

2022
ANNUAL
REPORT



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4 FINANCIAL INFORMATION 2022

The increase during 2022 in 'Other costs' is mainly driven by the overall ramp-up of activities impact on consultancy and contractor fees, currency exchange differences and by uncertain tax position other than corporate income tax which were released during 2021.

4.3.6 EMPLOYEE BENEFIT EXPENSES

Information with respect to employee benefits expenses are detailed as follows:

	<i>Note</i>	2022	2021
Wages and salaries		(370)	(353)
Social security costs		(48)	(49)
Contributions to defined contribution plans		(33)	(35)
Contributions to defined benefit plans		1	(2)
Share-based payment cost		(24)	(27)
Contractors' costs		(178)	(139)
Other employee benefits		(88)	(64)
Total employee benefits	4.3.5	(740)	(669)

Wages and salaries increased due to FPSO *Liza Unity* joining the fleet and the increased activity due to the projects under construction. This was partially offset by FPSO *Capixaba* no longer contributing to the fleet.

Contractors costs include expenses related to contractor staff not on the Company's payroll. The increase in contractors' costs compared with previous year reflects the general ramp-up of Turnkey activities and the Company's strategy of aiming to maintain flexibility in its workforce management. Other employee benefits mainly include commuting, training, expatriate and other non-wage compensation costs.

DEFINED CONTRIBUTION PLAN

The contributions to defined contribution plans includes Company participation in the Merchant Navy Officers Pension Fund (MNOFP). The MNOFP is a defined benefit multi-employer plan, which is closed to new members. The fund is managed by a corporate Trustee, MNOFP Trustees Limited, and provides defined benefits for nearly 22,440 (2021: 22,830) Merchant Navy Officers and their dependents out of which approximately 29 (2021: 29) are SBM Offshore former employees.

The Trustee apportions its funding deficit between Participating Employers, based on the portions of the Fund's liabilities, which were originally accrued by members in service with each employer. When the Trustee determines that contributions are unlikely to be recovered from a Participating Employer, it can re-apportion the deficit contributions to other Participating Employers.

Entities participating in the MNOFP are exposed to the actuarial risk associated with the current and former employees of other entities through exposure to their share of the deficit of those other entities' default. As there is only a notional allocation of assets and liabilities to any employer, the Company is accounting for the MNOFP in its financial statements as if it was a defined contribution scheme. There are no contributions to the plan agreed at present.

DEFINED BENEFIT PLANS AND OTHER LONG-TERM BENEFITS

The employee benefits provisions recognized in accordance with accounting principles, relate to:

	<i>Note</i>	2022	2021
Pension plan		(3)	2
Lump sums on retirement		6	9
Defined benefit plans		3	11
Long-service awards		12	16
Other long-term benefits		12	16
Employee benefits provisions	4.3.24	15	26

The defined benefit plan provision is partially funded as follows:

Benefit asset/liability included in the statement of financial position

	31 December 2022			31 December 2021		
	Pension plans	Lump sums on retirement	Total	Pension plans	Lump sums on retirement	Total
Defined benefit obligation	22	6	29	33	9	42
Fair value of plan assets	(25)	-	(25)	(31)	-	(31)
Benefit (asset)/liability	(3)	6	3	2	9	11

The main assumptions used in determining employee benefit obligations for the Company's plans are shown below:

Main assumptions used in determining employee benefit obligations

in %	2022	2021
Discount rate	2.50-4.25	0.25-1.25
Inflation rate	2.00	2.00
Discount rate of return on plan assets during financial year	2.50	0.25
Future salary increases	1.00 - 3.00	1.00 - 3.00
Future pension increases	-	-

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL OF THE COMPANY

The remuneration of the key management personnel of the Company paid during the year, including pension costs and performance related Short-Term Incentives (STI), amounted to US\$15 million (2021: US\$20 million). There are no loans outstanding to the members of the key management or guarantees given on behalf of members of the key management.

The performance-related part of the remuneration of the Management Board, comprising Value Creation Stake and STI components, was 60% (2021: 67%). The Management Board's remuneration decreased in 2022 versus 2021, mainly explained by (i) the decrease from 4 to 3 members, (ii) a lower STI and (iii) the decreased EUR to USD conversion rate.

The decreased remuneration of other key personnel is mainly related to the decreased EUR to USD conversion rate and one member of the Executive Committee joining the management board. An additional member was added to the executive Committee at the end of the year to return to a total of 7 members (2021: 7).

4 FINANCIAL INFORMATION 2022

The total remuneration and associated costs of the Management Board and other key management personnel (members of the Executive Committee) is specified as follows:

Remuneration key management personnel

in thousands of US\$	Base salary	STI ¹	Share-based compensation ²	Other ³	Pensions ⁴	Total remuneration
Management Board Members						
2022	3,036	1,864	4,634	546	728	10,808
2021	3,109	3,486	5,818	630	840	13,883
Other key personnel⁵						
2022	2,124	517	1,075	379	336	4,430
2021	2,757	836	1,637	601	368	6,198
Total 2022	5,159	2,382	5,709	925	1,064	15,238
Total 2021	5,866	4,341	7,455	1,231	1,209	20,082

1 For the Management Board this represents the actual STI approved by the Supervisory Board, which has been accrued over the calendar year, payment of which will be made in the following year.

2 This share-based compensation represents the period expense of share-based payments in accordance with IFRS 2.

3 Consisting of social charges, lease car expenses, and other allowances.

4 This represents company contributions to defined contribution pension plans; in case of absence of a qualifying pension scheme such contribution is paid gross, withholding wage tax at source borne by the individuals.

5 The definition of 'Other key personnel' is aligned with the Executive Committee, as disclosed on the Company's website.

The table above represents the total remuneration in US dollars, being the reporting currency of the Company.

As at December 31, 2022 there are no unvested shares of current and former Management Board members. The total number of vested shares held by current and former Management Board members are reported in note 4.3.22 Equity Attributable to Shareholders.

SHORT-TERM INCENTIVE PROGRAM OF THE MANAGEMENT BOARD

The Short-Term Incentive Program is based upon short-term operational performance, which includes three sets of Performance Indicators as noted below:

- Profitability;
- Growth;
- Sustainability Performance.

The Supervisory Board may adjust the outcome of the STI down by 10%. Any such adjustment would be reported in the Remuneration Report. No such reduction has been made for 2022 or 2021.

For 2022 (equal to 2021), the Supervisory Board concluded that the Company's performance indicators had outcomes ranging from threshold to maximum. For the year 2022, a total of seven performance indicators were established (2021: seven). The Company's performance resulted in performance of 85% (2021: 133%) of salary for the CEO and 64% (2021: 100%) for the other Management Board members.

VALUE CREATION STAKE SHARES OF THE MANAGEMENT BOARD

Under the Remuneration Policy 2022, the members of the Management Board are entitled to a Value Creation Stake, being a number of shares determined by a four-year average share price (volume weighted). These shares vest immediately upon the award date, and must be retained for five years from the vesting date, or – in the event of retirement or termination – two years.

Number of issued shares	2022	2021
Total	317,510	313,239

The number of shares granted is based upon 175% of the individual's base salary and determined by the 4-year average volume-weighted share price (VWAP) over the years 2018 through 2021 (2021: 2017 through 2020), being EUR14.61 (2021: EUR14.69). The grant date fair value of these shares upon issue was EUR13.15, being the opening share price of January 3, 2022 (2021: EUR15.71).

An additional grant was performed following the AGM on April 6, 2022. The grant date fair value was EUR15.20.

RESTRICTED SHARE UNIT (RSU) PLANS

The number of shares granted under the RSU plan in 2022 was 803,320 (2021: 754,450), with the three-year employment period starting on January 1, 2022 (2021: January 1, 2021).

The annual RSU award is based on individual performance. The RSU plans themselves have no performance condition, only a service condition, and will vest at the end of three years' continuing service. The fair value is determined based on the share price at the grant dates, with an adjustment for the present value of the expected dividends during the vesting period.

	2022	2021
RSU grant date fair value per share	€ 11.44	€ 11.89

For RSUs, a vesting probability (based on expectations on, for example, the number of employees leaving the Company before the vesting date of their respective RSU plan) of 5% is assumed. The Company periodically reviews this estimate and aligns to the actual forfeitures.

OWNERSHIP SHARES

Ownership Shares is an annual award in shares to compensate the overall STI target reduction of 3-6% of annualized gross salary under the Company's 2019 STI plan awarded to employees based on seniority. The Ownership Shares have no performance conditions, only a service condition. The Ownership Shares are subject to a three-year holding requirement after the grant date. This means that a fixed population of onshore employees, based on seniority in the Company, are eligible to the Ownership Shares equal to 4-8% of annualized gross salary.

The total number of Ownership Shares that vested during 2022 was 96,333 shares (2021: 90,189). The fair value of the Ownership Shares is measured at the opening share price of January 3, 2022.

	2022	2021
Ownership Shares grant date fair value per share	€ 13.15	€ 14.21

MATCHING SHARES

Under the STI plans for the management and staff of the Company, 20% of the STI is or can be paid in shares. Subject to a vesting period of four years, an identical number of shares (matching shares) will be issued to participants, assuming a probability of 95%. The Company periodically reviews this estimate and aligns to the actual forfeitures. The grant date fair value is measured indirectly, based on the grant date price of the equity instrument, with an adjustment for the present value of the expected dividends during the vesting period.

The assumptions included in the calculation for the matching shares are:

	2022	2021
Matching shares grant date fair value per share	€ 11.75	€ 13.40

TOTAL SHARE-BASED PAYMENT COSTS

The amounts recognized in operating profit for all share-based payment transactions have been summarized by taking into account both the provisional awards for the current year and the additional awards related to prior years. Total share-based compensation has slightly decreased in comparison to 2021.

2022 (in thousands of US\$)	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	13,327	5,840	19,167
Total expenses 2022	13,327	5,840	19,167

2021 (in thousands of US\$)	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	15,153	4,523	19,676
Total expenses 2021	15,153	4,523	19,676

4 FINANCIAL INFORMATION 2022

Rules of conduct with regard to inside information are in place to ensure compliance with the act on financial supervision. For example, these rules forbid the exercise of options or other financial instruments during certain periods, more specifically when an employee is in possession of price-sensitive information.

The movement in the outstanding number of shares which could potentially vest at a point in time under the Company share-based payment plans is illustrated in the following table.

in number of shares	2022	2021
Outstanding at 1 January	2,910,725	2,530,336
Granted	1,629,422	1,734,267
Vested	(1,125,632)	(1,090,015)
True-up at vesting		
Cancelled or forfeited	(350,436)	(263,863)
Total movements	153,354	380,389
Outstanding at 31 December	3,064,079	2,910,725

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board amounted to EUR658,000 (2021: EUR656,000) and can be specified as follows:

in thousands of EUR	2022			2021		
	Basic remuneration	Committees	Total	Basic remuneration	Committees	Total
Total	580	78	658	579	77	656

There are no share-based incentives granted to the members of the Supervisory Board. Nor are there any loans outstanding to the members of the Supervisory Board or guarantees given on behalf of members of the Supervisory Board.

NUMBER OF EMPLOYEES

Number of employees (by operating segment)

By operating segment:	2022		2021	
	Average	Year-end	Average	Year-end
Lease and Operate	2,072	2,172	1,872	1,971
Turnkey	2,110	2,221	1,898	1,999
Other	549	576	496	522
Total excluding employees working for JVs and associates	4,731	4,969	4,265	4,492
Employees working for JVs and associates	529	530	532	527
Total	5,259	5,499	4,797	5,019

Number of employees (by geographical area)

By geographical area:	2022		2021	
	Average	Year-end	Average	Year-end
the Netherlands	471	518	430	424
Worldwide	4,260	4,451	3,836	4,068
Total excluding employees working for JVs and associates	4,731	4,969	4,265	4,492
Employees working for JVs and associates	529	530	532	527
Total	5,259	5,499	4,797	5,019

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits. The increase in headcount is primarily due to the further ramp-up of activity on Turnkey projects, as the Company has five FPSO's under construction.