



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

Section 1.4.3 presents Climate Change Scenarios which provide insight into various possible developments relating to decelerated and accelerated energy transition paths.

1.2.2 STAKEHOLDERS AND MATERIAL TOPICS

The main stakeholders are the Company’s employees, shareholders, lenders, clients, business partners and suppliers. Other important stakeholders are export credit agencies, governments in operating areas, local communities, non-governmental organizations (NGOs), industry associations, universities, researchers and potential investors. Throughout the year, SBM Offshore engages with these stakeholders as part of daily business to capture their feedback. Stakeholder feedback is used to further develop SBM Offshore’s strategy and target setting, including SDGs.

In 2020, engagement through digital means had an important role. SBM Offshore undertook video

conferencing with its key stakeholders for an in-depth dialogue on ‘material topics’, i.e. those topics that could materially impact value to SBM Offshore and its stakeholders (see graph below for the list). Furthermore, employee engagement was set up through Management Calls on latest developments. A blog, Keep Connected, was launched for SBMers to stay connected during times of confinement. The Annual General Meeting was hosted online as well as a lender’s roundtable and various client engagements.

MATERIALITY ANALYSIS

In order to understand stakeholder views and the impact SBM Offshore has on them, SBM Offshore carries out a Materiality Analysis. Materiality interviews are carried out to validate the Company’s strategy and derive an updated overview of material topics. These are topics considered a) most important to our stakeholders and b) to have the highest impact on the Business context. Below figure shows the process taken with further explanation in section 4.8.2.

APPROACH TO MATERIALITY ANALYSIS



The **10 material topics** are Ethics & Compliance; Employee Health, Safety & Security; 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 4.8.2. Compared to 2019 the topic of Energy Transition strongly increased in importance and (reduction of) emissions became a material topic.

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, and Security first, with Ethics & Compliance in the top five. Clients also see Process Safety Management as a critical topic in ensuring high safety standards and mitigating the risk of hazard accidents. Employee Health has proven to be a critical topic during the COVID-19 pandemic. Furthermore, Human Rights are

increasingly embedded in the industry’s approach to Employee Health Safety & Security. SBM Offshore takes an active role, as explained in section 2.1.2.

A topic that has gained importance over the past years is the **Energy Transition**. Many of the stakeholders agree that the energy transition is one of the key challenges this industry is facing. Often the energy transition is referred to as critical in dealing with Climate Change-related challenges, at the same time as providing a source of future economic value.

Stakeholders see a role for SBM Offshore in applying its experience, technology and capability to helping to make the energy transition happen. Employees value the commitment of the Company 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

1 BUSINESS ENVIRONMENT

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 benefit in a an integrated contractor that can manage complex projects and risks, and 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 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 operation of the fleet 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 and quality as they enable predictable benefits from their stake in the asset.

Emissions remain a material topic now and will do so in the future. The topic applies to both air- and ocean-related emissions, with Green House Gas (GHG) emissions dominating concerns. Clients and vendors are increasingly committing to Net Zero ambitions, in line with the Paris Agreement, with programs being put in place to reduce CO₂ and methane emissions.

Innovation matters to our stakeholders as a source of future value. Stakeholders refer generally to technology development – although innovation is seen 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 business and ways of working, as well as partially mitigating the challenge of attracting talent to the industry. During 2020, many of our stakeholders increased digitalization efforts to face the challenges of the pandemic.

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

Our ongoing engagement with stakeholders, as well as the Materiality Interviews, has reinforced SBM Offshore’s Vision, Values and Strategy. It also confirms some of the risk mitigations highlighted in section 1.4.

Above all, the material topics indicate that the industry faces potential conflicting dilemmas, the key ones being :

1. The tradeoffs between *safe, sustainable* and *affordable* in developing energy projects.
2. The tradeoffs 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 tradeoffs, setting objectives, defining a strategy and managing performance accordingly, as explained in this Annual Report.



MATERIALITY MATRIX

