2023 ANNUAL REPORT

SBM OFFSHORE

Prosperity partially offset by the higher progress of FPSO *ONE GUYANA* and newly awarded FPSO FEED work for the Whiptail development project.

'Employee benefit expenses' increased due to higher man-hour-related activities in Turnkey projects and the ramp-up of operations on the fleet in operation.

'Vessel operating costs' increased, mainly as a result of a higher scope of work in several vessels and the operational start of FPSO *Prosperity* during the last quarter of 2023, which was partially offset by the impact of *FPSO Capixaba* leaving the fleet. FPSO *Liza Unity,* despite the sale of the unit during 2023, continues to be operated by the Company through the OMEA signed with the client in 2023.

The decrease of 'Depreciation, amortization and impairment' mainly relates to the prior year impairment of US$92 million on *FPSO Cidade de Anchieta* due to the additional costs required for tank repairs, following the shutdown in 2022 and the capitalization of associated tank repair costs, and *FPSO Capixaba,* which finished production in 2022.

Expenses related to short-term leases and leases of low-value assets amounted to US$6 million (2022: US$1 million).

The increase of 'Other costs' is mainly driven by the overall ramp-up of digital activities, with impact on consultancy and software fees, business travel costs and currency exchange differences.

4.3.6 EMPLOYEE BENEFIT EXPENSES

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

	Note	**2023**	2022
Wages and salaries		(420)	(370)
Social security costs		(57)	(48)
Contributions to defined contribution plans		(39)	(33)
Contributions to defined benefit plans		(2)	1
Share-based payment cost		(26)	(24)
Contractors' costs		(197)	(178)
Other employee benefits		(100)	(88)
Total employee benefits	*4.3.5*	**(842)**	**(740)**

Wages and salaries increased, due to FPSO *Prosperity* joining the fleet, full ramp-up on *FPSO Sepetiba* before producing and on hire on January 2, 2024, and the increased activity in projects under construction. This was partially offset by *FPSO Capixaba* leaving the fleet (now under decommissioning).

Contractors' costs include expenses related to contractor staff not on the Company's payroll, linked to 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 21,936 (2022: 22,440) Merchant Navy Officers and their dependents, out of which approximately 29 (2022: 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 relate to:

	Note	2023	2022
Pension plan		(0)	(3)
Lump sums on retirement		8	6
Defined benefit plans		**7**	**3**
Long-service awards		14	12
Other long-term benefits		**14**	**12**
Employee benefits provisions	*4.3.24*	**21**	**15**

The defined benefit plan provision is partially funded as follows:

Benefit asset/liability included in the statement of financial position

	31 December 2023			31 December 2022		
	Pension plans	Lump sums on retirement	Total	Pension plans	Lump sums on retirement	Total
Defined benefit obligation	22	8	30	22	6	**29**
Fair value of plan assets	(22)	-	(22)	(25)	-	**(25)**
Benefit (asset)/liability	**(0)**	**8**	**7**	**(3)**	**6**	**3**

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 %	2023	2022
Discount rate	1.50 - 3.40	2.50 - 4.25
Inflation rate	2.00	2.00
Discount rate of return on plan assets during financial year	1.50	2.50
Future salary increases	1.00 - 3.00	1.00 - 3.00
Future pension increases	0 - 2.00	-

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$14 million (2022: US$15 million). There are no loans outstanding to 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 66% (2022: 60%). The Management Board's remuneration decreased in 2023 versus 2022, mainly explained by the decrease to three members in the overall year-by-year comparison.