

ANNUAL REPORT 2020

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 10 material topics (explained in section 1.2.2) and which form the basis for sustained value creation. Value is defined by the results achieved on the material topics, the associated benefits for the Company's stakeholders and the impact the Company 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 the Company's activities and its overall impact on the external environment. For each material topic the model describes how the Company deploys capital, which flows into various activities of the business model. The outputs from the business model create value for stakeholders and have an impact on SDG contributions.



VALUE CREATION MODEL

MATERIAL TOPICS	KEY INPUTS	\bigcirc	OUTPUTS/ OUTCOME	IMPACT SDGs
ETHICS &	Human: TrainingIntellectual: SystemsSocial: Partners		Lack of IncidentsTraining Completion	3 GOOD HEALTH AND WELL-BEING
HEALTH, SAFETY & SECURITY	Human: HSSE Training, CultureIntellectual: Life365Manufactured: Asset Integrity		Recordable InjuriesVendor screening on Human Rights	
OPERATIONAL EXCELLENCE & O QUALITY	 Human: Training, Culture Intellectual: Right365, Fast4Ward[®] Manufactured: Fleet, Projects Social: Qualified Vendors 	CLE	 Uptime Project Delivery Cost of Non-Quality Certifications 	
RETAINING & DEVELOPING EMPLOYEES	 Human: SBMers Intellectual: LUCY HR System & Capacity Planning Social: Contractors, Partners 	: LIFECY	 Employee Turnover Rate Completion Performance Review Cycle 	7 AFORMABLE AND CLEAN DIFREGY
ECONOMIC PERFORMANCE	 Financial: Project Funding Intellectual: Fast4Ward[®], Technical Standards Manufactured: Fleet & Projects Social: Clients, Partners, Investors 	FSHORE	Cash FlowEBITDA	8 DECENT WORK AND ECONOMIC GROWTH
	 Intellectual: emissionZERO™ Manufactured: Fleet & Projects Natural: Energy Used 	BM OF	 GHG Emission Reduction 0 Oil Spills 	9 NOUSTRY, INNOVATION AND INFRASTRUCTURE
DIGITALIZATION (Intellectual: Transformation Program Manufactured: Data Social: Vendors, Partners 	0	 Capex/Opex Saved Increase of data signals 	
	 Financial: R&D Spend Intellectual: Patents 		Market Readiness	13 CLIMATE
ENERGY TRANSITION	 Financial: R&D Spend to Non-carbon Intellectual: FOW, WEC S3[®] 		• Projects under development	14 LUFE BELOW WATER
MARKET POSITIONING	 Intellectual: Transformation Programs Manufactured: Fleet & Projects Social: Sustainability Institutes 		 # of Fleet # of Projects Sustainability ranking 	

VALUE PLATFORMS

SBM offshore sustains value through the following value platforms: Ocean Infrastructure, Growing the Core and New Energies. SBM Offshore's Ocean Infrastructure is the value platform delivering safe, sustainable and affordable energy. Over the past few years, SBM Offshore's fleet has become increasingly efficient, with a lower carbon footprint and a leading uptime and safety track record. Growing the **Core** is the value platform for business transformation, i.e. continually bringing to market improved value propositions, for example, Fast4Ward® drives better performance, delivered faster, and through the emissionZERO[™] program, the Company is working towards Net Zero in line with stakeholder expectations. Through the delivery of **New Energies** – the third value platform – SBM Offshore takes ownership of the energy transition. SBM Offshore's strategy is to position the Company 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. See section 1.3.2 and chapter 2.

The Value Platforms are governed through the following organizational entities: Operations (Ocean Infrastructure) – the pillar reported under Lease & Operate – Floating Production Systems (Growing the Core) and New Energies and Services (New Energies) – the main segments reported under Turnkey. *Services* in the third entity cover activities that leverage our operational data, digital solutions and our expertise to continue to deliver value to our customers. These entities are supported by the key pillars of Group HSSE and Operational Excellence and Global Resources & Services. Corporate Functions enable and control the business of the Company.

ORGANIZATION MODEL

OPERATIONS Ocean Infrastructure	FLOAT PRODUCTIO Growing t	FING N SYSTEMS the Core	NEW ENERGIES & SERVICES New Energies	
GROUP HSSE		GLOBAL RESOURCES		
& OPERATIONAL EXCELLENCE		& SERVICES		
HSSE, Operational Excellence		People, Processes,		
and Quality		Tools Development		

CORPORATE FUNCTIONS

Business Enablement & Control

LIFECYCLE VALUE

The Company'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 via its Terminals products, such as CALM Buoys.

R&D and Business Development

SBM Offshore engages in research and (product) 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 the Company executes Engineering, Procurement, Construction & Installation (EPCI).

EPCI

Engineering & Design delivers conceptual studies, basic design and detailed design through in-house resources. As procurement of equipment and services represents a substantial part of the total cost of constructing a floating production system. The Company has an integrated supply chain, in line with its Fast4Ward® principles, partnering with suppliers to develop efficient delivery of bulk equipment and services.

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 done using specialized

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installation vessels and requires specific engineering expertise and project management skills.



Operations

SBM Offshore mostly operates the facilities it delivers to clients. This activity creates value for clients, as the uptime performance of the facility directly impacts the amount of energy produced. In most contracts, this activity is compensated for by a fixed dayrate complemented by an operating fee. Income is independent of oil price fluctuations.

An FPSO processes the 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 are used to maintain production levels, with secondary recovery systems for gas injection, water injection and gas lift systems being installed on the production facility. SBM Offshore's latest FPSO designs include CO₂ removal from gas streams for reinjection into the well offshore.

Decommissioning and Recycling

At the end of the lifecycle, facilities are decommissioned and recycled. As leased FPSOs are under SBM Offshore's full or co-ownership, the Company applies the Hong Kong Convention rules and the principles of the EU Ship Recycling Regulation – or equivalent standards should EU Ship Reycling Regulation not be applicable – to recycle its units, with the use of 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.

The Company works with recycling facilities that have adequately trained management and staff and the required

health and safety procedures in place. The Company'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

The Company ensures optimum results for clients by offering various financing models :

Under a Lease and Operate contract, the facility is sold to asset-specific companies to charter and operate 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. The Company tends to optimize debt financing in assetspecific 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, the Company's corporate guarantee is relinquished and the project debt becomes nonrecourse 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, operating 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.

Renewable Energy

The above lifecycle approach applies to renewable energy markets as well. The Company is leveraging experience from other floating production systems markets to ensure safety, sustainability and affordability of renewable energy. Whereas the Company's clients are developing renewable energy projects – ensuring electricity is distributed to grids – SBM Offshore co-develops and delivers various solutions and services, most notably being :

- The design of innovative floating renewable energy systems, e.g. Floating Offshore Wind and Wave Energy.
- The Engineering, Procurement, Construction and Installation of those systems.
- Support to the Operations and Maintenance of floating renewable energy systems.

