**(38)**	**(10)**	**(29)**
Estimated forecast sales	40	-	-	78	-	-
Estimated forecast purchases	(977)	(237)	(2,542)	(1,079)	(525)	(1,073)
Gross exposure	**(983)**	**(240)**	**(3,379)**	**(1,039)**	**(535)**	**(1,102)**
Forward exchange contracts	1,000	241	3,281	1,055	528	1,121
Net exposure	**17**	**1**	**(97)**	**16**	**(8)**	**19**

The increase of the BRL exposure results from *FPSO Sepetiba*, *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* under construction in 2021.

The estimated forecast purchases relate to project expenditure and overhead expenses for up to three years. The main currency exposures of overhead expenses and Brazilian operations are hedged at 100% for the coming year, between 66% and 100% for the year after, and between 33% and 100% for the subsequent year depending on internal review of the foreign exchange market conditions.

Foreign exchange risk (exchange rates applied)

	2021	2020	2021	2020
	Average rate		Closing rate	
EUR 1	1.1827	1.1422	1.1326	1.2271
SGD 1	0.7442	0.7254	0.7413	0.7566
BRL 1	0.1856	0.1958	0.1795	0.1925

The sensitivity on equity and the income statement resulting from a change of ten percent of the US dollar's value against the following currencies at December 31 would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2020.

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2021				
EUR	0	(0)	(108)	108
SGD	(0)	0	(18)	18
BRL	(0)	0	(43)	43
31 December 2020				
EUR	(1)	1	(124)	124
SGD	1	(1)	(40)	40
BRL	0	(0)	(21)	21

As set out above, by managing foreign currency risk the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in foreign currency rates would have an impact on consolidated earnings.

Interest rate risk

The Company's exposure to risk from changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. In respect of controlling interest rate risk, the floating interest rates of long-term loans are hedged by fixed rate swaps for the entire maturity period. The revolving credit facility is intended for the fluctuating needs of construction financing and bears interest at floating rates, which is also swapped for fixed rates when exposure is significant.

For interest rate risk, the principle terms of the interest rate swap (notional amortization, rate-set periods) and the financing (repayment schedule, rate-set periods) are identical. The Company has established a hedge ratio of 1:1, as the hedging layer component matches the nominal amount of the interest rate swap for all its hedging relationships.

Interest rate benchmark reform

The reform and replacement of benchmark interest rates such as USD LIBOR 3M and other interbank offered rates ('IBORs') has become a priority for global regulators. On 5 March 2021, LIBOR's administrator (IBA) set out clear end-dates for new use of USD LIBOR and its cessation as a representative rate:

- December 31, 2021: Cessation of USD LIBOR 1W and 2M tenors; deadline for most of new contract to use USD LIBOR as sole reference;
- June 30, 2023: Cessation of remaining USD LIBOR tenors.

To transition existing contracts and agreements that reference USD LIBOR to Secured Overnight Financing Rate ('SOFR') as the benchmark for US$ denominated derivatives and loans, adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

The Company's Treasury department is managing SBM Offshore's IBOR transition plan with the support of the Company's Legal department. The greatest change will be amendments to the contractual terms of the USD LIBOR-referenced floating-rate debt and the associated interest rate swaps and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models.

Any contract referring to USD LIBOR 1W and 2M tenors has been successfully amended by the Company prior to December 31, 2021 in order to no longer use these LIBOR settings. These amendments did not have material impact on the consolidated financial statements.

In addition, in 2021 the Company has started hedging future debt interest rate risk with SOFR interest rate derivatives. For the Prosperity financing (maturing beyond 30 June 2023), IBOR transition to SOFR principles have been agreed with lenders.

Relief applied

The Company has applied the following reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in September 2019:

- When considering the 'highly probable' requirement, the Company has assumed that the USD LIBOR 3M interest rate on which the Company's hedged debt is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Company has assumed that the USD LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by LIBOR reform.
- The Company has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made

The counterparties to the Company's interest rate swaps are also counterparties to the floating loan they are hedging. It is then assumed that the result of the negotiations with external banks and the implementation of SOFR will not have material impacts on the Company's future financial results.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments (excluding transaction costs) was:

Interest rate risk (summary)

	2021	2020
Fixed rate instruments		
Financial assets	6,233	6,573
Financial liabilities	(1,058)	(347)
Total	**5,174**	**6,226**
Variable rate instruments (USD LIBOR 3 Months)		
Financial assets	51	46
Financial liabilities (USD LIBOR 3 Months)	(6,793)	(5,229)
Financial liabilities (future) (USD LIBOR 3 Months)	(1,788)	(1,271)
Financial liabilities (future) (SOFR)	(730)	-
Total	**(9,259)**	**(6,454)**

Interest rate risk (exposure)

	2021	2020
Variable rate instruments (USD LIBOR 3 Months)	(8,529)	(6,454)
Variable rate instruments (SOFR)	(730)	-
Less: Reimbursable items (USD LIBOR 3 Months)	1,746	668
Less: IRS contracts (USD LIBOR 3 Months)	4,985	5,649
Less: IRS contracts (SOFR)	730	-
Exposure	**(1,798)**	**(136)**

Interest rate risk (sensitivity)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2021				
Variable rate instruments (USD LIBOR 3 Months)	(18)	18	-	-
Variable rate instruments (SOFR)	-	-	-	-
Interest rate swap (USD LIBOR 3 Months)	-	-	270	(270)
Interest rate swap (SOFR)	-	-	54	(54)
Sensitivity (net)	**(18)**	**18**	**324**	**(324)**
31 December 2020				
Variable rate instruments (USD LIBOR 3 Months)	(1)	1	-	-
Interest rate swap (USD LIBOR 3 Months)	-	-	226	(226)
Sensitivity (net)	**(1)**	**1**	**226**	**(226)**

The exposure of US$1,798 million is primarily related to un-hedged current financial liabilities, namely the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* secured in 2021. The interest rate exposure arising from the bridge loans is mainly offset by the Cash and Cash Equivalent at December 31, 2021.

The sensitivity on equity and the income statement resulting from a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2020.

At December 31, 2021, it is estimated that a general increase of 100 basis points in interest rates would decrease the Company's profit before tax for the year by approximately US$18 million (2020: decrease of US$1 million) mainly related to the exposure on the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* and the residual exposure on un-hedged financial liabilities.

As set out above, the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in interest rates could have an impact on consolidated earnings.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other financial assets, trade and other receivables (including committed transactions), derivative financial instruments and cash and cash equivalents.

Credit risk

	2021		2020	
Rating	Assets	Liabilities	Assets	Liabilities
AA	2	(33)	0	(10)
AA-	21	(95)	67	(171)
A+	16	(142)	66	(205)
A	2	(13)	3	(24)
BBB	-	(1)	-	(1)
Non-investment grade	0	(0)	-	-
Derivative financial instruments	**40**	**(283)**	**136**	**(411)**
AAA	223		111	-
AA	5		10	-
AA-	187		217	-
A+	534		53	-
A	50		3	-
A-	0		0	-
Non-investment grade	22		20	-
Cash and cash equivalents and bank overdrafts	**1,020**	**-**	**414**	**-**

The Company maintains and reviews its policy on cash investments and limits per individual counterparty are set to:
- BBB- to BBB+ rating: US$25 million or 10% of cash available.
- A- to A+ rating: US$75 million or 20% of cash available.
- AA- to AA+ rating: US$100 million or 20% of cash available.
- Above AA+ rating: no limit.

As per December 31, 2021, cash investments above AA+ rating do not exceed US$100 million per individual counterparty. Cash held in banks rated A+ has been diversified in cash investments above AA+ rating since year-end.

Cash held in banks rated AA- is mainly linked to cash pledged to loan reimbursements to those same banks. Cash held in banks rated below A- is mainly related to the Company's activities in Angola and Brazil (US$16 million) and has decreased since 2020 following cash repatriation.

For trade debtors the credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Bank or parent company guarantees are negotiated with customers. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management Board. At the date of the financial statements, there are two customers that have an outstanding balance with a percentage over 10% of the total of trade and other receivables. Reference is made to note 4.3.19 Trade and Other Receivables for information on the distribution of the receivables by country and an analysis of the ageing of the receivables. Furthermore, limited recourse project financing removes a significant portion of the credit risk on finance lease receivables.

For other financial assets, the credit quality of each counterpart is assessed taking into account its credit agency rating when available or a comparable proxy.

Regarding loans to joint ventures and associates, the maximum exposure to credit risk is the carrying amount of these instruments. As the counterparties of these instruments are joint ventures, the Company has visibility over the expected cash flows and can monitor and manage credit risk that mainly arises from the joint venture's final client.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In 2021 the Company again conducted various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion remained that the Company's lease portfolio and the existing financing facilities and overall financing capacity are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients the Company has considerable time under charters in which to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. To date, the Company has been able to manage the COVID-19 situation without the need to use such protection.

Liquidity is monitored using rolling forecasts of the Company's liquidity reserves based on expected cash flows. Flexibility is secured by maintaining availability under committed credit lines.

The table below analyses the Company's non-derivative financial liabilities, derivative financial liabilities and derivative financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for borrowings and derivative financial instruments are based on the USD LIBOR/SOFR 3-month rates as at the reporting date.

Liquidity risk 2021

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
31 December 2021					
Borrowings		1,017	4,648	3,156	8,821
Lease liabilities		19	34	4	56
Derivative financial liabilities		121	107	40	268
Derivative financial assets		(34)	(16)		(50)
Trade and other payables	*4.3.26*	1,111	-	-	1,111
Total		**2,234**	**4,772**	**3,200**	**10,207**

Liquidity risk 2020

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
31 December 2020					
Borrowings		1,336	3,148[1]	1,522	5,995
Lease liabilities		20	45	6	71
Derivative financial liabilities		133	193	111	437
Derivative financial assets		(97)	(33)	-	(130)
Trade and other payables	*4.3.26*	1,033	-	-	1,033
Total		**2,424**	**3,354**	**1,639**	**7,406**

1 includes the Liza Unity Project finance facility as disclosed in 4.3.24 Borrowings and Lease liabilities.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain a capital structure which optimizes the Company's cost of capital while at the same time ensuring diversification of sources of external funds.

The Company generally uses its corporate revolving credit facility (RCF, US$1 billion) to bridge financing requirements on projects under construction prior to putting a dedicated project finance facility in place. When a project finance facility is arranged and draw-downs have started, the RCF is repaid and a corporate guarantee from the Company is put in place for the construction period. When the project facility is drawn in full and the associated FPSO is producing, the corporate guarantee is recovered and the project finance becomes non-recourse debt.

As per December 31, 2021, all the debt associated with operating FPSOs is non-recourse.

The Company has limited appetite to decrease the existing debt in its structure, as this would involve breakage cost, through winding down the hedges and it would decrease the Company's return on equity. From time to time, it may decide to refinance existing facilities in order to increase and/or extend the tenor of leverage subject to sufficient charter tenor and income.

Given the non-recourse nature of a large part of its debt, the Company monitors its capital risk based on the Lease Backlog Cover Ratio, which is also used by the bank consortium supporting the Company's RCF. Generally, this ratio is calculated as the present value of the projected future net charter income, after deducting the project finance debt and interest payments, of a selected group of FPSO owning entities divided by the Company's corporate debt level (see note 4.3.24 Borrowings and Lease Liabilities).

The gearing ratios at December 31, 2021 and 2020 were as follows:

Capital risk management

	2021	2020
Total borrowings and lease liabilities	7,701	5,623
Less: net cash and cash equivalents	1,021	414
Net debt	**6,681**	**5,209**
Total equity	3,537	3,462
Total capital	**10,217**	**8,670**
Gearing ratio	65.4%	60.1%

Climate related risks

The Company has adopted two climate change scenarios to future-proof current strategy and take appropriate action. The scenarios are based on the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) data, as explained in section 5.1.4 Taskforce for Climate-related Disclosure (TCFD):

- A Steady Climate Change Scenario with a positive impact on climate change, but which falls short of meeting the Paris Agreement goals.
- A Bold Climate Action Scenario providing for strong commitment towards targets, as per the Paris Agreement.

Through its strategy process the Company tests the resilience of its portfolio and business model against each of these scenarios. Refer to section 1.4.3 Climate Change Risk & Opportunity for a detailed presentation of these scenarios and the risks associated to each of them.

Although climate related risks are key drivers of the Company strategy, budgeting exercise, capital allocation and prospects selection, the Company did not experience any impact on the financial result of the period. The risks will however remain key points of attention for areas such as impairment testing, estimation of remaining useful life, expected credit losses and provisions for future periods.

Other risks

In respect of controlling political risk, the Company has a policy of thoroughly reviewing risks associated with contracts, whether Turnkey or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained.

4.3.29 LIST OF GROUP COMPANIES

In accordance with legal requirements a list of the Company's entities that are included in the consolidated financial statements of SBM Offshore N.V. has been deposited at the Chamber of Commerce in Amsterdam.

4.3.30 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The Company has several joint ventures and associates:

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2021 main reporting segment	Project name
Sonasing Xikomba Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO N'Goma
OPS-Serviços de Produção de Petróleos Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & Operate	Angola operations
OPS-Serviços de Produção de Petróleos Ltd. Branch	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Angola	Lease & Operate	Angola operations
Sonasing Sanha Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Sanha
Sonasing Kuito Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Kuito
Sonasing Mondo Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Mondo
Sonasing Saxi Batuque Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Saxi-Batuque
OPS Production Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & Operate	Angola operations
Anchor Storage Ltd.	Maersk group	Joint venture	49.00	Bermuda	Lease & Operate	Nkossa II FSO
Gas Management (Congo) Ltd.	Maersk group	Joint venture	49.00	Bahamas	Lease & Operate	Nkossa II FSO
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & Operate	FPSO Kikeh
Malaysia Deepwater Production Contractors Sdn Bhd	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & Operate	FPSO Kikeh
Floventis Energy Limited	CIERCO LTD.	Joint venture	50.00	United Kingdom	Turnkey	Cierco
Llŷr Floating Wind Limited	CIERCO LTD.	Joint venture	50.00	Scotland	Turnkey	Cierco
CADEMO Corporation	CIERCO LTD.	Joint venture	50.00	United states of America	Turnkey	Cierco
Normand Installer S.A.	The Solstad group	Joint venture	49.90	Switzerland	Turnkey	Normand Installer
SBM Ship Yard Ltd.	Sociedad Nacional de Combustiveis de Angola	Associate	33.33	Bermuda	Turnkey	Angolan yard

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2021 main reporting segment	Project name
	Empresa Publica -Sonangol E.P.; Daewoo Shipbuilding & Marine Engineering Co. Ltd.					
PAENAL - Porto Amboim Estaleiros Navais Ltda.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; SBM Shipyard	Associate	30.00	Angola	Turnkey	Angolan yard

The Company has no joint operation as per definition provided by IFRS 11 'Joint arrangements'.

The movements in investments in associates and joint ventures are as follows:

	Note	2021	2020
Investments in associates and joint ventures at 1 January		**282**	**325**
Share of profit of equity-accounted investees	4.2.1	110	17
Dividends		(43)	(44)
Cash flow hedges		6	(8)
Capital increase/(decrease)		6	(12)
Foreign currency variations		0	(0)
Share in negative net equity reclassification to loans to joint ventures and associates		-	-
Other		-	3
Investments in associates and joint ventures at 31 December		**361**	**282**

Share of profit in equity-accounted investees

The significant increase in share of profit of equity-accounted investees is mainly explained by the extension of the lease and operate contracts of the *FPSO Kikeh* located in Malaysia (US$76 million).

The Company's investee signed an agreement with its client PTTEP for an additional 6 years' extension for the lease and operate contracts of the *FPSO Kikeh* located in Malaysia. The end of the contractual lease and operate period was extended from January 2022 to January 2028. The Company is the minority owner of the lease and operating companies related to *FPSO Kikeh* with 49% equity ownership, together with MISC with 51% equity ownership. As a result of the revised terms and conditions, the contract remains classified as a Finance lease under IFRS and the Company recognized a profit of US$76 million corresponding to its share of the increase in the discounted value of future lease payment.

Purchase and termination options in finance lease contracts – Joint ventures and associates

The finance lease contracts of *FPSO N'Goma*, *FPSO Saxi Batuque* and *FPSO Mondo*, where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early.

The exercise of the purchase option on FPSOs *N'Goma*, *Saxi Batuque* and *Mondo* as per December 31, 2021 would have resulted in a gain for the Company or a near breakeven result. The exercise of the option to terminate the contract early, in which case the Company retains ownership of the vessel, would result in a break-even result for FPSOs *N'Goma*, *Saxi Batuque* and *Mondo*.

4 FINANCIAL INFORMATION 2021

The following tables present the figures at 100%.

Information on significant joint arrangements and associates - 2021

Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends paid	Revenue
FPSO N'Goma	Angola	909	570	182	325	307	83	-	64
Angola operations	Angola	127	4	14	28	28	104	-	179
FPSO Kikeh	Malaysia	208	144	7	-	5	32	88	212
Angolan yard	Angola	74	0	53	539	539	38	-	4
Non material joint ventures/associates		92	75	7	168	163	8	-	1
Total at 100%		**1,410**	**794**	**263**	**1,059**	**1,041**	**265**	**88**	**460**

Information on significant joint arrangements and associates - 2020

Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends paid	Revenue
FPSO N'Goma	Angola	930	683	98	386	387	99	-	73
Angola operations	Angola	118	1	2	23	18	99	-	166
FPSO Kikeh	Malaysia	117	9	8	-	5	17	88	67
Brazilian yard	Brazil	2	2	0	1	0	4	-	-
Angolan yard	Angola	72	0	47	511	511	32	-	(2)
Non material joint ventures/associates		83	68	7	169	161	9	-	10
Total at 100%		**1,323**	**763**	**163**	**1,090**	**1,083**	**260**	**88**	**314**

The bank interest-bearing loans and other borrowings held by joint ventures and associates are as follows:

Information on loans and borrowings of joint ventures and associates

				Net book value at 31 December 2021			Net book value at 31 December 2020		
Entity name	% Ownership	% Interest	Maturity	Non-current	Current	Total	Non-current	Current	Total
US$ Project Finance facilities drawn:									
Sonasing Xikomba Ltd	50.00	4.00%	15-05-2026	259	65	325	325	62	386
Normand Installer SA	49.90	3.70%	23-02-2023	22	5	27	27	5	32
Loans from subsidiaries of SBM Offshore N.V.[1]				358	-	358	339	8	347
Loans from other shareholders of the joint ventures and associates				333	-	333	314	-	314
Loans from other joint ventures[2]				245	-	245	247	5	251
Net book value of loans and borrowings				**1,217**	**70**	**1,288**	**1,251**	**80**	**1,331**

1 Please refer to note 4.3.16 'Loans to joint-ventures and associates' for presentation of the carrying amount of these loans in the Company's Consolidated Statement of financial position.

2 Mainly loans from the joint ventures SBM Shipyard Ltd to the JV PAENAL - Porto Amboim Estaleiros Navais Ltda.

Aggregated information on joint ventures and associates

	2021	2020
Net result at 100%	187	(2)

Reconciliation equity at 100 % with investment in associates and joint ventures

	2021	2020
Equity at 100%	104	(20)
Partner ownership	88	134
Share in negative net equity reclassification to loans to joint ventures and associates	168	168
Investments in associates and joint ventures	**361**	**282**

4.3.31 INFORMATION ON NON-CONTROLLING INTERESTS

The Company has several jointly owned subsidiaries:

Entity name	Partners	% of ownership	Country registration	2021 main reporting segment	Project name
Aseng Production Company Ltd.	GE Petrol	60.00	Cayman island	Lease & Operate	FPSO Aseng
Gepsing Ltd.	GE Petrol	60.00	Cayman island	Lease & Operate	FPSO Aseng / FPSO Serpentina
Gepsing Ltd - Equatorial Guinea Branch	GE Petrol	60.00	Equatorial Guinea	Lease & Operate	FPSO Aseng / FPSO Serpentina
Brazilian Deepwater Production Ltd.	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & Operate	FPSO Espirito Santo
Brazilian Deepwater Production Contractors Ltd.	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & Operate	FPSO Espirito Santo
Brazilian Deepwater Production B.V.	Malaysia International Shipping Corporation Behard	51.00	The Netherlands	Lease & Operate	FPSO Espirito Santo
Operações Marítimas em Mar Profundo Brasileiro Ltda	owned by Brazilian Deepwater Production Contractors (see information above)	51.00	Brazil	Lease & Operate	FPSO Espirito Santo
Alfa Lula Alto S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Luxembourg	Turnkey	FPSO Cidade de Marica
Alfa Lula Alto Holding Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Bermuda	Lease & Operate	FPSO Cidade de Marica
Alfa Lula Alto Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Marica
Alfa Lula Alto S.à r.l. (Brazilian branche)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Marica
Beta Lula Central S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Luxembourg	Turnkey	FPSO Cidade de Saquarema
Beta Lula Central Holding Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Bermuda	Lease & Operate	FPSO Cidade de Saquarema
Beta Lula Central Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Saquarema
Beta Lula Central S.à r.l. (Brazilian branche)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Saquarema
Tupi Nordeste S.à.r.l.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Luxembourg	Lease & Operate	FPSO Cidade de Paraty
Tupi Nordeste Operações Marítimas Ltda.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Brazil	Lease & Operate	FPSO Cidade de Paraty
Tupi Nordeste Holding Ltd.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Bermuda	Lease & Operate	FPSO Cidade de Paraty
Tupi Nordeste S.à r.l. (Brazilian branche)	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Bermuda	Lease & Operate	FPSO Cidade de Paraty

Entity name	Partners	% of ownership	Country registration	2021 main reporting segment	Project name
Guara Norte S.à.r.l.	Mitsubishi Corporation	75.00	Luxembourg	Lease & Operate	FPSO Cidade de Ilhabela
Guara Norte Holding Ltd.	Mitsubishi Corporation	75.00	Bermuda	Lease & Operate	FPSO Cidade de Ilhabela
Guara Norte Operações Marítimas Ltda.	Mitsubishi Corporation	75.00	Brazil	Lease & Operate	FPSO Cidade de Ilhabela
Guara Norte S.à r.l. (Brazilian branche)	Mitsubishi Corporation	75.00	Brazil	Lease & Operate	FPSO Cidade de Ilhabela
Mero 2 Operacoes Maritima Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	Brazil	Lease & Operate	FPSO Sepetiba
Mero 2 Operacoes Holding S.A.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	Switzerland	Lease & Operate	FPSO Sepetiba
Mero 2 Owning B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	The Netherlands	Lease & Operate	FPSO Sepetiba
Mero 2 B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	The Netherlands	Lease & Operate	FPSO Sepetiba
YTSM JV S.A.	CB&I Nederland B.V.	70.00	Switzerland	Lease & Operate	FPSO Yellow Tail
SBM Nauvata Private Limited	Nauvata Engineering Private Limited	51.00	India	Turnkey	Engineering services
South East Shipping Co. Ltd.	Mitsubishi Corporation	75.00	Bermuda	Lease & Operate	Yetagun

Transaction with non-controlling interests

The US$68 million reported in 4.2.4 Consolidated Statement of Changes in Equity mainly relates to multiple equity contributions from the partners in the subsidiairy Mero 2 Owning B.V. related to *FPSO Sepetiba*.

Information on non-controlling interests (NCI)

Included in the consolidated financial statements are the following items that represent the Company's interest in the revenues, assets and loans of the partially owned subsidiaries.

Figures are presented at 100% before elimination of intercompany transactions.

2021

Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends to NCI	Revenue
FPSO Aseng / FPSO Serpentina	Equatorial Guinea	140	75	3	0	-	33	11	97
FPSO Espirito Santo	Brazil	131	76	9	93	94	48	-	51
FPSO Cidade de Marica	Brazil	1,603	1,435	61	907	839	176	11	200
FPSO Cidade de Saquarema	Brazil	1,555	1,430	25	1,018	962	136	13	198
FPSO Cidade de Paraty	Brazil	1,079	965	27	215	93	158	-	145
FPSO Cidade de Ilhabela	Brazil	1,387	1,247	29	804	764	73	91	191
FPSO Sepetiba	Brazil	1,644	-	24	944	1,066	267	-	484
Non material NCI		38	27	5	5	4	5	0	(0)
Total 100%		**7,578**	**5,255**	**183**	**3,986**	**3,821**	**897**	**127**	**1,367**

2020

Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends to NCI	Revenue
FPSO Aseng / FPSO Serpentina	Equatorial Guinea	147	87	15	0	0	29	8	88
FPSO Espirito Santo	Brazil	136	84	13	92	92	45	53	352
FPSO Cidade de Marica	Brazil	1,630	1,483	63	1,016	987	175	3	190
FPSO Cidade de Saquarema	Brazil	1,591	1,480	31	1,109	1,107	135	16	194
FPSO Cidade de Paraty	Brazil	1,070	968	26	311	200	160	-	147
FPSO Cidade de Ilhabela	Brazil	1,449	1,282	87	555	439	177	3	187
FPSO Sepetiba	Brazil	987	-	10	600	89	736	-	755
Non material NCI		26	0	4	-	-	1	0	1
Total 100%		**7,036**	**5,384**	**250**	**3,683**	**2,915**	**1,457**	**83**	**1,914**

Reference is made to note 4.3.24 Borrowings and Lease Liabilities for a description of the bank interest-bearing loans and other borrowings per entity.

The risks associated with interests in subsidiaries, join ventures and associated are described in section 4.3.28 Financial Instruments - Fair Values and Risk Management. The risks identified are deemed to be inherent to the operations of the Company as a whole and includes the risk profiles of interests in other entities.

Included in the consolidated financial statements are the following items that represent the aggregate contribution of the partially owned subsidiaries to the Company consolidated financial statements:

Interest in non-controlling interest (summary)

	2021	2020
Net result	72	137
Accumulated amount of NCI	957	905

Reconciliation equity at 100 % with Non-controlling interests on partially owned subsidiaries

	2021	2020
Equity at 100%	2,860	2,664
Company ownership	(1,902)	(1,758)
Accumulated amount of NCI	**957**	**905**

4.3.32 RELATED PARTY TRANSACTIONS

During 2021 no major related party transactions requiring additional disclosure in the financial statements took place.

For relations with Supervisory Board members, Management Board members and other key personnel reference is made to note 4.3.6 Employee Benefit Expenses.

The Company has transactions with joint ventures and associates which are recognized as follows in the Company's consolidated financial statements:

Related party transactions

	Note	2021	2020
Revenue		12	10
Cost of sales		(16)	(14)
Loans to joint ventures and associates	*4.3.16*	51	46
Trade receivables		41	62
Trade payables		16	18
Lease liabilities		(0)	(0)

The Company has provided loans to joint ventures and associates such as shareholder loans and funding loans at rates comparable to the commercial rates of interest.

During the period, the Company entered into trading transactions with joint ventures and associates on terms equivalent to those that prevail in arm's-length transactions.

Additional information regarding the joint ventures and associates is available in note 4.3.30 Investment in Associates and Joint Ventures.

4.3.33 INDEPENDENT AUDITOR'S FEES AND SERVICES

Fees included in other operating costs related to PwC, the 2021 and 2020 Company's external independent auditor, are summarized as follows:

in thousands of US$	2021	2020
Audit of financial statements	2,768	2,526
Out of which:		
- invoiced by PwC Accountants N.V.	1,822	1,522
- invoiced by PwC network firms	946	1,004
Tax advisory services by PwC network firms	33	50
Other assurance services	136	113
Total	**2,937**	**2,689**

In both 2021 and 2020, the other assurance services were mainly related to the review of the Company sustainability report.

4.3.34 EVENTS AFTER END OF REPORTING PERIOD

DIVIDEND

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company proposes to pay out a dividend of US$1 per share, equivalent to c.US$180[3]million, to be paid out of retained earnings. This dividend will be proposed at the Annual General Meeting on April 6, 2022. This represents an increase of 13% compared to the US$0.8854 dividend per share paid in 2021.

SALE OF SBM INSTALLER

As at December 31, 2021 the SBM Installer was classified as an asset held for sale with a carrying amount of US$ 25 million. This was the result of an highly anticipated sale to an identified buyer. The SBM Installer was sold to the buyer on January 19, 2022 for an amount of US$34 million resulting in a gain on disposal of US$8 million. The gain on disposal will be recognized in the consolidated income statement during 2022.

DIVESTMENT OF MINORITY INTEREST IN FPSO ALMIRANTE TAMANDARÉ PROJECT

Following the announcement on July 27, 2021 with respect to the signature of the contracts for the *FPSO Almirante Tamandaré*, the Company announced on January 25, 2022 that it has entered into a shareholder agreement with its long standing business partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK). MC and NYK have acquired a respective 25% and 20% ownership interest in the special purpose companies related to the lease and operation of the *FPSO Almirante Tamandaré*. The Company is the operator and will remain the majority shareholder with 55% ownership interest.

FPSO CIDADE DE ANCHIETA

FPSO *Cidade de Anchieta* has been shut down from January 22, 2022 following the observation of oil near the vessel. Adequate anti-pollution measures were immediately deployed and were effective. The situation is under control with two temporary repairs to the hull implemented. The FPSO will restart when an agreed action plan is approved by the authorities.

[3] Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date. The amount disclosed is based on the number of shares outstanding less the treasury shares held at December 31, 2021.

4.4 COMPANY FINANCIAL STATEMENTS

4.4.1 COMPANY BALANCE SHEET

Company balance sheet

Before appropriation of profit	Notes	31 December 2021	31 December 2020
ASSETS			
Investment in Group companies	4.5.1	2,582	2,574
Total financial fixed assets		**2,582**	**2,574**
Deferred tax asset	4.5.2	3	3
Total non-current assets		**2,585**	**2,578**
Other receivables	4.5.3	4	2
Cash and cash equivalents	4.5.4	1	1
Total current assets		**5**	**3**
TOTAL ASSETS		**2,590**	**2,581**
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		51	58
Share premium reserve		1,034	1,034
Treasury shares		(69)	(51)
Legal reserves	4.5.5	1,211	1,304
Retained earnings		(48)	21
Profit of the year		400	191
Shareholders' equity	4.5.5	**2,579**	**2,556**
Other current liabilities	4.5.6	11	26
Total current liabilities		**11**	**26**
TOTAL EQUITY AND LIABILITIES		**2,590**	**2,581**

4.4.2 COMPANY INCOME STATEMENT

Company income statement

For the years ended 31 December	Note	2021	2020
Revenue	4.5.7	7	6
General and administrative expenses	4.5.8	(36)	(38)
Operating profit/(loss) (EBIT)		**(29)**	**(30)**
Financial expenses	4.5.9	(0)	(0)
Profit/(Loss) before income tax		**(29)**	**(30)**
Income tax (expense)/income		-	-
Result of Group companies	4.5.1	429	221
Profit/(Loss) after income tax		**400**	**191**

4.4.3 GENERAL

The Company financial statements are part of the 2021 financial statements of SBM Offshore N.V. Reference is made to section 4.2.6 General Information for additional details on the Company.

SBM Offshore N.V. costs mainly comprise of management activities and cost of the headquarters office at Schiphol of which part is recharged to Group companies.

PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

The stand-alone financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements of the 'Raad voor de Jaarverslaggeving'. SBM Offshore N.V. uses the option provided in section 2:362 (8) of the Dutch Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of SBM Offshore N.V. are the same as those applied for the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. The consolidated financial statements are prepared according to the standards set by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to the notes to the consolidated financial statements ('4.2.7 Accounting Principles') for a description of these principles.

Investments in group companies, over which control is exercised, are stated on the basis of the net asset value.

Results on transactions, involving the transfer of assets and liabilities between SBM Offshore N.V. and its participating interests or between participating interests themselves, are not incorporated insofar as they are deemed to be unrealized.

4.5 NOTES TO THE COMPANY FINANCIAL STATEMENTS

4.5.1 INVESTMENT IN GROUP COMPANIES

The movements in the item Investment in Group companies are as follows:

	2021	2020
Balance at 1 January	2,567	2,739
Loans issued to subsidiairy	7	6
Investments net value	**2,574**	**2,745**
Result of Group companies	429	221
Capital contributions	5	35
Dividends received	(373)	(337)
Other changes[1]	(53)	(83)
Foreign currency variations	0	(7)
Movements	**8**	**(172)**
Balance at 31 December	2,582	2,567
Loans issued to subsidiairy	0	7
Investments net value at 31 December	**2,582**	**2,574**

1 Mainly relates to Cash flow hedges and transaction with non-controlling interests (please refer to note 4.2.4 'Company's Consolidated Statement of changes in equity).

An overview of the information on principal subsidiary undertakings required under articles 2: 379 of the Dutch Civil Code is given below. The subsidiaries of SBM Offshore N.V. are the following (all of which are 100% owned):

- SBM Offshore Holding B.V., Amsterdam, the Netherlands
- SBM Holding Inc. S.A., Marly, Switzerland
- SBM Holding Luxembourg S.à.r.l, Luxembourg, Luxembourg
- SBM Schiedam B.V., Rotterdam, the Netherlands
- Van der Giessen-de Noord N.V., Krimpen a/d IJssel, the Netherlands (liquidated)
- SBM Holland B.V., Rotterdam, the Netherlands
- FPSO Capixaba Holding B.V., 's-Gravenhage, the Netherlands
- XNK Industries B.V., Dongen, the Netherlands (liquidated)

4.5.2 DEFERRED TAX ASSET

SBM Offshore N.V. is head of a fiscal unity in which all Dutch entities are included, except for the entities that are held by SBM Holding Inc. S.A. and the joint venture entities. For more details refer to note 4.4.3 General.

A deferred tax asset is recognized for tax losses of the fiscal unity which can be carried forward and are expected to be recovered based on anticipated future taxable profits within the Dutch fiscal unity. Due to a change in tax legislation, as of 2022, the tax losses of the fiscal unity incurred between 2014-2018 can be carried forward indefinitely. Commercially this has not resulted in a different valuation, the deferred tax asset for tax losses brought forward from prior years amounts to US$3 million (2020: US$3 million).

4.5.3 OTHER RECEIVABLES

	31 December 2021	31 December 2020
Trade receivables	0	0
Amounts owed by Group companies	3	1
Other debtors	1	1
Total	**4**	**2**

Other receivables fall due in less than one year. The fair value of the receivables reasonably approximates the book value, due to their short-term character.

Intercompany receivable from group companies are free of interest, therefore no interest is imputed. In respect of repayment, no formal agreements have been made.

4.5.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are at SBM Offshore N.V.'s free disposal.

4.5.5 SHAREHOLDERS' EQUITY

For an explanation of the shareholders' equity, reference is made to the Consolidated Statement of Changes in Equity and note 4.3.23 Equity Attributable to Shareholders.

Legal reserve

	31 December 2021	31 December 2020
Investees equity non-distributable	1,511	1,585
Capitalized development expenditure	75	39
Translation reserve	(105)	(105)
Cash flow hedges	(270)	(215)
Total	**1,211**	**1,304**

The 'Investees equity non-distributable' legal reserve relates mainly to non-distributable profits generated by the co-owned entities (refer to note 4.3.30 Investment in Associates and Joint Ventures and 4.3.31 Information on Non-controlling Interests). The agreed principle in the applicable shareholders' agreements is that the shareholders shall procure that any available reserves are distributable after paying any expenses due and taking into account co-owned entity and applicable legal requirements. However, as unanimous decision of shareholders agreements in most of the co-owned entities is required to distribute the profits generated, the equity of these entities is classified as a non-distributable reserve under Dutch guidelines for financial reporting. On a regular basis the Company ensures that dividends are approved by the partners and distributed accordingly to the shareholders.

PROPOSED APPROPRIATION OF RESULT

With the approval of the Supervisory Board, it is proposed that the result shown in SBM Offshore N.V. income statement be appropriated as follows (in US$):

Appropriation of result

	2021
Profit/(Loss) attributable to shareholders	400
In accordance with note 4.6.1 to be transferred to the 'Retained earnings'	400
At the disposal of the General Meeting of Shareholders	**-**

It is proposed that US$1 per share out of retained earnings is distributed among the shareholders. Please refer to note 4.5.14 Events After End of Reporting Period.

4.5.6 OTHER CURRENT LIABILITIES

	31 December 2021	31 December 2020
Trade payables	1	0
Amounts owed to Group companies	2	19
Taxation and social security costs	0	0
Other liabilities	8	7
Total current liabilities	**11**	**26**

The other current liabilities fall due in less than one year. The fair value of other current liabilities approximates the book value, due to their short-term character.

As per year-end 2021, the Company has a payable due to SBM Holding Inc. S.A. (the cash pool leader of SBM Group) amounting to US$2 million (2020: US$19 million). The lending conditions applied to the outstanding amounts between the cash pool leader and the Company are as follows:

- Fixed fee: the cash pool leader charges a handling fee of 0.075% to the Company;
- Interest rate: the cash pool leader charges an interest of 0.25% (2020: 0.5%) to the Company.

Intercompany payable from group companies outside of the cash pool are free of interest, therefore no interest is imputed. In respect of repayment, no formal agreements have been made.

4.5.7 REVENUE

The revenue comprises of management fees charged to Group company Single Buoy Moorings Inc. S.A. which is the main EPC contractor.

4.5.8 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Employee Benefits	(28)	(29)
Other costs	(8)	(10)
Total	**(36)**	**(38)**

The employee benefits include the Management Board remuneration, and recharge of other personnel costs at the headquarters, as well as share-based payments for the entire Group. For further details on the Management Board remuneration, reference is made to note 4.3.6 Employee Benefit Expenses.

The other costs include audit fees, legal, compliance, corporate governance and investor relation costs. For the audit fees reference is made to note 4.3.33 Independent Auditor's Fees and Services.

4.5.9 FINANCIAL EXPENSES

The financial expenses relate mainly to foreign currency results and interest expenses charged by Group companies to SBM Offshore N.V.

4.5.10 COMMITMENTS AND CONTINGENCIES

COMPANY GUARANTEES

SBM Offshore N.V. has issued performance guarantees for contractual obligations to complete and deliver projects in respect of several Group companies, and fulfillment of obligations with respect to long-term lease/operate contracts. Furthermore, the Company has issued parent company guarantees in respect of several Group companies' financing arrangements. Please refer to note 4.3.27 Commitments and Contingencies.

FISCAL UNITY

SBM Offshore N.V. is head of a fiscal unity in which all Dutch entities are included, except for the entities that are held by SBM Holding Inc. S.A. and the joint venture entities. All tax liabilities and tax assets are transferred to the fiscal unity parent, however all members of the fiscal unity can be held liable for all tax liabilities concerning the fiscal unity.

Corporate income tax is levied at the head of the fiscal unity based on the fiscal results allocated by the members to SBM Offshore N.V., taking into account an allocation of the benefits of the fiscal unity to the different members. The settlement amount, if any, is equal to the corporate income tax charge included in the Company income statement.

SBM Offshore Amsterdam B.V. is an exception to this rule, as the entity is not entitled to the allocation of the benefits of the fiscal unity, whereby the tax charge is included in its statutory income statement.

4.5.11 DIRECTORS REMUNERATION

For further details on the Directors remuneration, reference is made to note 4.3.6 Employee Benefit Expenses of the consolidated financial statements.

4.5.12 NUMBER OF EMPLOYEES

The members of the Management Board are the only employees of SBM Offshore N.V.

4.5.13 INDEPENDENT AUDIT FEES

For the audit fees relating to the procedures applied to SBM Offshore N.V. and its consolidated group entities by accounting firms and external independent auditors, reference is made to note 4.3.33 Independent Auditor's Fees and Services of the consolidated financial statements.

4.5.14 EVENTS AFTER END OF REPORTING PERIOD

DIVIDEND

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company proposes to pay out a dividend of US$1 per share, equivalent to c.US$180[4]million, to be paid out of retained earnings. This dividend will be proposed at the Annual General Meeting on April 6, 2022. This represents an increase of 13% compared to the US$0.8854 dividend per share paid in 2021.

SALE OF SBM INSTALLER

As at December 31, 2021 the SBM Installer was classified as an asset held for sale with a carrying amount of US$ 25 million. This was the result of an highly anticipated sale to an identified buyer. The SBM Installer was sold to the buyer on January 19, 2022 for an amount of US$34 million resulting in a gain on disposal of US$8 million. The gain on disposal will be recognized in the consolidated income statement during 2022.

DIVESTMENT OF MINORITY INTEREST IN FPSO ALMIRANTE TAMANDARÉ PROJECT

Following the announcement on July 27, 2021 with respect to the signature of the contracts for the *FPSO Almirante Tamandaré*, the Company announced on January 25, 2022 that it has entered into a shareholder agreement with its long standing business partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK). MC and NYK have acquired a respective 25% and 20% ownership interest in the special purpose companies related to the lease and operation of the *FPSO Almirante Tamandaré*. The Company is the operator and will remain the majority shareholder with 55% ownership interest.

FPSO CIDADE DE ANCHIETA

FPSO *Cidade de Anchieta* has been shut down from January 22, 2022 following the observation of oil near the vessel. Adequate anti-pollution measures were immediately deployed and were effective. The situation is under control with two temporary repairs to the hull implemented. The FPSO will restart when an agreed action plan is approved by the authorities.

Schiphol, the Netherlands
February 9, 2022

Management Board
Bruno Chabas, Chief Executive Officer
Phillippe Barril, Chief Operating Officer
Erik Lagendijk, Chief Governance and Compliance Officer
Douglas Wood, Chief Financial Officer

Supervisory Board
Roeland Baan, Chairman
Francis Gugen, Vice-Chairman
Ingelise Arntsen
Bernard Bajolet
Sietze Hepkema
Cheryl Richard
Jaap van Wiechen

[4] Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date. The amount disclosed is based on the number of shares outstanding less the treasury shares held at December 31, 2021.

4.6 OTHER INFORMATION

4.6.1 APPROPRIATION OF RESULT

ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

With regard to the appropriation of result, article 29 of the Articles of Association states:

1. When drawing up the annual accounts, the Management Board shall charge such sums for the depreciation of SBM Offshore N.V.'s fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.
2. Any distribution of profits pursuant to the provisions of this article shall be made after the adoption of the annual accounts from which it appears that the same is permitted. SBM Offshore N.V. may make distributions to the shareholders and to other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law. A deficit may be offset against the statutory reserves only to the extent permitted by law.
3. a. The profit shall, if sufficient, be applied first in payment to the holders of protective preference shares of a percentage as specified in b. below of the compulsory amount due on these shares as at the commencement of the financial year for which the distribution is made.
   b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of twelve (12) months – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by two hundred (200) basis points.
   c. If in the course of the financial year for which the distribution is made the compulsory amount to be paid on the protective preference shares has been decreased or, pursuant to a resolution for additional payments, increased, then the distribution shall be decreased or, if possible, increased by an amount equal to the aforementioned percentage of the amount of the decrease or increase as the case may be, calculated from the date of the decrease or from the day when the additional payment became compulsory, as the case may be.
   d. If in the course of any financial year protective preference shares have been issued, the dividend on protective preference shares for that financial year shall be decreased proportionately.
   e. If the profit for a financial year is being determined and if in that financial year one or more protective preference shares have been cancelled with repayment or full repayment has taken place on protective preference shares, the persons who according to the shareholders' register referred to in article 12 at the time of such cancellation or repayment were recorded as the holders of these protective preference shares, shall have an inalienable right to a distribution of profit as described hereinafter. The profit which, if sufficient, shall be distributed to such a person shall be equal to the amount of the distribution to which he would be entitled pursuant to the provisions of this paragraph if at the time of the determination of the profits he had still been the holder of the protective preference shares referred to above, calculated on a time-proportionate basis for the period during which he held protective preference shares in that financial year, with a part of a month to be regarded as a full month. In respect of an amendment of the provisions laid down in this paragraph, the reservation referred to in section 2: 122 of the Dutch Civil Code is hereby explicitly made.
   f. If in any one financial year the profit referred to above in subparagraph a. is not sufficient to make the distributions referred to in this article, then the provisions of this paragraph and those laid down hereinafter in this article shall in the subsequent financial years not apply until the deficit has been made good.
   g. Further payment out of the profits on the protective preference shares shall not take place.
4. The Management Board is authorized, subject to the approval of the Supervisory Board, to determine each year what part of the profits shall be transferred to the reserves, after the provisions of the preceding paragraph have been applied.
5. The residue of the profit shall be at the disposal of the General Meeting.
6. The General Meeting may only resolve to distribute any reserves upon the proposal of the Management Board, subject to the approval of the Supervisory Board.

4.6.2 CALL OPTION GRANTED TO STICHTING CONTINUÏTEIT SBM OFFSHORE (THE FOUNDATION)

The Management Board, with the approval of the Supervisory Board, has granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital. The protective preference shares can be issued as a protective measure as described in note 3.2.8 Stichting Continuïteit SBM Offshore.

4.6.3 INDEPENDENT AUDITOR'S REPORT

To: the general meeting and the Supervisory Board of SBM Offshore N.V.

Report on the financial statements 2021

Our opinion

In our opinion:

- the consolidated financial statements of SBM Offshore N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2021 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the Company financial statements of SBM Offshore N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of SBM Offshore N.V., Amsterdam as included in sections 4.2 up to and including 4.5. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the following statements for 2021: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement; and
- the notes, comprising significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the Company balance sheet as at 31 December 2021;
- the Company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the Company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of SBM Offshore N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

We designed our audit procedures in the context of our audit of the financial statements as a whole. Our comments and observations regarding individual key audit matters, our audit approach regarding fraud risks and our audit approach regarding going concern should be read in this context and not as a separate opinion or conclusion on these matters.

SBM Offshore N.V serves the offshore oil and gas industry by supplying engineered products, vessels and systems, as well as offshore oil and gas production services. This includes the construction and the leasing and operating of large and complex offshore floating production, storage and offloading vessels (FPSOs). The Group is comprised of several components and, therefore, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition impacts of climate-related risks.

In paragraph 4.2.7 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. We identified complex lease accounting as a key audit matter because the accounting treatment of lease transactions during the year was considered to be complex and judgemental as set out in the section 'Key audit matters' of this report. Furthermore, given the significant estimation uncertainty and the related higher inherent risks of material misstatement in construction contracts, we considered this as key audit matter as well.

SBM Offshore N.V. assessed the possible effects of climate change and its plans to meet the emissionZERO® commitments on its financial position. In paragraph 1.4.3 of the annual report and 4.3.28 of the consolidated financial statements, the Management Board reflects on climate-related risk and opportunities. We discussed management's assessment and governance thereof and evaluated the potential impact on the financial position including underlying assumptions and estimates. Management concluded that the climate change has no impact on the carrying amounts of assets and liabilities as of December 31, 2021. It is management's assessment that the future estimates and judgements underlying the carrying amounts of assets or liabilities will be influenced by its response to and assessment of climate related risks. During the audit we involved our sustainability specialists to assess the climate related risks. The impact of climate change is not considered to impact our key audit matters.

Other areas of focus, that were not considered to be key audit matters, were the lease classification of awarded contracts, valuation of finance lease receivables, segment reporting disclosure and accounting for uncertain tax positions. There were also internal control matters identified relating to the IT environment that required additional audit effort but these were not considered key audit matters.

We ensured that the audit teams both at group and at component level included the appropriate skills and competences that are needed for the audit of a Company providing floating production solutions to the offshore energy industry over the full product lifecycle. We included members with relevant industry-expertise and specialists in the areas of IT, corporate income tax, valuation, sustainability and employee benefits in our audit team. We also involved forensics specialists in our assessment of fraud risk factors.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: US$27 million

Audit scope

- We conducted audit work in three locations on four components.
- Limited site visits were conducted due to COVID-19 related travel restrictions. We held virtual meetings instead.
- Audit coverage: 100% of consolidated revenue, 99% of consolidated total assets and 89% of consolidated profit before tax.

Key audit matters

- Complex lease accounting
- Estimates and judgements in construction contracts

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	US$27 million (2020: US$22 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of *profit before income tax*.
Rationale for benchmark applied	We used this benchmark and the rule of thumb (%), based on our analysis of the common information needs of users of the financial statements, including factors such as the headroom on covenants and the financial position of the Group. On this basis, we believe that profit before income tax is an important metric for the financial performance of the Group.
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between US$15 million and US$20 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them any misstatement identified during our audit above US $10 million (2020: US$10 million) for balance sheet reclassifications and US$2.2 million for profit before tax impact (2020: US $2.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

SBM Offshore N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of SBM Offshore N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit focused on two components in Monaco (Turnkey as well as Operations), the treasury shared service center in Marly, Switzerland and one other component (Group Corporate Departments) located in Amsterdam, the Netherlands. The Turnkey as well as Operations components in Monaco were subject to audits of their financial information as those components are individually significant to the Group.

The processes and financial statement line items managed by the treasury shared service center in Marly, Switzerland, were subject to specified audit procedures. For the Group Corporate Departments component in Amsterdam, the group engagement team performed audit work on specified balances to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	99%
Profit before tax	89%

None of the remaining components represented more than 1% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the components in Monaco and the treasury shared service center in Marly, Switzerland, we used component auditors who are familiar with the local laws and regulations to perform the audit work. The audit was largely performed remotely as a result of COVID-19, however for key meetings and audit procedures both the group and component engagement teams visited the client offices. For remote audit procedures we used video conferencing and digital sharing of screens and documents.

Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and the scope of the work. We explained to the component audit teams the structure of the Group, the main developments that were relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams both during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, that could be of relevance for the consolidated financial statements.

In 2021, the group audit team held virtual meetings instead of physical visits due to COVID-19 related travel restrictions. For these virtual meetings more time was taken, and sufficient involvement was achieved. The group audit team met with both the Turnkey as well as Operations components in Monaco given the importance of these components to the consolidated financial statements as a whole and the judgements involved in the estimates in construction contracts (refer to the respective key audit matter). For the components in Monaco and the treasury shared service center in Marly, Switzerland, we remotely reviewed selected working papers of the respective component auditors.

In addition to the work on the Group Corporate Departments component, the group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex accounting matters at the head office. These included impairment assessments, accounting implication assessments of lease extensions and modifications as well as business combinations, share-based payments, taxes including deferred taxes and uncertain tax provisions and directional reporting as part of the segment reporting disclosures.

By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 1.4, 2.1.1 and 3.6 of the annual report where the Management Board reflects on its response to fraud risk.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we, in co-operation with our forensic specialists, evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	*Our audit work and observations*
Management override of controls	
In all our audits we pay attention to the risk of management override of controls, including the risk of potential misstatements as a result of fraud based on an analysis of interests of management. In this context we paid specific attention to this risk at the transaction level of revenue and construction contracts given the estimates and judgements involved. We paid attention to the impact of COVID-19 on the effectiveness of internal controls.	Where relevant to our audit, we evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and assessed the effectiveness of the measures in the processes generating journal entries, making estimates, and monitoring projects. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. Due to COVID-19 we performed specific testing around the effectiveness of internal control measures, as well as having multiple discussions with management around potentially impacted areas. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. We performed journal entry testing procedures on the following criteria: unexpected account combinations, unusual words and unexpected users. With respect to journal entries, we also tested transactions outside of the ordinary course of business where applicable. In addition, we also tested manual consolidation adjustments.

Identified fraud risks	*Our audit work and observations*
	With regard to management's accounting estimates, we evaluated key estimates and judgements for bias, including retrospective reviews of prior year's estimates. We performed substantive audit procedures for the estimates in revenue and construction contracts. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of internal controls.
Risk of fraud in revenue recognition – construction contracts	
Given the listed status of SBM Offshore N.V., the significant shareholdings of management in SBM Offshore N.V. as a result of share-based payment plans and financial targets for management, the complex nature of the Company's construction contracts and the significant judgements and estimates, the revenue recognition of construction contracts was particularly subject to the risk of a material misstatement due to fraud. The determination of the turnkey result based on over time recognition is an exercise requiring significant judgement and management could use this estimate in order to manipulate the figures to shift results to upcoming year(s). Due to this, we deem the risk significant for the cut-off assertion for revenue.	Where relevant to our audit, we assessed the design of the internal control measures and the effectiveness of these measures in the processes for recording costs and revenues relating to construction contracts. This includes project forecasting, measurement of the progress towards complete satisfaction of the performance obligation to determine the timing of revenue recognition and the Company's internal project reviews. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. With respect to the satisfaction of the performance obligations over time and the cut-off for individual projects under construction we examined, discussed, and challenged project documentation on the status, progress and forecasts with those charged with governance, management, finance and technical staff of the Company. We evaluated and substantiated the outcome of these discussions by examining modifications of contracts such as claims and variation orders between the Company, subcontractors and clients and responses thereto. In addition, we performed substantive procedures such as a detailed evaluation of forecasts and ongoing assessment of management's judgement on issues, evaluation of budget variances and obtaining corroborating evidence, evaluation of project contingencies and milestones and recalculation of the progress towards complete satisfaction of the performance obligation. In addition, we evaluated indications of possible management bias. We performed look-back procedures as part of our risk assessment procedures by comparing the estimates included in the current projects with past projects of similar nature as this provides insight in the ability of management to provide reliable estimates. Based on the look-back procedures we did not identify any additional risks. In addition, at the end of the year, we conducted specific substantive audit procedures regarding the cut-off of construction contracts to determine that there were no shifts in results per individual project and/or between the current and next financial year. Finally, we selected journal entries based on specific risk criteria and performed substantive audit procedures during which we also paid attention to significant transactions outside the normal course of business. Our audit procedures did not identify any material misstatements in the information provided by management in the financial statements and the management report compared with the financial statements. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of internal controls.

Identified fraud risks	*Our audit work and observations*
Risk of fraud in revenue recognition – lease and operate Although the lease contracts and many of the operate contracts itself specify specific day-rates per vessel and periodic operating fees (and therefore the revenue is very predictable and relatively certain) there are elements in which management could manipulate the lease and operate revenue, such as the recognition of maluses. We consider accuracy, existence and occurrence as assertions relevant for the risk of fraud in revenue recognition for lease & operate revenues.	Where relevant to our audit, we assessed the design of the internal control measures and the effectiveness of these measures in the processes for recording costs and revenues relating to the lease and operate contracts. This includes gaining an understanding of the underlying contracts, malus arrangements and key performance indicators like up- and downtime to determine the possible impact on the revenue recognition. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. With respect to the satisfaction of the performance obligations for individual contracts, we examined, discussed, and challenged SBM Offshore N.V. on the recognition of maluses with management, finance, and technical staff of the Company. We evaluated and substantiated the outcome of these discussions by examining recognized claims and maluses by the Company and responses thereto, performing substantive procedures such as obtaining corroborating evidence, evaluation of vessels report. In addition, as part of our substantive audit procedures we evaluated indications of possible management bias. Finally, we selected journal entries based on specific risk criteria and performed substantive audit procedures in which we also paid attention to significant transactions outside the normal course of business. Our audit procedures did not identify any material misstatement in the information provided by management in the financial statements and the management report compared with the financial statements. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of internal controls.
Risk of bribery and corruption The company operates in countries with a higher risk of corruption based on the Corruption Perception Index of Transparency International. For this reason, we paid particular attention to the risk of the payment of bribes by and at the initiative of agents in transactions concluded using agents.	Where relevant to our audit, we assessed the design and effectiveness of the internal control measures with respect to contracts with clients and agents and the review of the work by agents. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. We held various meetings with management and other SBM Offshore N.V. staff to discuss the risk of bribery and corruption. Amongst others we spoke to the group compliance and legal director, internal audit director, CFO, CGCO and CEO. We assessed that no new contracts with agents have been agreed in 2021. Amongst others we performed the following procedures: ▪ Where applicable, we evaluated minutes of meetings held to validate transactions with agents and by agents itself; ▪ We assessed whether the commission is calculated correctly, paid correctly and completely to a bank account held by the agent as well as whether the transactions are at arm's length; ▪ Evaluated internal audit reports and internal reporting's to the audit committee;

Identified fraud risks	*Our audit work and observations*
	▪ Reviewed whistleblower notifications and follow up procedures by management. Finally, we selected journal entries based on specific risk criteria and performed substantive audit procedures in which we also paid attention to significant transactions outside the normal course of business. Our audit procedures did not identify any material misstatement in the information provided by management in the financial statements and the management report compared with the financial statements. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the risk of bribery and corruption.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

Audit approach going concern

Management prepared the financial statements based on the assumption that the Company is a going concern and that it will continue its operations for the foreseeable future. Refer to paragraph 4.3.28 in the financial statements.

Our procedures to evaluate management's going concern assessment include, amongst others:

- Considerations whether management's going concern assessment includes all relevant information of which we are aware as a result of our audit, inquiry with management and whether management has identified any events or conditions that may cast a significant doubt on the Company's ability to continue as a going concern (hereafter: going concern risks);
- Analysing the financial position per balance sheet date compared to prior year as well as the liquidity scenarios, financial stress tests and sensitivity analysis, including the assessment of financing facilities of the company, to assess whether events or circumstances exist that may lead to a going concern risk;
- Evaluating management's current operating plan including cash flows in comparison with last year, current developments in the industry and all relevant information of which we are aware as a result of our audit;
- Inquiry with management as to their knowledge of going concern risks beyond the period of management's assessment.

Our procedures did not result in outcomes contrary to management's assumptions and judgments used in the application of the going concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Management Board made important judgements. We also considered significant accounting estimates that involved making assumptions and consideration of future events that are inherently uncertain. In paragraph 4.2.7 subsection 'Use of estimates and judgement' of the financial statements, the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty.

The Group entered into contracts that had a significant impact on its statement of financial position and income statement from a lease accounting perspective which therefore requires judgment from management. We therefore consider 'Complex lease accounting' to be a key audit matter. In addition, as a result of the magnitude of the current projects undertaken by the Group and the inherent estimation uncertainty we continue to consider 'Estimates and judgements in construction contracts' to be a key audit matter as well.

Key audit matter	*Our audit work and observations*
Complex lease accounting *Note 4.2.7, 4.3.2, and 4.3.3 to the consolidated financial statements* The Company entered into 3 new significant contracts for FPSO's. The accounting for of these contracts with customers under IFRS 16 'Leases' requires a detailed analysis and are dependent on the specific arrangements between the Group and its clients as agreed upon in the contracts. The guidance provided by IFRS 16 however, is mainly from a lessee perspective, and provides less guidance from a lessor perspective, which is the majority of the Groups portfolio. In case of contract extensions or modifications the implications of these on the (lessor) lease accounting requires significant management judgement, to a large extent due to the absence of detailed lessor guidance. In 2021 transactions took place where lease accounting played an important role. The lease extension on FPSO Kikeh and as mentioned the 3 new awarded FPSO contracts. We considered this area to be a key audit matter given the magnitude of the amounts involved, the complex nature of these transactions and the significant judgements in the application of lease accounting from a lessor perspective.	For every FPSO contract awarded, management prepares an accounting paper on how to account for it. We evaluate these papers and read the relevant contracts. Based on our reading of the contracts, we considered whether the judgements made by management on the accounting treatment were appropriate. This includes the corresponding identification of performance obligations, including whether they are distinct. Furthermore, we assessed whether the satisfaction of the performance obligations to be recognized as revenue recognition should be as either point in time or over time. We focused our work on assessing whether the accounting treatment is in line with IFRS with support of our lease accounting specialists. In 2021 the Company signed a 6 year extension for FPSO Kikeh located in Malaysia. We evaluated the contract terms and agree with the accounting of the extension as a lease modification. Our audit procedures did not indicate material findings with respect to the estimates and judgements made in the interpretation and accounting for these contract changes and modifications.
Estimates and judgements in construction contracts *Note 4.2.7, 4.3.3 and 4.3.20 to the consolidated financial statements* The accounting for contracts with customers under IFRS 15 'Revenue from contracts with customers' is complex and dependent on the specific arrangements between the Group and its clients as agreed upon in the contracts. Given the unique nature of each separate project and contract, management performed a contract analysis on a case-by-case basis to determine the applicable accounting and revenue recognition. Significant management judgement is applied in identifying the performance obligations and determining whether they are distinct, the method of revenue recognition as either point in time or over time, contract modifications and variable consideration, since these areas are complex and subjective. Based on our risk assessment the most critical and judgmental estimates to determine satisfaction of the performance obligations over time is the estimate of the cost to complete and the measurement of progress towards complete satisfaction of the performance obligation, including the subjectivity and estimation uncertainty in the assessment of remaining risks and contingencies that a project is or could be facing. In 2021 the Company continued to face COVID-19 and operational challenges. These include travel and logistical restrictions, price inflation of materials and services, yard closures and yard and supplier capacity constraints. The degree to which these challenges influenced the cost to complete varied from project to project and can be significant.	We assessed whether the satisfaction of the performance obligations to be recognized as revenue recognition should be as either point in time or over time. We performed look-back procedures as part of our risk assessment procedures by comparing the estimates included in the current projects with past projects of similar nature as this provides insight in the ability of management to provide reliable estimates. Based on the look-back procedures we did not identify any additional risks. We gained an understanding of processes, evaluated and tested the relevant controls the Group designed and implemented within its process to record costs and revenues relating to construction contracts. This includes project forecasting, measurement of the progress towards complete satisfaction of the performance obligation to determine the timing of revenue recognition and the Group's internal project reviews. We found the controls to be designed, implemented and operating effectively for the purpose of our audit. With respect to the satisfaction of the performance obligations over time we examined project documentation on the status, progress and forecasts of projects under construction and discussed and challenged those with management, finance and technical staff of the Group. We evaluated and substantiated the outcome of these discussions by examining modifications of contracts such as claims and variation orders between the Group, subcontractors and clients and responses thereto. In addition, we performed procedures such as a detailed evaluation of forecasts and ongoing assessment of management's judgement on issues, evaluation of budget

Key audit matter	*Our audit work and observations*
Given the magnitude of the amounts involved (US$ 2,477 million of turnkey revenue and US$4,140 million of construction work-in-progress), the complex nature of the Group's construction contracts and the significant judgements and estimates, these areas were particularly subject to the risk of misstatement related to either error or fraud. Based on the above considerations we considered this area to be a key audit matter.	variances and obtaining corroborating evidence, evaluation of project contingencies and milestones and recalculation of the progress towards complete satisfaction of the performance obligation. In addition, we evaluated indications of possible management bias. Our audit procedures did not indicate material findings with respect to the estimates and judgements in construction contracts.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The management board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were nominated as auditors of SBM Offshore N.V. on 13 November 2013 by the Supervisory Board and appointed through the passing of a resolution by the shareholders at the annual meeting held on 17 April 2014. Our appointment has been renewed on 7 April 2021 for a period of three years by the shareholders. Our appointment represents a total period of uninterrupted engagement of eight years.

European Single Electronic Format (ESEF)

SBM Offshore N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially tagged consolidated financial statements as included in the reporting package by SBM Offshore N.V., has been prepared in all material respects in accordance with the RTS on ESEF.

The Management Board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Management Board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package, is in accordance with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the Company's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required tagging's have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company or its controlled entities, for the period to which our statutory audit relates, are disclosed in note 4.3.33 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going-concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The Management Board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 9 February 2022
PricewaterhouseCoopers Accountants N.V.

Original signed by

A.A. Meijer RA

Appendix to our auditor's report on the financial statements 2021 of SBM Offshore N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

4.7 KEY FIGURES

Key IFRS financial figures

	2021	2020	2019	2018	2017
Turnover (US$ million)	**3,747**	3,496	3,391	2,240	1,861
Results (US$ million)					
Net profit/(loss) (continuing operations)	**472**	327	511	344	(1)
Dividend	**177**[1]	165	150	75	51
Operating profit (EBIT)	**734**	605	742	603	358
EBITDA	**823**	1,043	1,010	838	611
Underlying Operating profit (EBIT)	**739**	692	767	607	608
Underlying profit attributable to shareholders	**405**	277	391	247	151
Shareholders' equity at 31 December	**2,579**	2,556	2,748	2,634	2,501
Capital employed	**10,470**	8,956	8,217	7,617	8,430
Net debt	**6,681**	5,209	4,416	3,818	4,613
Capital expenditure	**49**	75	68	40	53
Depreciation, amortization and impairment	**88**	439	268	235	253
Number of employees (average)	**4,797**	4,507	4,259	4,103	4,150
Employee benefits	**669**	614	575	519	514
Ratios (%)					
Shareholders' equity / (total assets -/- current liabilities)	**26**	30	32	32	29
Current ratio (current assets / current liabilities)	**201**	149	137	128	123
Return on average capital employed	**7.6**	8.1	9.7	7.6	7.0
Return on average shareholders' equity	**15.8**	10.5	14.5	9.6	6.0
Operating profit (EBIT) / net turnover	**19.6**	17.3	21.9	26.9	19.2
Net profit/(loss) / net turnover	**12.6**	9.4	15.1	15.3	0.0
Net debt / shareholders' equity	**189**	150	122	106	130
Enterprise value / EBITDA	**12.5**	9.3	8.9	9.4	15.2
Information per Share (US$)					
Net profit/(loss)[2]	**2.18**	1.00	1.84	1.04	-0.76
Dividend	**1.00**[3]	0.89	0.81	0.37	0.25
Shareholders' equity at 31 December	**14.28**	13.55	13.83	12.81	12.16
Share price (EUR)[4]					
- 31 December	**13.10**	15.57	16.59	12.93	14.67
- highest close	**16.33**	17.30	18.35	16.81	16.04
- lowest close	**11.85**	10.35	12.80	10.72	13.11
Price / earnings ratio	**6.7**	18.9	10.1	14.4	-23.3
Number of shares outstanding (x 1,000)	**180,671**	188,671	198,671	205,671	205,671
Market capitalization (US$ million)	**2,680**	3,604	3,703	3,044	3,619
Volume of traded shares (x 1,000)	**172,550**	231,004	223,570	269,134	295,385
New shares issued in the year (x 1,000)	**-**	-	-	-	-

1 Based on the number of shares outstanding less the number of treasury shares held at year-end times the dividend per share. Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date.

2 Calculated based on weighted average shares outstanding

3 The dividend that will be proposed to the Annual General Meeting to be paid out in 2022

4 Source: Euronext data on share prices, market capitalization and volume of traded shares

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Key Directional financial figures

	2021	2020	2019	2018	2017
Turnover (US$ million)	**2,242**	2,368	2,171	1,703	1,676
Lease and Operate	**1,509**	1,699	1,315	1,298	1,501
Turnkey	**733**	669	856	406	175
EBIT (US$ million)	**366**	254	418	533	117
Lease and Operate	**452**	438	369	418	487
Turnkey	**(1)**	(100)	25	225	11
Other	**(85)**	(83)	23	(109)	(381)
EBITDA (US$ million)	**849**	1,021	921	995	596
Net Profit (US$ million)	**122**	39	235	301	(203)

CHAPTER 5
NON FINANCIAL INFORMATION

5 NON-FINANCIAL INFORMATION

5.1 SCOPE OF NON-FINANCIAL INFORMATION

5.1.1 REPORTING ABOUT NON-FINANCIAL INFORMATION

This Annual Report has been prepared in accordance with the GRI standards: Core option. SBM Offshore has used the GRI Standards to determine material aspects for this year's Annual Report.

5.1.2 MATERIALITY METHODOLOGY

SBM Offshore conducts a materiality analysis according to the GRI Standards in order to include the topics in the Annual Report that can reasonably be considered important for reflecting the organization's economic, environmental, and social impacts, or influencing the decisions of stakeholders.

For SBM Offshore it is critical to understand the interest SBM Offshore's stakeholders take and the impact SBM Offshore has on them. This understanding is raised through continuous dialogue and through SBM Offshore's Materiality Analysis. This process delivers insight into which topics are considered a) most important to SBM Offshore's stakeholders and b) to have the highest impact on the business context. Insight is obtained through materiality interviews, which aim to validate SBM Offshore's strategy and derive an updated overview of topics with high stakeholder and business impact (Material Topics).

UPDATE MATERIAL TOPICS

SBM Offshore conducted the following steps to assess the material topics in order to ensure the Report contains the level of information required by stakeholders.

- Step 1: Stakeholder Map & Long Listing of Topics
- Step 2: Short Listing of Topics with SBM Offshore Stakeholder Group Owners
- Step 3: Stakeholder Interviews & Surveys
- Step 4: Analysis & Reporting
- Step 5: Action for Strategy & Planning

As part of Step 1 SBM Offshore considered frameworks like GRI and SASB and looked at peers, clients and best practice. The basis for identifying and selecting stakeholders for engagement during this process resides in the importance of these stakeholders to the Company and their interest in the Company's activities. Above includes Management Board approval process as part of Step 4.

PROCESS

Every four years SBM Offshore executes a revision of its Materiality Analysis. This was done in 2020. In the years in between, SBM Offshore conducts interviews based on the same list of key and material topics, asking stakeholders for changes in rankings and potential additional topics emerging.

In 2020, SBM Offshore applied a forced ranking approach in order to ensure only the most important topics were labeled as 'material'. This method also allowed for deeper engagements on the material topics selected. Topics were selected from a long list based on industry standards, market assessments and external expert views. From a long list of 40 topics, 20 were selected by SBM Offshore's stakeholder group owners as being the most relevant. These 20 topics are considered as key to company long-term value creation. The 20 topics formed a basis for engagement with SBM Offshore's stakeholders resulting in 11 Material Topics, which are explained in section 1.2.2 in the Materiality Matrix. These topics enjoy the highest stakeholder interest with impact on the business context and therefore the ability to create and sustain value over time. The other 9 topics can be considered as key topics.

In 2021 SBM Offshore followed up on the above validating Material Topics and learning from stakeholders about any changes and/or emerging topics. This was done through video calls with the same stakeholders as in 2020. In these meetings, topic rankings from 2020 were discussed. Also stakeholders were asked for any additional topics emerging in the past year. Outcomes of interviews were captured in an analysis file. The outcomes of the analysis are validated by the Management Board and reflected in the updated list of material topics below – most notably the addition of Human rights – and the Materiality Matrix shown in section 1.2.2. Details on how the matrix corresponds to GRI and reporting boundaries can be found in section 5.4.

MATERIAL TOPICS DEFINITIONS

Digitalization	Develop secure digital applications to generate new business, improve operational excellence and reduce cost base through process redefinition, IT integration, IT infrastructure and development of digital services.
Economic performance	Economic value generated by considering total life cycle and operating costs in order to be able to distribute to stakeholders including employees, shareholders and capital providers.
Emissions	Manage Scope 1, 2 and 3 emissions (GHG and Non-GHG emissions, like methane, NOx, SOx emissions, etc.) to reduce as much as possible.
Employee health, safety and security	Providing a safe, secure and reliable work environment for all employees, promoting good health, adequately protecting from infection diseases and providing a secure work environment.
Energy transition	Maintain leading market position throughout the energy transition through portfolio management, sustainable development and adaptation to external trends.
Ethics and compliance	Being a trustworthy organisation by complying to rules, regulations and SBM Offshore's code of conduct, including anti-corruption policy, procedures and mechanisms.
Human Rights	Providing a work environment for employees in which basic human rights for all employees are respected and maintained. Ensure social dialogue with regards to labor conditions and impacts on communities
Innovation	Development of new technologies, particularly low and non-carbon technologies to maintain a leading position and support the energy transition.
Market positioning	SBM Offshore's position in the market and global presence, engaging in emerging markets, adapt to present and future market developments and product differentiation.
Operational excellence and quality	Achieving operational excellence and deliver projects and operations safely, on time and of high quality in all areas of SBM Offshore's business and it's supply chain.
Retaining and developing employees	Providing a healthy work environment for employees, provide training and education, regular performance feedback and enable them to grow through SBM Offshore with meaningful employment.

5.1.3 STAKEHOLDER ENGAGEMENT

SBM Offshore maintains open and active engagement with its external stakeholders through regular business interactions, including the Annual General Meeting, analyst and investor roadshows/meetings, analyst webcast presentations, press releases, website updates, surveys and desktop research.

The feedback obtained during the Materiality Analysis explained in section 1.2 forms a key element of the backbone of SBM Offshore's stakeholder engagement program. The program is complemented by other interactions with stakeholders, in order to validate findings and the feedback received feeds into management's approach to Materiality and long-term value creation.

Would you like to participate in SBM Offshore's 2022 Stakeholder Engagement or provide feedback for the 2022 Stakeholder Engagement? Please write to SBM Offshore at sustainability@sbmoffshore.com.

5.1.4 TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

MANAGEMENT APPROACH

Mitigating the impacts of climate change while meeting the needs of the future by facilitating the energy transition are key for SBM Offshore. The Climate Change Risk & Opportunity assessment is embedded in the portfolios of the CEO and CGCO. The Global Sustainability Director – who reports to the CSO in the CEO portfolio – prepares Climate Change scenarios whereas the Group Risk Manager – reporting to the CGCO – facilitates expert sessions to identify Risks & Opportunities for each scenario. This has been done with risk management professionals and SBM Offshore's Group Strategy team first, followed by validation with business owners and the Risk Assurance Committee.

Frameworks from the TCFD have been used to structure the assessment, more specifically the TCFD's Technical Supplement. SBM Offshore has applied the following steps:

1. Ensuring Governance to integrate Climate Change Scenario analysis into Strategic planning and Enterprise Risk Management (ERM).
2. Assessment of the Materiality of Climate Change related risks and opportunities with business- and functional experts.
3. Identification and definition of range of Climate Change scenarios.
4. Evaluation of business impact per scenario together with business owners.
5. Identification of potential responses.
6. Documentation in a Climate Change outcome presentation and embedding in SBM Offshore's ERM system as well as Disclosure as per this Annual Report and internal presentations.

The outcome is used to future proof the current strategy against Physical & Transitional Climate Change related Risks and Opportunities. Identified risks and opportunities are embedded in SBM Offshore's Risk Management approach explained in section 3.6 and SBM Offshore's Strategic Planning processes.

RISK MANAGEMENT

Climate Change risks & opportunities are inherently identified and assessed against SBM Offshore's strategy in SBM Offshore's risk breakdown structure as deployed throughout SBM Offshore. When relevant, these risks are included in the detailed risk review and analysis is done for all tenders, projects and FPSO (asset) fleet operations which are part of SBM Offshore's portfolio. The Group Risk Manager facilitates the process of bottom-up Climate Change risk reporting to the Risk Assurance Committee (RAC) for consolidation purposes. The outcome of the review in the RAC results in heat-maps of risks which are presented in in a quarterly Risk report. This covers proposal, projects and fleet individual risks, as well as Group Functions and Execution Centers, and includes actions and managing measures in place to mitigate risk. The report provides an overview to the Management Board and Supervisory Board with the measurement SBM Offshore's Risk Appetite Statements and the latest Risk profile.

SCENARIO PLANNING

SBM Offshore defined two Climate Change scenarios to future proof current strategy and take subsequent action based on IEA and IPCC data:

1. A **Steady** Climate Change Scenario based on IEA's Stated Policy Scenario (STEPS) and IPCC's Representative Concentration Pathway (RCP) 4.5 and 6.0. This scenario reflects the impact of announced country policies across the globe. This trajectory is said to have positive impact on climate change, however to fall short of meeting Paris Agreement goals.
2. A **Bold** Climate Action Scenario based on IEA's Sustainable Development Scenario and IPCC's RCP 1.9 and 2.6. This scenario reflects a trajectory consistent with countries' shared sustainable energy goals. The trajectory provides for strong commitment towards targets as per Paris Agreement.

5.1.5 EU TAXONOMY DISCLOSURE

In accordance with European Regulation 2020/852 of June 18, 2020, SBM Offshore is subject to the obligation to disclose the part of its 2021 revenue, its capital expenditures, and operating expenses eligible under the EU Taxonomy on sustainable activities. In the future eligibility to the EU Taxonomy will need to be complemented with disclosure on the alignment with the EU Taxonomy. Taxonomy-*eligible* economic activity means an economic activity that is described in the delegated acts supplementing the Taxonomy Regulation irrespective of whether that economic activity meets any or all of the technical screening criteria required for *alignment*.

The EU Taxonomy is geared towards six environmental objectives that sustainable activities should pursue as indicated in the European Regulation, which are as follows:

i. Climate change mitigation.
ii. Climate change adaptation.
iii. Sustainable use and protection of water and marine resources.
iv. Transition to a circular economy, waste prevention and recycling.
v. Pollution prevention and control.
vi. Protection and restoration of biodiversity & ecosystems.

At this point the EU regulation is effective for objectives i and ii with further delegated acts to be published at a later stage.
SBM Offshore is strongly committed to facilitating the Energy Transition. As such SBM Offshore has put Environmental objectives in place that help mitigate and adapt to the impacts of climate change. SBM Offshore's Value Platforms are geared towards environmental objectives i. and ii. This is evidenced by the Material Topics of Energy Transition, Emissions and Innovation. Objectives set for these topics are explained in section 2.1.7 , 2.1.9 And 2.1.10.

In order to identify its business activities covered by the nomenclature of the European Taxonomy, the Group relied on the Delegated Act on Climate supplementing Regulation (EU) 2020/852 of the European Parliament , and Annex 1 & 2 to this Delegated Act. Eligible activity classification was done through codes of the Nomenclature statistique des Activités économiques dans la Communauté Européenne (NACE).
The evaluation of the eligibility of SBM Offshore's business activities has been conducted on the basis of the Taxonomy and Delegated Regulation (Annex I – KPIs of non-financial undertakings) and its definition of the denominator and nominator of the 3 KPIs which are Turnover, CAPEX and OPEX. It was performed through a methodological approach consisting of:

1. extracting total denominator for the 3 KPIs from the financial reporting and consolidation system used to prepare 2021 IFRS consolidated financial statements,
2. identifying those activities that might fall within the list of economic activities covered in 'Delegated Acts',
3. documenting and assessing for each of those economic activities their 'eligibility' to the first two environmental objectives: 'Climate Change Mitigation'and 'Climate Change Adaptation' included in the EU taxonomy in order to determine the nominator of each of the 3 KPIs.

- **Turnover** considered for this analysis covers all business activities of SBM Offshore Group as at December 31, 2021 and the denominator can be reconciled with the 2021 IFRS Total revenue recognized pursuant to IAS1 and disclosed in note 4.3.2 of the consolidated financial statements. It consists of the Revenues from Turnkey and Lease and Operate activities. A considerable part of this business relates to services to the industry of oil & gas extraction. Even if this part of SBM Offshore's business is addressing the net-zero path – e.g. through decarbonization and digitalization – it cannot be considered eligible for the EU Taxonomy as it is today. The only eligible part of the Turnover therefore relates to SBM Offshore's renewable energy products & services (EU Taxonomy activity: Manufacture of renewable energy technologies).
- **CAPEX** consists of additions to tangible and intangible assets during the financial year 2021 considered before depreciation, amortization and any re-measurements recognized by SBM Offshore pursuant to IAS16, IFRS16 and IAS38. The denominator can be reconciled with the sum of the lines 'Additions' disclosed in notes 4.3.13 and 4.3.14 of the consolidated financial statements. The majority of CAPEX is associated with services to the industry of oil & gas extraction and is therefore non-eligible for the EU Taxonomy – even if part of the CAPEX improves the energy efficiency and emissions profiles of these activities. The eligible part of CAPEX comes mainly from capitalized cost of the Wave Energy Converter, explained in section 2.1.9 (EU Taxonomy activity: Manufacture of renewable energy technologies).
- **OPEX** according to the EU Taxonomy is determined by the direct non-capitalized costs of research and development, building renovation measures, short-term leases, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third-party outsources that are necessary to ensure the continued and effective functioning of such assets (EU Taxonomy activity: Close to market research, development and innovation).

It is worth mentioning that the Delegated act for disclosures supplementing Article 8 requires companies to 'disclose the KPIs for each environmental objective and the total KPIs for all environmental objectives at the level of the undertaking or group across all environmental objectives while avoiding double counting'.

Maintenance and repair costs covering operating leased FPSOs is a service provided by SBM Offshore to its lessee. These expenses are direct 'cost of sales' (reported as such in the Consolidated Income Statement under IFRS) related to services already included in Turnover KPI as revenue from contracts with customers. To avoid double counting, these 'cost of sales' are therefore not included in theOPEX KPI.

The eligible part of OPEX relates mainly to R&D activities into non-carbon solutions as explained in section 2.1.9. Other items are non-capitalized investments into increased energy efficiency of office buildings.

Table 1 provides the basis for the numerator and denominator of EU Taxonomy eligibility for respectively Turnover, CAPEX and OPEX, whereas Table 2 shows the actual KPI related to the EU Taxonomy.

Table 1

	Turnover	CAPEX	OPEX
Numerator	Revenues derived from products and/or services associated with EU Taxonomy eligible activities.	Capital expenditures that are related to assets or processes associated with the EU Taxonomy eligible activities.	Operating expenses that are related to assets or processes associated with the EU Taxonomy eligible activities.
Denominator	Revenues recorded in the Consolidated Income Statement under IFRS as per Revenue Accounting policy described in section 4.2.7 of the consolidated financial statements.	Additions to tangible and intangible assets recorded in the Consolidated Statement of Financial Position under IFRS during the financial year, considered before depreciation, amortization and any re-measurements.	Direct non-capitalized costs recorded in the Consolidated Income Statement under IFRS that relate to R&D, building renovation measures, short-term lease, maintenance and repair (excluding expenses reported as Cost of Sales), and any other direct expenditures relating to the day-to-day servicing of assets of PP&E.

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,

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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 crew working on board the offshore operations units and shore bases.

HEADCOUNT, TURNOVER, EQUAL REMUNERATION & NATIONALIZATION

Human Resources considers:

- 'Direct Hire' employees as a staff member holding a labor contract for either an unlimited or a defined period (or an offer letter for an unlimited period in the USA). Direct hires are recorded on the payroll, directly paid by one entity of the SBM Offshore Group (including Joint Ventures).
- 'Contractors' as an individual performing work for or on behalf of SBM Offshore, but not recognized as an employee under national law or practice (not part of SBM Offshore companies payroll, they issue invoices for services rendered).
- 'Subcontractors' are not considered as staff in the HR headcount breakdown structure. This population is managed as temporary service and are not covered by HR processes policies. Yet, we have rigorous processes and procedures in place for this population.

SBM Offshore includes the BRASA Yard in Brazil and the PAENAL Yard in Angola in its reporting scope based on partial ownership and operational control including human resource activities and social responsibility for the employees.

In principle, reporting on headcount includes the Contractors while turnover only includes Direct Hires (no Contractors). Turnover has been calculated as the number of employees who have left SBM Offshore in 2021 (between January 1 and December 30, 2021) compared with the aggregate of the headcount on December 31, 2020 and December 31, 2021; divided by 2, with the result multiplied by 100.

Concerning Equal Remuneration, we only consider Direct Hires (excluding Joint Ventures and Internships) and the breakdown concerns Monaco, Netherlands, Brazil, Malaysia & Switzerland. The Gender Pay Gap has been calculated as such: average comparatio female / average comparatio male.

For fleet operations, engagement and development of the local workforce is the main indicator for successful local content development. In this perspective, SBM Offshore monitors the percentage of local workforce (excluding Contractors) – % of nationalization per regions (included below for Brazil, Angola and Guyana as they represent most of SBM Offshore's population offshore) – and invests in training to increase or maintain the targeted level. For example, specific programs in below countries focus on education and training of nationals to facilitate them entering the workforce with the required level of qualifications and knowledge.

- 89% of Brazilian direct hire workforce consists of Brazilian nationals.
- 83% of Angolan direct hire workforce consists of Angolan nationals.
- 46% of Guyanese direct hire workforce consists of Guyana nationals.

PERFORMANCE MANAGEMENT

In order to ensure personal development and optimal management of performance within SBM Offshore, SBM Offshore conducts annual performance reviews for all employees. Globally, SBM Offshore uses a common system to rate and evaluate all employees. For the reporting on Performance Appraisals, we included all Permanent Staff, Temporary (only from Brazil and the Netherlands) and JV Staff (apart from *FPSO Kikeh*) of all employees that entered the Company before October 1, 2020 and that were still in the Company on December 31, 2020. All employees that left during social plans (even after December 31, 2020) are not included.

COLLECTIVE BARGAINING

Collective bargaining is a process of negotiation between employers and a group of employees aimed at agreements to regulate working salaries, working conditions, benefits, and other aspects of workers' compensation and rights for workers. Within SBM Offshore, it is considered as collective bargaining: all the Direct Hires employees of which the interests are commonly represented by external or internal representatives of a trade union to which the employees belong. In case trade unions are not present in a country, we consider the employee handbook as valid labor agreement between the employee and the employer.

5.2.5 COMPLIANCE REPORTING

SBM Offshore reports on significant fines paid by SBM Offshore and all affiliate companies. To define a significant fine the following thresholds are considered (subject to final assessment by Management Board on a case by case basis):

1. Operational fines of a regulatory and/or administrative nature which exceed US$500,000.
2. Legal and compliance fines of a criminal nature which exceed US$50,000.

5.3 NON-FINANCIAL INDICATORS

5.3.1 HEALTH, SAFETY & SECURITY

Health, Safety & Security

	Year to Year		2021 – By Operating Segment	
	2021	2020	Offshore	Onshore
Exposure hours				
Employee[1]	15,657,445	13,964,697	8,503,814	7,153,631
Contractor[2]	28,463,290	21,198,552	0	28,463,290
Total Exposure hours	44,120,735	35,163,249	8,503,814	35,616,921
Fatalities (work related)				
Employee	0	0	0	0
Contractor	0	0	0	0
Total Fatalities	0	0	0	0
Fatality Rate (Total)[3]	0	0	0	0
Injuries				
High-consequence work-related Injury Employee[4]	0	0	0	0
High-consequence work-related Injury Contractor[5]	0	0	0	0
High-consequence work-related Injury Rate Employee[6]	0	0	0	0
High-consequence work-related Injury Rate Contractor[6]	0	0	0	0
High-consequence Work-related Injury Rate (Total)[7]	0	0	0	0
Total Recordable Injury **Employee**	9	10	7	0
Total Recordable Injury **Contractor**	4	7	2	4
Total Recordable Injury Rate **Employee**[8]	0.11	0.14	0.16	0.00
Total Recordable Injury Rate **Contractor**[8]	0.03	0.07	0	0.03
Total Recordable Injury Frequency Rate (Total)[8]	0.06	0.10	0.21	0.02
Occupational Illness				
Employee	0	2	0	0
Contractor	0	0	0	0
Total Recordable Occupational Illness Frequency Rate (Employees only)[9]	0	0.03	0	0

1 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 the Company.

2 Any person employed by a contractor or contractor's sub-contractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.

3 Fatalities per 200,000 exposure hours.

4 Work-related injury that results in an injury from which the Employee cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months, excluding fatality.

5 Work-related injury that results in an injury from which the Contractor cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months, excluding fatality.

6 High-consequence work-related injuries per 200,000 exposure hours.

7 Total high-consequence work-related injuries per 200,000 exposure hours.

8 Recordable injuries per 200,000 exposure hours.

9 Occupational illnesses per 200,000 exposure hours.

Process Safety

	Year to Year		2021 – Regional Breakdown			
	2021	2020	Brazil	Angola	Africa/ North America	Asia
API 754 Classified Materials (by TIER)						
Tier 1 incidents (number)	**1**	3		1		
Tier 2 incidents (number)	**3**	4	2	1		

5.3.2 ENVIRONMENT

	Year to Year		2021 – Regional Breakdown				
	2021	2020	Brazil	Angola	North America & Caribbean	Asia & Equatorial Guinea	Europe
Number of offshore units (vessels)	14	14	7	3	2	2	
Fleet Production							
Hydrocarbon Production (tonnes)	47,276,422	47,783,839	32,615,079	5,707,886	6,815,436	2,138,020	
Scope 1 Emissions							
GHG Scope 1 (tonnes of CO_2 Eq)	237	165					237
Scope 2 Emissions							
GHG Scope 2 (location based) (tonnes of CO_2 Eq)	2019	2516	18	97	983	476	444
GHG Scope 2 (market based) (tonnes of CO_2 Eq)	752	588	4	97	181	443	28
Scope 3 Emissions							
Scope 3 – Downstream Leased Assets							
Total Carbon dioxide (CO_2 in tonnes)	4,903,739	5,305,397	2,354,918	1,254,576	688,801	605,444	
Total Methane (CH_4 in tonnes)	9,290	12,890	2,158	4,232	1,784	1,117	
Total Nitrous oxide (N_2O in tonnes)	315	318	169	66	41	39	
Total GHG emissions Downstream Leased Assets (tonnes of CO_2 Eq)	**5,247,253**	**5,750,665**	**2,460,182**	**1,390,571**	**749,497**	**647,003**	
Total GHG Emissions per Hydrocarbon Production[1]	110.99	120.35	75.43	243.62	109.97	302.62	
Other / Air Pollution – Non Greenhouse Gas Emissions (in tonnes)							
Carbon monoxide (CO in tonnes)	6,481	7,703	2,549	2,092	1,054	787	
Nitrogen oxides (NOx in tonnes)	7,902	7,905	4,291	1,524	1,045	1,043	
Sulphur dioxides (SO_2 in tonnes)	127	143	37	31	11	48	
Volatile organic compounds (VOCs in tonnes)	970	1,375	201	459	191	119	
Scope 3 – Purchased Goods & Services[2]	**370,124**						
Scope 3 – Business Travel[3]	**10,919**	**8,231**	**5,007**			**254**	**5,658**
Total GHG Emissions[4]	**5,629,285**	**5,759,649**	**2,465,193**	**1,390,668**	**749,678**	**647,700**	**5,923**
Flaring							
Total Gas Flared per hydrocarbon production[5]	9.73	13.86	2.68	39.50	13.48	25.84	
Flaring emissions vs Total Emissions	29%	38%	12%	54%	41%	28%	
Energy							
Offshore Energy Processed (1) (GJ)	65,036,820	64,806,711	38,153,086	11,251,433	7,532,499	8,099,802	
Onshore Energy Consumed (2) (GJ)	27,925	28,300	666	816	8,476	2,588	15,380
Total Energy Processed & Consumed (1) + (2) (GJ)	**65,064,745**	**64,835,011**	**38,153,752**	**11,252,249**	**7,540,975**	**8,102,390**	**15,380**
Offshore Energy per production (GJ per tonne of HC production)	1.38	1.36	1.17	1.97	1.11	3.79	
Discharges							
Quantity of oil in produced water discharges[6]	4.49	5.19	0.74	12.69	0.95	51.17	

1 Tonnes of CO 2 Eq / 1,000 Tonnes HC Production

2 Tonnes of CO 2 Eq. No split per region due to distribution of items over a combination of locations of procurement, fabrication and delivery.

3 Tonnes of CO_2 Eq. Split per region is based on travel agency sources. Due to data aggregation in these sources, some regional data has been consolidated under region 'Europe'

4 Tonnes of CO 2 Eq

5 Tonnes / 1,000 Tonnes HC Production

6 Tonnes of Oil in Produced Water / 10^6 Tonnes HC Production

5.3.3 HUMAN RESOURCES

Headcount by Direct Hire and by Contractor

	Total			Ratios
	Grand Total	Direct Hire	Contractor	% of Contractor Employees
Africa	871	674	197	23%
Asia	1,638	1,088	550	34%
Europe	1,835	1,478	357	19%
North America	38	36	2	5%
South America	2,044	1,743	301	15%
Grand Total	**6,426**	**5,019**	**1,407**	**22%**

Direct Hire by employee contract and employee type

	Permanent Male Employees	Permanent Female Employees	Temporary Male Employees	Temporary Female Employees	Part-Time Male Employees	Part-Time Female Employees	% of Part-Time Employees
Africa	599	72	1	2	0	0	0%
Asia	774	163	136	15	0	0	0%
Europe	1,004	376	68	30	34	66	7%
North America	29	7	0	0	0	0	0%
South America	1,436	236	36	35	13	11	1%
Grand Total	**3,842**	**854**	**241**	**82**	**47**	**77**	**2%**

Direct Hires New Joiners Headcount

	Total New Hires	
	Total New Hire Headcount	New Hire Ratio
Africa	139	18%
Asia	703	47%
Europe	486	1%
North America	6	6%
South America	574	27%
Grand Total	**1,908**	**29%**

Direct Hires Turnover Headcount

	Total Turnover	
	Total Turnover Headcount	Total Turnover Rate
Africa	51	8%
Asia	91	10%
Europe	264	18%
North America	54	78%
South America	209	13%
Grand Total	**669**	**14%**

5 NON-FINANCIAL INFORMATION

Direct Hires Performance Appraisals

	Male %	Female %	Total %[1]
Performance Appraisals Completed – Onshore (2020)	99%	100%	99%
Performance Appraisals Completed – Offshore (2020)	98%	99%	98%

1 An appraisal is considered completed when it has been given a rating.

Direct Hires Collective Bargaining

	%
Percentage of Employees covered by Collective Bargaining Agreements	80%[1]

1 In case trade unions are not present in a Country, we consider the employee handbook as valid labor agreement between the employee and the employer.

Direct Hires Equal Remuneration - Global Overview

	Count Male	Count Female	Avg Compa Ratio Male	Avg Compa Ratio Female	Pay Gap
Overall	2,470	723	102	100	0.98[1]

1 The Pay Gap calculation is obtained doing the average of Compa ratio between Male and Female. The population in scope for this Annual Report is limited to only 'Permanent' and 'Temporary' employees for Brazil, Malaysia, Monaco & France, Netherlands and Switzerland.

Direct Hires Equal Remuneration by Country

	Count Male	Count Female	Avg Compa Ratio Male	Avg Compa Ratio Female	Pay Gap
Brazil	1,223	218	99	99	1.00
Malaysia	245	101	113	102	0.91
Monaco & France	596	255	104	101	0.98
Netherlands	370	122	97	96	0.99
Switzerland (Local)	33	27	89	93	1.05

Direct Hires Equal Remuneration by AGE Range

	Count Male	Count Female	Avg Compa Ratio Male	Avg Compa Ratio Female	Pay Gap
Under 30	120	75	93	95	1.02
30 - 50	1,901	596	101	99	0.98
Over 50	445	51	111	113	1.01

Direct Hires Equal Remuneration by organizational level

	Count Male	Count Female	Avg Compa Ratio Male	Avg Compa Ratio Female	Pay Gap
Non-management	1,469	502	98	100	1.02
Junior Management	660	157	104	98	0.94
Middle Management	316	59	104	100	0.95
Top Management	25	5	116	111	0.96

Direct Hires Equal Remuneration by organizational function

	Count Male	Count Female	Avg Compa Ratio Male	Avg Compa Ratio Female	Pay Gap
Business Support	62	167	102	98	0.97
Construction & Operations	1,231	99	100	101	1.01
Engineering	462	92	103	96	0.93
Executive Management & Legal	35	35	111	104	0.94
Finance, Tax and IT	216	146	101	99	0.98
Project Management	108	38	103	105	1.02
Quality, Health, Risk & Safety	83	47	106	100	0.94
Strategy & Development	126	44	101	100	0.99
Supply Chain	147	55	101	100	0.99

5.3.4 5-YEAR KEY SUSTAINABILITY FIGURES

	2021	2020	2019	2018	2017
Health, Safety and Security					
TRIFR (rate)	0.06	0.1	0.13	0.18	0.19
High consequence Injury rate	0	0	0	0	0
Fatalities work related (number)	0	0	1	1	0
Total consolidated exposure hours[1]	44.12	35.16	34.58	27.32	13.38
Environment					
Total GHG Emissions Offshore per production[2]	110.99	120.35	115.53	116.59	118.18
Flaring per production	9.73	13.86	12.77	12.66	13.74
Offshore energy consumption[3]	65,036,820	64,806,711	60,720,811	62,044,614	67,089,628
Human Resources[4]					
Total Employees[5]	6,426	5,527	5,530	4,740	4,810
Total Direct Hires[5]	5,019	4,574	4,439	4,079	4,126
Total Contractors[5]	1,407	953	1,091	661	684
Contractors / Direct Hires Ratio[5]	22%	17%	20%	14%	14%
Total of Females in Direct Hire Workforce	19%	20%	22%	19%	18%
Part-time Workforce	2%	3%	2%	3%	4%
Employee Rates[4]					
Turnover	14%	13%	13%	10%	10%
Appraisals					
Performance Appraisals Completed	99%	97%	93%	96%	94%

1 in million hours
2 tonnes of GHG emissions per thousand tonnes of hydrocarbon production
3 GJ = gigajoule, energy from fuel gas and marine gas oil
4 does not include construction yards except if specified otherwise
5 including construction yards

5.4 GRI CONTENT INDEX

This report has been prepared in accordance with the Global Reporting Initiative standards: Core option. General Disclosures and information linked to our Material Topics from version 2016 of the GRI standards.

Standard	Disclosure	Reference /direct answer
1. Organizational profile		
102-1	Name of the organization	SBM Offshore N.V
102-2	Activities, brands, products, and services	1.2
102-3	Location of the organization's headquarters	6.2
102-4	Location of operations	1.2
102-5	Ownership and legal form	3.2
102-6	Markets served	1.2
102-7	Scale of the organization	1.2, 2.1.4, 2.1.5
102-8	Information on employees and other workers	2.1.5, 4.3.6, 5.2.4, 5.3.3
102-9	Supply chain	2.1.4
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary Principle or approach	Sustainability Policy and Policy on HSSE, Human Rights and Process Safety
102-12	External initiatives	2.2
102-13	Memberships of associations	2.1.1, 2.1.3
2. Strategy		
102-14	Statement from senior decision-maker	1.1.1
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	1.3.1, 2.1.1, 3.6.2
4. Governance		
102-18	Governance structure 6	3.2
5. Stakeholder Engagement		
102-40	List of stakeholder groups	1.2
102-41	Collective bargaining agreements	5.2.4, 5.3.3
102-42	Identifying and selecting stakeholders	1.2, 5.1.2
102-43	Approach to stakeholder engagement	1.2, 5.2
102-44	Key topics and concerns raised	1.2.2, 2.1
6. Reporting practise		
102-45	Entities included in the consolidated financial statements	4.3.29
102-46	Defining report content and topic Boundaries	5.2
102-47	List of material topics	1.2, 5.1
102-48	Restatements of information	n/a
102-49	Changes in reporting	5.2
102-50	Reporting period	calendar year 2021
102-51	Date of most recent report	February 11, 2021
102-52	Reporting cycle	annual
102-53	Contact point for questions regarding the report	6.2
102-54	Claims of reporting in accordance with the GRI Standards	2.2, 5.1.1
102-55	GRI content index	5.4
102-56	External assurance	5.6

MATERIAL TOPICS

Reporting standard	Disclosure	Reference/omission
1. Material topic: *Energy Transition*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.10, 5.1.4, 5.1.5
	103-2 The management approach and its components	2.1.10, 5.1.4, 5.1.5
	103-3 Evaluation of the management approach	2.1.10, 5.1.4
Own Indicator/EU Taxonomy OPEX KPI	% of R&D investments in non-carbon technologies	2.1.10, 5.1.5
2. Material topic: *Ethics & Compliance*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.1, 3.6.2
	103-2 The management approach and its components	2.1.1, 3.6.2
	103-3 Evaluation of the management approach	2.1.1, 3.6.2
Own Indicator	Training on corruption policies and procedures	2.1.1
GRI 205-3**:** Anti- corruption	Confirmed incidents of corruption and actions taken	2.1.1
GRI 419-1: Socioeconomic Compliance	Non-compliance with laws and regulations in the social and economic area	1.1.3, 2.1.1, 2.1.4, 4.3.25, 5.2.5
3. Material topic: *Employee Health, Safety* and *Security* (incl. content re. Human Rights)		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.2, 5.2.1
	103-2 The management approach and its components	2.1.2, 5.2.1
	103-3 Evaluation of the management approach	2.1.2
GRI 403-2: Hazard identification, risk assessment, and incident investigation	Risk identification and incident management	2.1.1, 2.1.2, 2.1.4.1, 3.8, 5.2.1, 5.2.3
GRI 403-9: Occupational Health and Safety	Work-related Injuries	2.1.2, 5.2.1
Own Indicator	Number of process safety events by business activity	2.1.2
4. Material topic: *Human Rights*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.3
	103-2 The management approach and its components	2.1.3
	103-3 Evaluation of the management approach	2.1.3
GRI 412-3: Human Rights Assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	2.1.3
5. Material topic: *Economic Performance*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.6
	103-2 The management approach and its components	2.1.6
	103-3 Evaluation of the management approach	2.1.6
GRI 201-1: Economic Performance	Direct economic value generated or distributed (Cash Flow/EBITDA %)	2.1.6 2.2, 4.3.5, 4.3.6, 4.3.10, 4.3.17, 4.3.24
6. *Operational Excellence & Quality*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.4
	103-2 The management approach and its components	2.1.4
	103-3 Evaluation of the management approach	2.1.4
Own Indicator	Certification and classification performance on; ISO 9001, ISO 14001, OHSAS 18001 & ISM	2.1.4, 5.5

5 NON-FINANCIAL INFORMATION

Reporting standard	Disclosure	Reference/omission
7. Material topic: *Market Positioning* (incl. content re partnerships & retaining/developing employees)		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.11
	103-2 The management approach and its components	2.1.11
	103-3 Evaluation of the management approach	2.1.11
Own Indicator	Sustainability Benchmarking	2.1.11
Own Indicator	# of Projects Under Development (construction)	2.1.11
8. Material topic: *Emissions*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.7, 5.2.2
	103-2 The management approach and its components	2.1.7
	103-3 Evaluation of the management approach	2.1.7
GRI 305-1: Emissions	Direct greenhouse gas (GHG) emissions (Scope 1)	2.1.7, 5.2.2
GRI 305-2: Emissions	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	2.1.7, 5.2.2
GRI 305-3: Emissions	Other indirect GHG emissions (Scope 3)	5.2.2, 5.3.2
GRI 305-7: Emissions	and other significant air emissions	2.1.7, 5.2.2, 5.3.2, Omission a. iii, v, vi, vii. (Scope 3 information not available)
Own Indicator	Volume of flared and vented hydrocarbon	2.1.7, 5.2.2, 5.3.2
9. Material topics: *Innovation*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.9
	103-2 The management approach and its components	2.1.9
	103-3 Evaluation of the management approach	2.1.9
Own Indicator	TRL Progress (Market Readiness – TRL 4)	2.1.9
10. Material topics: *Digitalization*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.8
	103-2 The management approach and its components	2.1.8
	103-3 Evaluation of the management approach	2.1.8
Own Indicator	# of signals captured & percentage increase y-o-y	2.1.8
11. Material topics: *Retaining & Developing Employees*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.5
	103-2 The management approach and its components	2.1.5
	103-3 Evaluation of the management approach	2.1.5
GRI 404-3: Training and Education	Percentage of employees receiving regular performance and career development reviews	2.1.5, 5.3.3
GRI 401-1	Employee Turnover rate	5.3.3, 5.3.4
GRI 405-1	Gender Pay Gap	2.1.5, 3.1, 3.2.9, 5.3.3

5.5 CERTIFICATION AND CLASSIFICATION TABLES

Complementing sections 2.1.4 and 3.8, the below tables map the compliance and certification of SBM Offshore entities and (onshore and offshore) sites with the following international certification standards and codes:

- ISO 9001: Quality Management System
- ISO 14001: Environmental Management System
- OHSAS 18001: Occupational Health & Safety Management System
- Class: Vessel Classification
- ISM: International Safety Management
- ISPS: International Ship & Port Facility Security Code
- GEMS: SBM Offshore's Group Enterprise Management System

OFFICES & WORKSITES	ISO 9001	ISO 14001	OHSAS 18001/ISO 45001	ISM
Corporate Offices				
Amsterdam (Netherlands)	Certified			
Monaco	Certified			
Offices				
Rio de Janeiro (Brazil)	Certified			
Monaco	Certified			
Schiedam (Netherlands)	Certified			
Kuala Lumpur (Malaysia)	Certified			
Shanghai (China)	Certified			
Imodco				
Monaco	Certified			
SBM Nauvata Joint Venture				
Bengaluru (India)	Certified			
Construction Sites				
PAENAL (Angola)	Certified		Certified	
Operations Offices				
Monaco (Management Office)	Certified	Compliant	Compliant	Certified
Angola		Compliant	Compliant	Certified
Brazil		Compliant	Compliant	Certified
Equatorial Guinea		Compliant	Compliant	Certified
Guyana		Ongoing	Ongoing	Certified
Malaysia		Certified	Compliant	Certified

Certified: certified by accredited 3rd Party
Compliant: verified as compliant by independent, qualified 3rd Party
Classed: certified by classification society

5 NON-FINANCIAL INFORMATION

OFFSHORE PRODUCTION FLEET	ISO 14001	OHSAS 18001/ISO 45001	CLASS	ISM	ISPS
Angola					
FPSO Mondo	Compliant	Compliant	Classed	Certified	Certified
FPSO Saxi Batuque	Compliant	Compliant	Classed	Certified	Certified
N'Goma FPSO	Compliant	Compliant	Classed	Certified	Certified
Brazil					
FPSO Capixaba	Compliant	Compliant	Classed	Certified	Certified
FPSO Espirito Santo	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Anchieta	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Paraty	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Ilhabela	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Maricá	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Saquarema	Compliant	Compliant	Classed	Certified	Certified
FPSO Sepetiba	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
FPSO Almirante Tamandaré	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
FPSO Alexandre de Gusmão	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Equatorial Guinea					
FPSO Aseng	Compliant	Compliant	Classed	Certified	Certified
FPSO Serpentina	Compliant	Compliant	Classed	Certified	Certified
Guyana					
Liza Destiny (FPSO)	Ongoing	Ongoing	Classed	Certified	Certified
Liza Unity (FPSO)	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Prosperity (FPSO)	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Malaysia					
FPSO Kikeh	Certified	Compliant	Classed	Certified	Certified

OFFSHORE INSTALLATION FLEET	ISO 9001	ISO 14001	OHSAS 18001	CLASS	ISM	ISPS
SBM Installer	Certified	Certified	Certified	Classed	Certified	Certified
Normand Installer	Certified	Certified	Certified	Classed	Certified	Certified

Certified: certified by accredited 3rd Party
Compliant: verified as compliant by independent, qualified 3rd Party
Classed: certified by classification society

5.6 ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: the Management Board and Supervisory Board of SBM Offshore N.V.

Assurance report on the sustainability information 2021

Our conclusion

Based on our review nothing has come to our attention that causes us to believe that the sustainability information included in the annual report 2021 of SBM Offshore N.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2021, in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as included in the section 'reporting criteria'.

What we have reviewed

We have reviewed the sustainability information included in the following sections of the annual report for the year ended 31 December 2021 (hereafter: "the sustainability information"):

- Chapter 1: Business Environment;
- Chapter 2: Performance Review & Impact;
- Chapter 5: Non-Financial Information.

This review is aimed at obtaining a limited level of assurance.

The basis for our conclusion

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'), which is a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of our report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of SBM Offshore N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria, as disclosed in chapter 5.1 Scope of Non-Financial Information and 5.2 Reporting Boundaries of the annual report.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities, and over time.

Limitations to the scope of our review

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain, and are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information.

In the sustainability information references are made to external sources or websites. The information on these external sources or websites is not part of the sustainability information reviewed by us. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

Responsibilities for the sustainability information and the review thereon

Responsibilities of the Management Board and the Supervisory Board for the sustainability information

The Management Board of SBM Offshore N.V. is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in sections '5.1 Scope of non-financial information' and '5.2 Reporting boundaries', including selecting the reporting criteria, the identification of stakeholders, determining the material matters and determining that the applicable reporting criteria are acceptable in the circumstances taking into account applicable law and regulations related to reporting. The choices made by the Management Board regarding the scope of the sustainability information and the reporting policy are summarized in 5.1 Scope of Non-Financial Information and 5.2 Reporting Boundaries of the annual report.

Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the company's reporting process on the sustainability information.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform a review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Our objectives are to obtain a limited level of assurance to determine the plausibility of the sustainability information. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements. Our procedures included, amongst other things of the following:

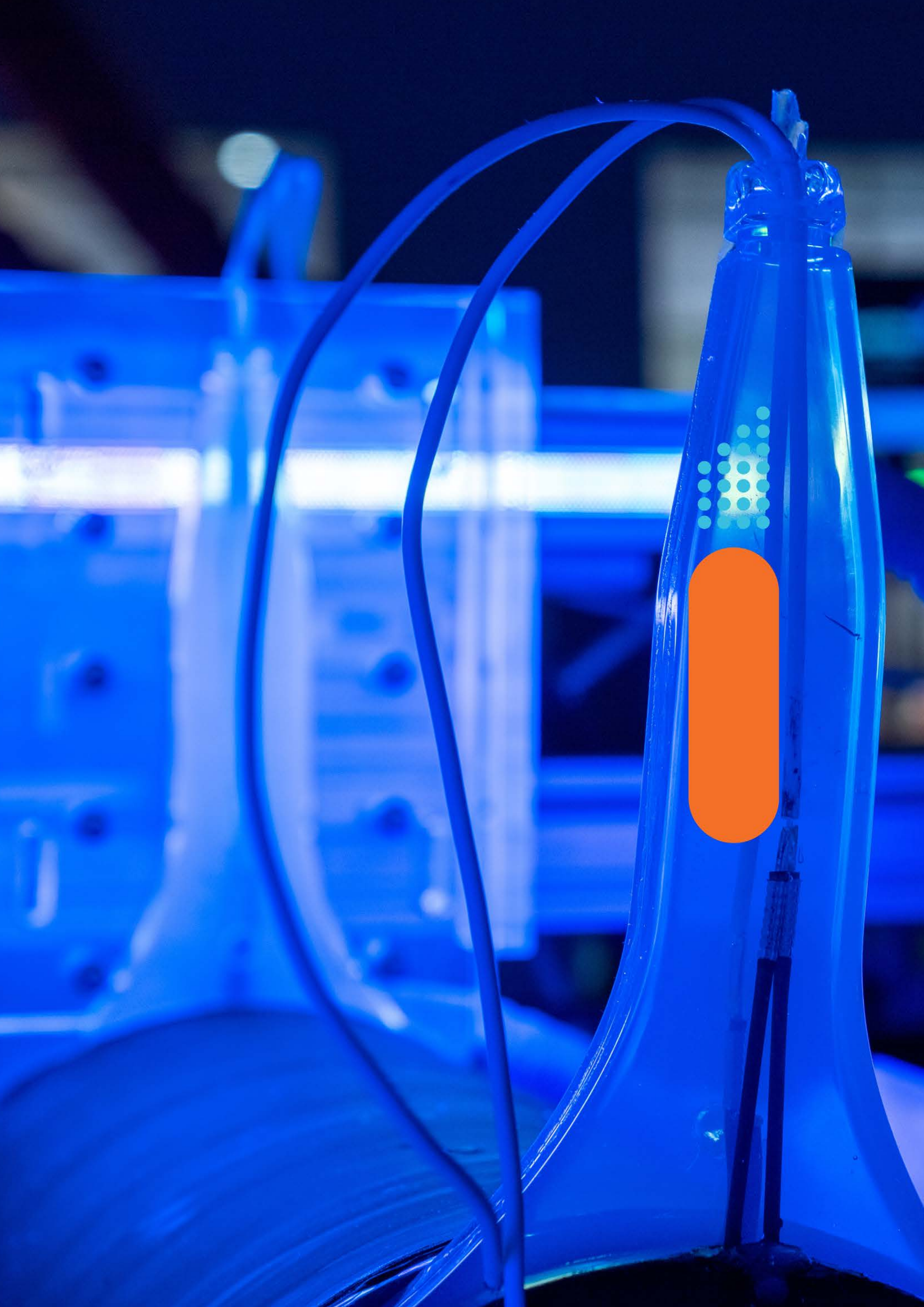
- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, relevant laws and regulations and the characteristics of SBM Offshore N.V.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Management Board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis.
- Our other procedures consisted amongst others of:
  - Interviewing management and relevant staff at corporate and business level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and locations to visit. The visit to the head office in the Netherlands is aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures;
  - Obtaining assurance evidence that the sustainability information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.
- Reconciling the relevant financial information with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information;
- Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Rotterdam, 9 February 2022

PricewaterhouseCoopers Accountants N.V.

Original signed by A.A. Meijer RA



CHAPTER 6
ADDITIONAL INFORMATION

6 ADDITIONAL INFORMATION

6.1 Glossary

Term	Definition
A&RC	Appointment and Remuneration Committee
AGM	Annual General Meeting
API	American Petroleum Institute
bopd	Barrels of Oil Per Day
CALM	Catenary Anchor Leg Mooring
CAPEX	Capital Expenditure
CDP	Carbon Discolsure Project
CGCO	Chief Governance and Compliance Officer
CMIH	China Merchants Industry Holdings
D&I	Diversity & Inclusion
DSCV	Diving Support and Construction Vessel
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EJ	Exajoule
EPC	Engineering Procurement and Construction
EPCI	Engineering Procurement Construction and Installation
ERM	Enterprise Risk Management
ERP	Enterprise, Resource, Planning
ESG	Environmental, Social and Governance
Euribor	Euro Interbank Offered Rate
FEED	Front-End Engineering and Design
FID	Final Investment Decision
FLNG	Floating Liquefied Natural Gas
FOW	Floating Offshore Wind
FPSO	Floating Production Storage and Offloading
FPU	Floating Production Unit
FSO	Floating Storage and Offloading
GEMS	Global Enterprise Management System
GHG	Greenhouse Gases
GRCF	Group Risk and Compliance Function
GRI	Global Reporting Initiative
GTS	Group Technical Standards
GW	gigawatt
HEMP	Hazards and Effects Management Process
HR	Human Resources
HSS	Health, Safety & Security
HSSE	Health, Safety, Security & Environment
IASB	International Accounting Standards Board

Term	Definition
IBOR	Interbank Offered Rates
ICOFR	Internal Control Over Financial Reporting
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IOGP	International Association of Oil and Gas Producers
IP	Intellectual Property
IPCC	Intergovernmental Panel on Climate Change
IPIECA	International Petroleum Industry Environmental Conservation Association
ISM	International Safety Management
ISO	International Organization for Standardization
ISPS	International Ship and Port Facility Security
JV	Joint Venture
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LNG	Liquefied Natural Gas
LOPC	Loss of Primary Containment
LTI	Long-Term Incentive
LUCY	Let Us Connect You
MNOPF	Merchant Navy Officers Pension Fund
MOPU	Mobile Offshore Production Unit
MPF	Multi-Purpose Floater
MTOE	Million Tonnes of Oil Equivalent
MW	megawatt
NES	New Energies & Services
NGO	Non-Governmental Organization
NOx	Nitrous Oxides
OECD	Organization for Economic Co-operation and Development
OHSAS	Occupational Health and Safety Assessment Series
OIFR	Occupational Illness Frequency Rate
OIPOC	Operational Intelligence & Performance Optimization Center
OPEX	Operating Expenditure
OSCAR	Operations Solution for Crewing Administration and Resources
PFC	Production Field Center
PP&E	Property, Plant & Equipment
PPE	Personal Protective Equipment

Term	Definition
PSE	Process Safety Events
PSF	Process Safety Fundamentals
PSM	Process Safety Management
PV	Photovoltaic
R&D	Research and Development
RAC	Risk Assurance Committee
RCF	Revolving Credit Facility
ROACE	Return on average capital employed
ROAE	Return on average equity
RP	Remuneration Policy
RSU	Restricted Share Unit
SASB	Sustainability Accounting Standards Board
SDG	United Nations Sustainable Development Goals
SOFR	Secured Overnight Financing Rate
SOx	Sulphur Oxides
SRS	Single Reporting System
STI	Short-Term Incentive
SWS	Shangahi Waigaoquiao Shipbuilding
TCFD	Task Force on Climate-Related Financial Disclosures
TLP	Tension-Leg Platform
TMS	Turret Mooring System
TRIFR	Total Recordable Injury Frequency Rate
TRL	Technology Readiness Level
UN	United Nations
VR	Virtual Reality
WEC	Wave Energy Converter

6 ADDITIONAL INFORMATION

6.2 ADDRESSES & CONTACT DETAILS

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COLOPHON

This report was published by SBM Offshore N.V. with contributions by:

Concept & design
SBM Offshore

Document & website realization
Tangelo Software, Zeist, the Netherlands