



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

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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

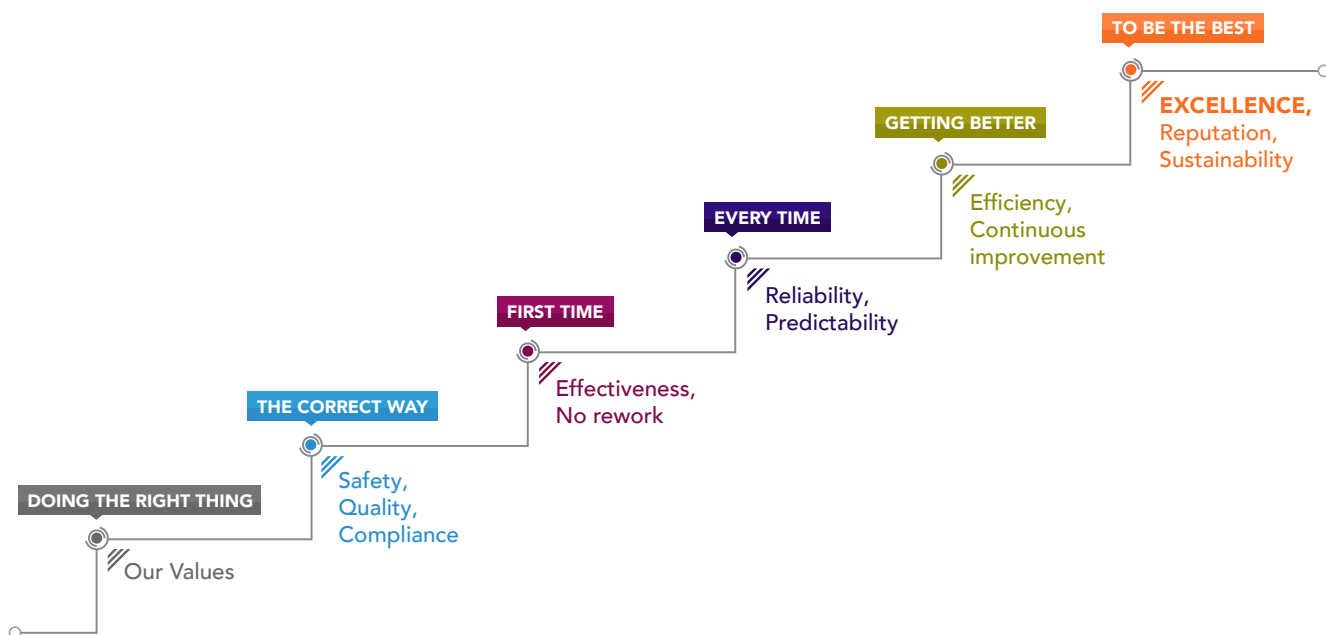
MANAGEMENT APPROACH

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.

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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 (EPEGL), an affiliate of ExxonMobil Corporation. One of SBM Offshore's Fast4Ward® hulls was allocated to this project following the contract award and is now