SBM
OFFSHORE
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ANNUAL REPORT 2020

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^3 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 Rersources & 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

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.