



**OFFSHORE**

ENERGY. COMMITTED.

ANNUAL REPORT 2020

## 2 PERFORMANCE REVIEW & IMPACT

welfare of workers across the industry. In 2020, as a member of Building Responsibility SBM Offshore contributed to the development of the guidance note 'Respecting Worker Welfare during COVID-19'.

### FUTURE

SBM Offshore is on a journey to fully embed human rights and social performance within the Company to achieve no harm. The Company plans increase training and awareness on human rights and to continue due diligence with in our supply chain in 2021 as specified in a target explained in section 2.2.

### 2.1.3 OPERATIONAL EXCELLENCE AND 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 highest standards.

To support this approach, the Company 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.



#### 2.1.3.1 OPERATIONAL EXCELLENCE FUNCTION

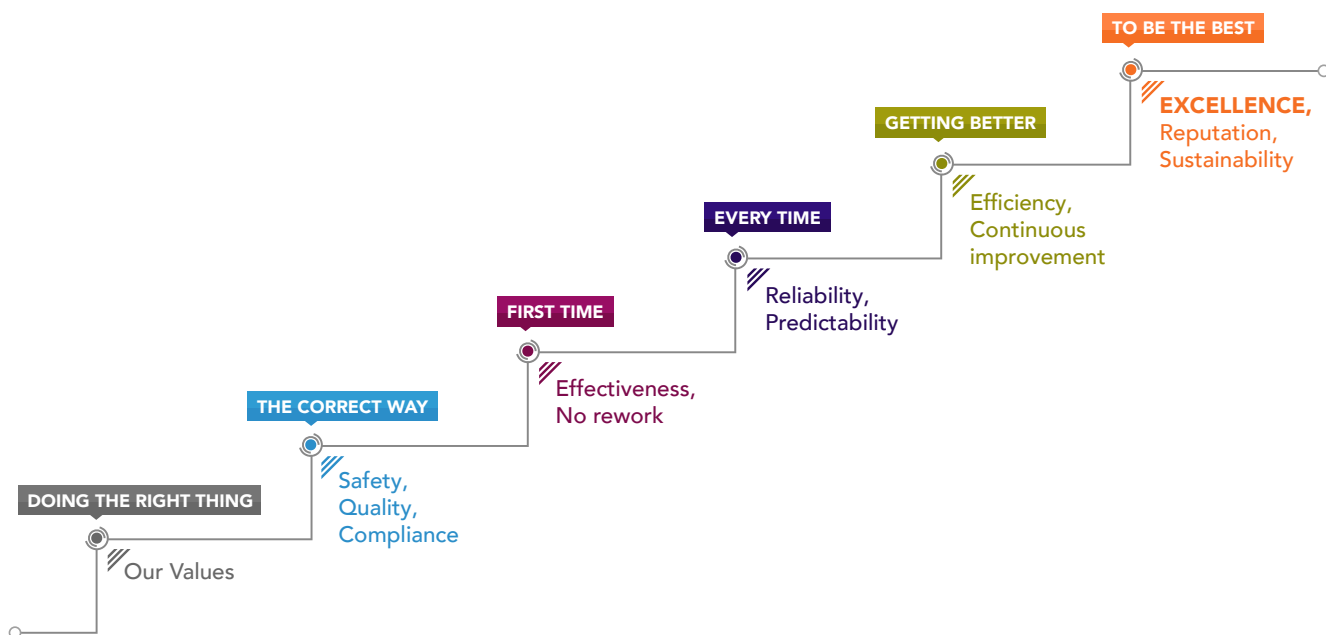
##### MANAGEMENT APPROACH

The scope of the Company's Operational Excellence Function is to continually oversee core business activities across their lifecycle (from 'Win' to 'Execute' to 'Operate') and drive the Company towards high performance, not only from an economic perspective (covered in section 2.1.5) 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 the Company'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 2.1.7
- 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 the Company'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 the Company's products and services are effectively achieved and maintained
- Supporting continuous improvement of business processes and ways of working

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

- Material 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.

### 2020 PERFORMANCE

The Company is proud to note the following key achievements :

- Active promotion of 'Target Excellence' principles through diverse communication campaigns
- Renewal of SBM Offshore's ISO 9001:2015 certification, including scope extension to the Shanghai and Bangalore offices
- Further development of an integrated Product and Regulatory Assurance approach, building notably on SBM Offshore's Quality Rules and a 'Cost of Non-Quality' management approach
- Strengthening of the Right365 program under the banner of 'Target Excellence', with a specific focus on 'Doing the Right Thing, Right First Time' as witnessed during SBM Offshore's first Right365 Day in November 2020
- Upgrade of GEMS, including the optimization of contents and a new user interface
- Furthering of the Fast4Ward® program for standardization and flawless execution during EPCI projects and subsequent Operations
- Lessons Learned Initiatives performed to improve our projects and operations
- 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. One significant

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operational fine – amounting to approximately US\$950k – was paid by an affiliated company related to technical non-conformities. These were identified during an audit in 2018 performed by the Angolan Ministry of Mineral Resources and Petroleum on the *N'Goma FPSO* in 2018. 50% of that amount is attributable to SBM Offshore. The findings have since been addressed.

### FUTURE

For 2021, SBM Offshore will be focusing on the following subjects :

- Process Safety Management objectives as described in section 2.1.2
- Development of a Knowledge Management framework to grow in-house expertise and support continuous improvement
- Alignment of GEMS business processes with the upgraded Enterprise Resource Planning project ('Integra')
- Development and deployment of digital solutions supporting Operational Excellence
- Reduction of Cost-of-Non-Quality through systematic tracking, investigations and pilot initiatives to both prevent and mitigate future occurrences
- Maintenance of an effective regulatory watch and interface with regulators

As a permanent, overarching objective, all Company projects, facilities and sites are to be performed, delivered and maintained in full compliance with all applicable laws, regulations and requirements from relevant stakeholders.

### 2.1.3.2 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 the Company's technology expertise and track record. Through this approach the Company manages performance of the Turnkey part of its business. 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 2.1.3. KPIs are set accordingly and managed through the Company's Project Directorate and Project Dashboards.

The management strategy remains based on (i) an early engagement with customers; (ii) a strong push for standardization in product design and execution scenarios in order to improve competitiveness, quality and time to market; and (iii) an increasing focus on the energy transition, using SBM Offshore's core competencies to develop solutions in the LNG-to-power and renewable markets. Overall, the oil and gas industry environment is impacted by the duo challenges of the global pandemic

and low oil prices, resulting in projects being put on hold or cancelled. However, the energy transition has accelerated over the last couple of months, bringing new opportunities.

### 2020 PERFORMANCE

Throughout the year, SBM Offshore met the additional challenge of the COVID-19 pandemic, thriving to ensure business continuity in all projects. The project teams have succeeded in maintaining 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. The projects are now operating in a new environment where readiness 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* – the Company's first Fast4Ward® FPSO under construction for ExxonMobil and destined for Guyana – is advancing. The Keppel yard in Singapore re-opened during the second quarter after closing for a while owing to the COVID-19 pandemic. The mooring and riser structures integration was completed and the Fast4Ward® hull was moved from the dry-dock to the integration quayside where the topsides integration phase has started, with the lifting of the first topsides modules. SBM Offshore will deliver the vessel by 2022 and will lease and operate the vessel for two years before handing over to ExxonMobil.
- *Sepetiba* – The construction of the Fast4Ward® MPF hull and topsides has begun in China for this FPSO which Petrobras will lease for 22.5 years, under a contract signed in 2019. Engineering and procurement activities have largely progressed, with the focus now being on the construction phase. This year, SBM Offshore completed a US\$600 million bridge loan for the financing of the construction of the vessel, agreed with a consortium of four international banks. The project is progressing, with a completion planned for the end of 2022.
- *Prosperity* – SBM Offshore started to carry out the Front-End Engineering Design (FEED) phase for ExxonMobil last year, which was the first under the long-term FPSO supply agreement signed with ExxonMobil in 2019. This year, SBM Offshore was awarded a contract to complete engineering activities, procure, construct, install and then lease and operate the vessel for up to two years, after which ownership and operation will transfer to Esso Exploration and Production Guyana Limited (EEPGL), an affiliate of ExxonMobil Corporation. One of SBM Offshore's Fast4Ward® hulls was allocated to this project following the contract award and is now

completed. The project is progressing in line with the client's schedule, with a planned completion in 2024.

- Fast4Ward® MPF hulls – The construction of the fourth and fifth MPF hulls, as part of Fast4Ward® program, has started and is progressing at Chinese shipyards SWS and CMIH respectively, in line with SBM Offshore's execution plan. These two hulls are currently not allocated to projects and are supporting ongoing tendering activity.

As announced by Petrobras in the third quarter 2020, SBM Offshore has entered into negotiations with Petrobras for a charter contract for the FPSO *Almirante Tamandaré*, which will operate in the Buzios field, part of the Santos basin, offshore Brazil. The anticipated production capacity of the unit is 225,000 barrels of oil and 12 million m<sup>3</sup> of gas per day.

### Turret Mooring Systems

All the modules for the Turret Mooring System for Equinor's *Johan Castberg FPSO* in Singapore were completed and delivered for integration into the hull. The swivel units have also all been completed and are in transit to Norway, where the integration is planned upon the arrival of the hull in 2021.

### Renewables

SBM Offshore has progressed on the engineering services for the Provence Grand Large project for EDF Renouvelables, and is now entering into the procurement and construction stage of the three 8.4MW floaters and the mooring systems that are planned to 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

For offshore installation services, SBM Offshore is preparing for the sale of diving support and construction vessel (DSCV) SBM Installer. The Company was the long-term charterer of the vessel under a contract ending in 2026. The Company had 25% equity ownership in the entity owning the vessel, OS Installer Limited (OSI). The vessel operates in a non-core market for the Company. In order to gain the flexibility required to divest the vessel, the Company acquired the remaining 75% equity ownership in OSI.

The Company's strategy is to adapt its products and business model to an environment of shorter oil price cycles and increased volatility. Consequently, the Company reorganized the allocation of activities in its engineering centers in order to become more efficient. These measures will enable the Company to lower its break-even point and allow the Company to scale activities in line with market demand.

## FUTURE

The Company will continue to standardize its products in line with the Fast4Ward® program, having recently expanded the principle to include the supply of oil terminals, with the Fast4Ward® Buoy. 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, with solutions to switch from coal to gas power generation. These developments contribute to SBM Offshore's Ambition 2030, to have 25% of revenues from gas and renewables by 2030.

### 2.1.3.3 SUPPLY CHAIN

#### MANAGEMENT APPROACH

The current business and health environment is driving major changes, with risk resilience and new market standards requiring that the Company has a new supply chain organization. To continue the drive to transform the industry by adopting our Fast4Ward® principles with the highest level of safety, performance and quality, the Supply Chain management is evolving into a strategic globalized product organization reporting into the Company's Global Resources & Services organization. Leveraging our long-term relationships with our key supply chain partners will also contribute to accelerating our time-to-market objective and our performance in the Win phase.

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

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 the Company's strategy as described in section 1.3.2.

#### 2020 PERFORMANCE

The development of the supply chain organization has been developed further around five strategic pillars :

##### Competitiveness improvement

Strategic sourcing is leading supplier-collaboration initiatives, introducing a clearer governance structure for the overall supplier-collaboration program. Through this the Company is improving competitiveness, by encouraging full participation and ensuring parties pursue long-term win-win opportunities.

##### Local content strategic approach

The globalization of supply chain core competencies, across all SBM Offshore pillars, with a clear focus on

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business drivers, increases product ownership. Faster local support to projects has allowed the Company to capture value and gain more flexibility.

### Vendor Performance

The vendor qualification work done over recent years has shown that closer relationships between buyers and suppliers create value and help the supply chain become more resilient. The logical next step is a cross-functional engagement to achieve strategic alignment in managing the performance of SBM Offshore vendors. In line with Company commitments to reach its sustainable development aspirations, the supply chain organization has developed a full human rights assessment as part of the vendor qualification program, thus improving social impact.

### Time-to-market improvement

Supply chain is now responsible for the full procurement strategy across SBM Offshore's Win, Execute and Operate phases, allowing the Company to optimize the process, engage early and, as a result, reduce schedules.

### Digital supply-chain transformation

Group Supply Chain is one of the main stakeholders involved in the design and implementation of SBM Offshore's global ERP system, to streamline the flow of

information and processes from project execution to operational activities.

### 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
- 99.4% 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 maintain recruitment efforts to support company development in all locations, with a key focus on strengthening our vendor performance management processes and tools to ensure seamless delivery at the framing stage of Operations activities. Group Supply Chain will ensure that the strategy defined at Win phase is properly implemented during the Execution phase.

## SUPPLY CHAIN ORGANIZATION PRINCIPLES



### Products Strategy

Developing the strategic sourcing approach, to provide complete solutions, plays an integral role in SBM Offshore supply chain while strengthening our Fast4Ward® principles.



### Full Integration

Supply chain Operations are now fully integrated within SBM Offshore group supply chain, allowing for the alignment of SBM Offshore supply chain strategy with the product life cycle.



### Quality First

The new environment requires not only high quality but also quality leadership. SBM Offshore supply chain management is setting new standards, injecting further quality into the core value proposition.



### Regional Support

SBM Offshore supply chain is continuing efforts to support projects locally, by integrating multiple locations into a network of capability hubs. The China office have pioneering this strategy and the India office follows suit.



### Vendor Performance

The in depth exercise performed on vendor qualification has allowed risks to be minimized and reliability to be increased. SBM Offshore is now taking supplier collaboration to the next level, through closer relationships and more detailed management of performance.



### Talent Mobility

To support high quality project delivery SBM Offshore has increased resource flexibility, allowing top supply-chain talent to be managed and to ensure proper rotation of talent between the projects.

### 2.1.3.4 FLEET

#### MANAGEMENT APPROACH

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 2.1.3. In addition, our 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. The Company aims to maintain its industry-leading levels of uptime, at or above 99%.
- Local content and knowledge transfer targets in our countries of operations: which are accompanied by social development initiatives, as mentioned in section 2.2.
- Development of a companywide 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.

SBM Offshore's assets are key value drivers for the Company and generate predictable and sustainable revenue and operating cash-flow for SBM Offshore through long-term Lease and Operate contracts. The expertise and experience of more than 2,650 offshore crew and onshore staff supporting the fleet ensures value creation through the safe, reliable and efficient operation of the Company's offshore fleet.

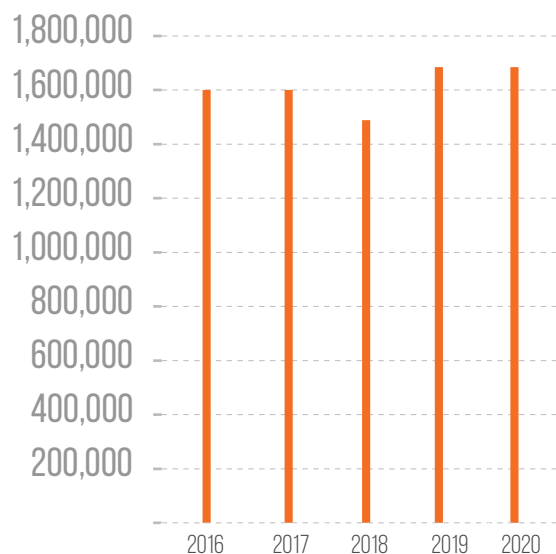
At the end of 2020, SBM Offshore was responsible for operating 15 units in the fleet across the globe, consisting of :

- 14 FPSOs
- 1 Semi-submersible unit

With the following historic performance :

- 6.3 billion barrels of production cumulated to date
- 9,246 oil offloads cumulated to date
- Almost 350 cumulative contract years of operational experience

FLEET OIL PRODUCTION CAPACITY  
(bopd)



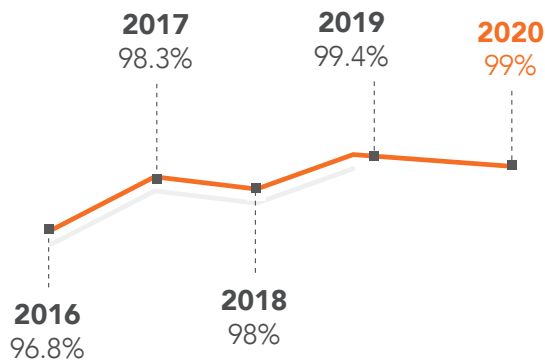
#### 2020 PERFORMANCE

2020 represented a testing, yet ultimately successful, year for the Company's operations, with the challenges of the global COVID-19 pandemic impacting the operational focus particularly in the first part of the year, moving to a new managed normality and protocols in the second part. Strong strategic emergency response management of the pandemic and its impact on crew health and safety, logistics and travel ensured business continuity and good performance in offshore operations. Despite the pandemic, strong results were achieved in terms of occupational and process safety, while maintaining strong production uptime of 99%. There was slightly less vessel availability compared to 2019 essentially due to the ongoing commissioning of operations on *Liza Destiny* (FPSO), and the extension of a planned shutdown of *FPSO Capixaba*, at the client's request. The remainder of the Fleet turned in extremely high underlying production uptime of 99.4%.

In 2020, the following change occurred in the fleet operated by SBM Offshore: MOPU *Deep Panuke* PFC was safely disconnected and taken to shore in Nova Scotia, Canada for the recycling phase. This will be carried out in a local yard during 2021, and in full adherence to SBM Offshore's Responsible Recycling Policy.

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### FLEET UPTIME DATA FOR PERIOD 2016 – 2020



Despite 2020's pandemic challenges, various initiatives were undertaken and even accelerated this year to enhance operational safety, quality and efficiency through :

- Training and Competency focus on projecting and resourcing growth, supported by a mature Talent program and Personal and Leadership Development programs
- Health and Wellbeing, and Fatigue Management programs mitigating pandemic impact on offshore teams
- Improved planning capability and tools for greater efficiency in daily offshore operations and project execution
- Organizational development to enhance integrated regional support, Fleet Support services and Data Management
- Deployment of digital solutions and applications for enhanced offshore operations, asset monitoring and predictive capability
- Development of Guyana offshore operations and in-country infrastructure, with increased local footprint, growing human resources, positive social initiatives, and local content for strong operational performance

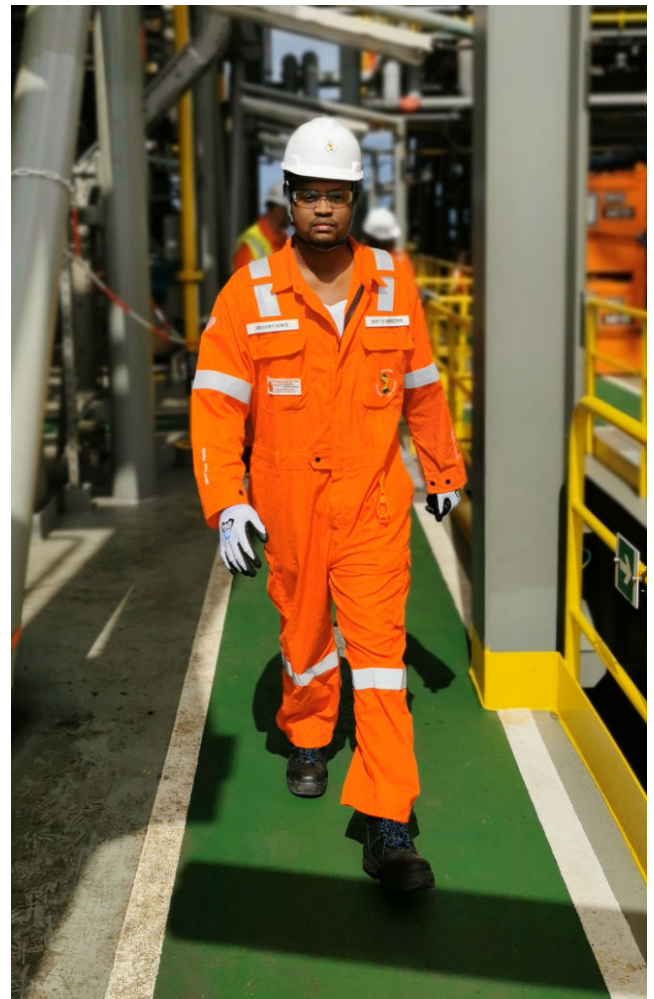
Within Asset Integrity, SBM Offshore's approach is to target asset preservation with optimal lifecycle costing. In 2020, progress was made on :

- 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 2.1.7)
- Safety and Process Safety Management enhancements
- Deployment of technological solutions, such as digital imagery for remote work preparation and inspections, offshore mobility devices, drones, virtual reality, and equipment integrity (Ex.) program for ignition risk management.

### FUTURE

As a forward-looking operator, SBM Offshore leverages its unrivalled experience and industry-leading digital and technological solutions alongside our core values and approach to responsible business, to deliver sustainable, ethical operations with the highest standards of safety, reliability and efficiency. Under 'Smart Operations' in the Company's Digital Transformation, quality data, digital analytics and technology are accelerating the development and deployment of digital tools and initiatives across our fleet, providing internal value creation and optimized client service offerings.

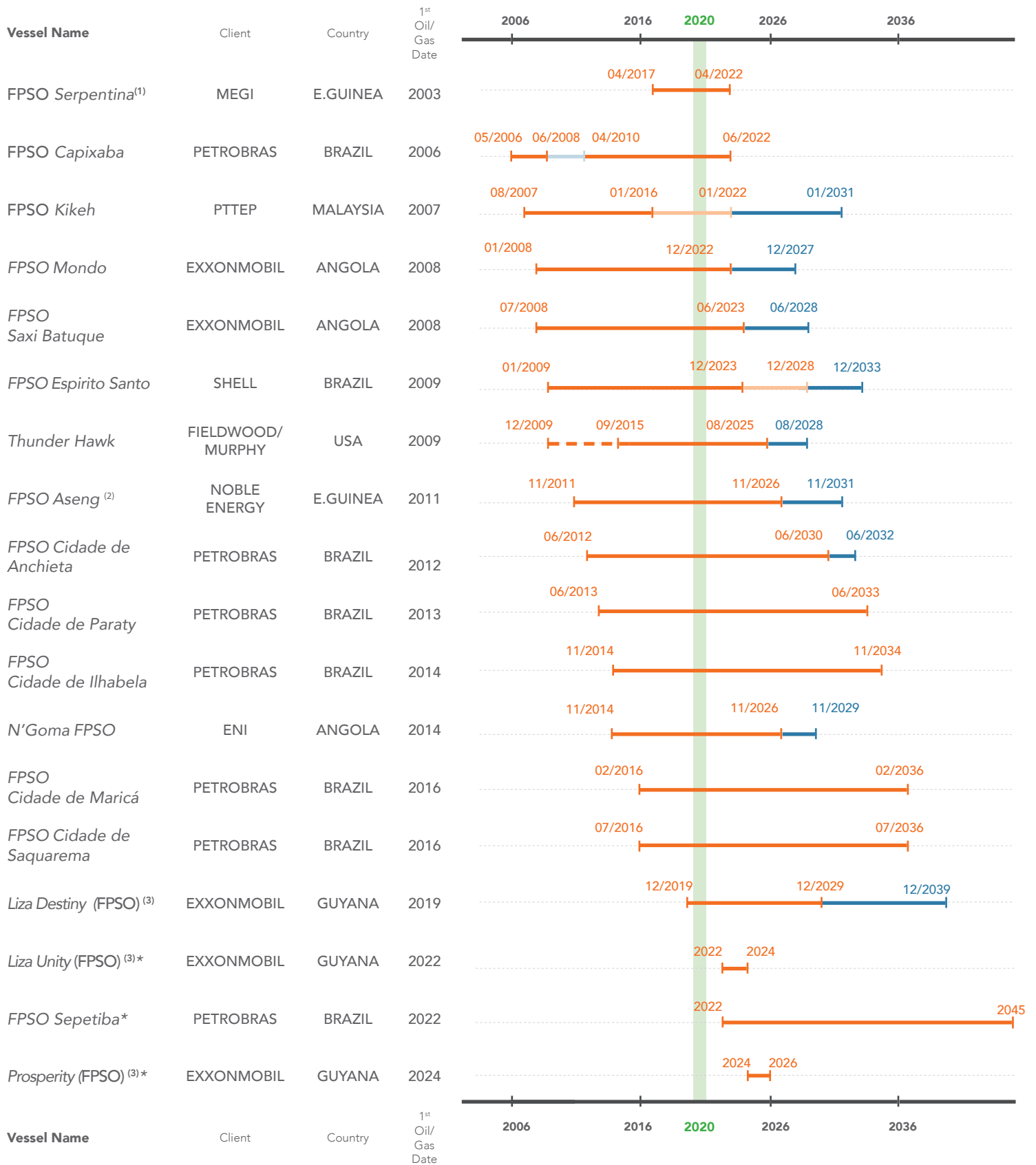
In Guyana, SBM Offshore continues its operational ramp up, both offshore and onshore, in anticipation of *Liza Unity* (FPSO) arriving in 2021. SBM Offshore continues to expand and embed its presence in-country through the opening of new operational headquarters and investment in initiatives focusing on local content and knowledge transfer.





# OPERATIONS FLEET

■ Initial Lease Period
 ■ Contractual Extension Option
 ■ Confirmed Extension
 ■ Conversion



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

(2) Client change yet to be confirmed as Chevron/Noble Energy transitioning as part of takeover.

(3) Lease and Operate durations under discussion with the client

\* Under construction.