2022 ANNUAL REPORT

SBM OFFSHORE

TRUE.
BLUE.
TRANSITION.

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:

	Note	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 (MNOPF). The MNOPF is a defined benefit multi-employer plan, which is closed to new members. The fund is managed by a corporate Trustee, MNOPF 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 MNOPF 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 MNOPF 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:

	Note	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).