



2017

ANNUAL REPORT



EXPERIENCE MATTERS

Alignment of the management system with the new ISO14001:2015 standard.

- Reduction of plastic and food waste on units by developing local initiatives and engaging in discussions with catering companies
- Strengthening of Chemical Management & Hazardous Substance (COSHH) Assessments with a new tool
- Continuation of the challenge 'Take Care of your Flare' on all Marine Units with the objective to reduce volume of gas flared under the control of the units.

2.5.1 CO₂ CHALLENGE SEASON 2 'TAKE CARE OF YOUR FLARE'

The CO₂ Challenge is an in-house competition designed to address the issue of climate change with a bottom-up approach, while leveraging expertise to create a competitive edge. Starting in 2015, SBM Offshore tested the creative talents of its engineers by asking them to propose innovative solutions to reduce CO₂ emissions offshore, 'Season 1'.

In 2017 'Season 2', 'Take care of your flare' was launched with an exclusive focus on reducing flaring on the offshore units. The Company challenged its crews to set flare reduction targets and compete against each other for best performance.

Three winners were awarded: one for best performance against the target, one for best performance in total tonnes of CO₂ reduction and one for best performance against hydrocarbons produced.

CO₂ Challenge 'Season 2' Findings

Flaring levels are directly linked to uptime performance of the gas processing facilities on the units. Better operational control on all systems reduces flaring and improves uptime. Flaring is only partially under SBM Offshore's operational control and in order to continue reduction in overall flaring, cooperation with the Company's clients is essential to optimize.

CO₂ Challenge 'Season 3'

Going forward, starting in 2018 'Season 3' will focus on reducing energy consumption and reducing oil in water, as well as the continuation of the flaring reduction targets.

CO₂ Reduction Onshore

Following the success of the CO₂ Challenge, an onshore version was created, the CO₂ Office Challenge. All offices contributed positive results and continue to

reduce energy consumption and waste generation per employee.

2.6 OPERATIONAL EXCELLENCE

MANAGEMENT APPROACH

Group Execution Functions are organized to support operational and assurance functions with the goal of achieving operational excellence in all areas of the Company's business.

SBM Offshore's Group Operational Excellence department is dedicated to the maintenance and continuous improvement of the Company's Global Enterprise Management System (GEMS) and the implementation and monitoring of key improvement initiatives notably to:

- Adopt best practice through the application of the ISRS (see section 2.6.2) and Process Safety Management frameworks
- Strengthen the Company's incident reporting and investigation methodologies and tools to expand the scope beyond the remits of Health & Safety and Asset Integrity activities
- Enhance existing Management of Change processes and provide more efficient functionality through the provision of a globally accessible database
- Deploy a revised lessons learned process and application to ensure that lessons are embedded in our ways of working

For more information on Operational Governance, please refer to 3.10.1.

2017 PERFORMANCE

While good progress has been made, due to a number of challenges and the prioritization of topics, the Company has been unable to achieve all of its targets, particularly with respect to tool development and deployment. Our ambition remains to complete the remaining agreed scope within 2018.

Key achievements

- Continued development of GEMS Role Assignment and Workflow tools to enhance user acceptance and improvement of efficiencies
- Publication of a supporting process for the 'Operational Excellence Governance Model' to address business ownership, change control and investment decision making structures for GEMS processes, data-sets, information and applications

2 STRATEGY AND PERFORMANCE

- Continuation of the deployment of the ISRS plan with all GEMS Process Owners and Business Owners
- Continuation of development of a revised lifecycle Incident Management process and supporting application
- Global training of key personnel in robust Root Cause Analysis methodology
- Deployment of revised Management of Change processes and tool for the 'Execute' lifecycle phase
- Revision of Management of Change processes for the 'Operate' lifecycle phase
- Partial integration of legacy Operations Management System documentation into GEMS and development of the framework going forward



Alex Weisselberg – ABS Quality Evaluations, Inc.

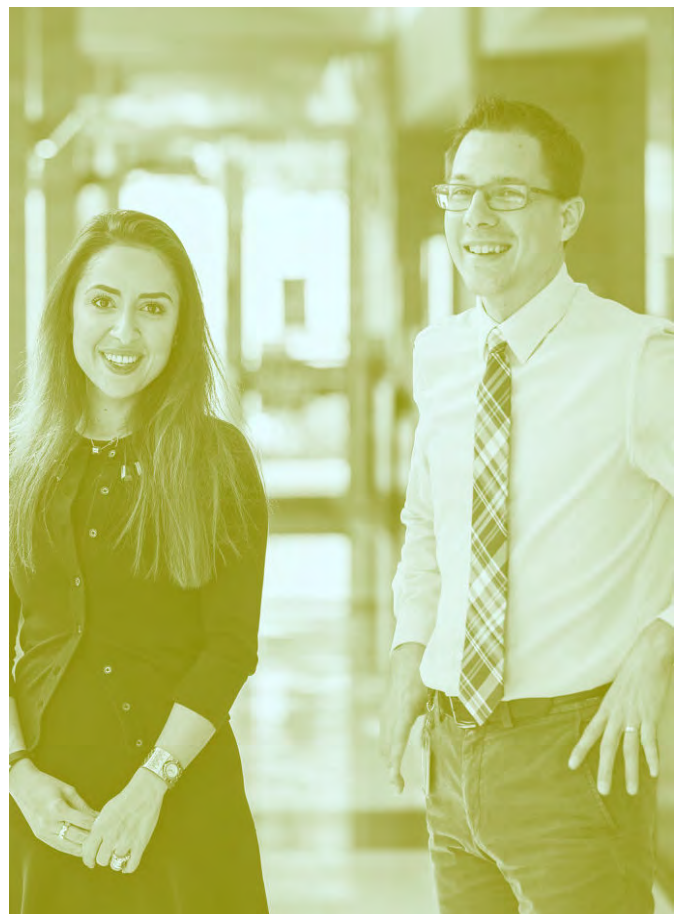
President

'ABS QE is proud to support global industry leaders such as SBM Offshore. Demonstrating an enduring commitment to Quality Leadership, SBM Offshore has embraced the upgraded ISO 9001 standard with a performance-driven approach. It is a privilege to accompany SBM Offshore on the Company's continuous improvement journey.'

FUTURE

The following objectives have been set for 2018:

- Deploy GEMS Role Assignment and Workflow tools
- Process Safety Management strategy and targets as highlighted in Section 2.6.1
- Continuation of the deployment of the ISRS plan with all GEMS Process Owners and Business Owners
- Further development and deployment of the revised Management of Change processes and associated tool
- Deliver an enhanced 'Lessons Learnt' tool to support the revised process
- Deployment of revised Incident Management process and application
- Enhance existing Safety Case approach and governance



2.6.1 PROCESS SAFETY MANAGEMENT

MANAGEMENT APPROACH

SBM Offshore has adopted a Process Safety Management (PSM) framework and program based on an industry standard¹⁶, which when applied throughout the product lifecycle, has the potential to reduce the risk of Major Accidents.

The PSM framework consists of a set of risk-based priority activities and practices that are being embedded in the Company's GEMS and the Group Technical Standards (GTS) which have been aligned with the International Sustainability Rating System™ (ISRS) improvement activities.

All Loss of Primary Containment (LOPC) events occurring offshore are reported to the relevant parties within the organization and analyzed to identify appropriate treatment measures. SBM Offshore follows IOGP 456 and API 754 standards for LOPC classification. The annual statistics are compared to previous years and benchmarked against IOGP averages.

2017 PERFORMANCE

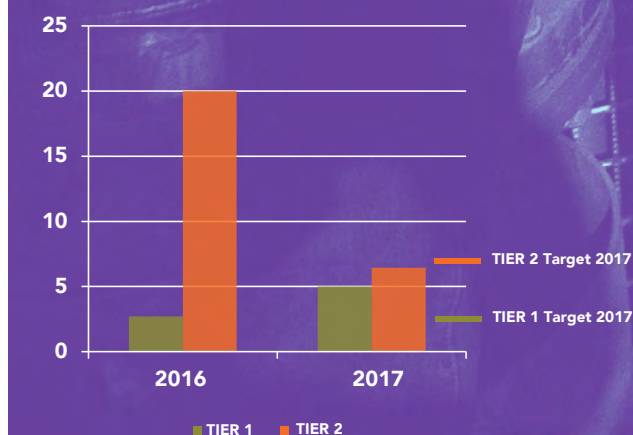
Key achievements

- Progress has been made on the implementation of PSM priorities, including process safety culture, risk analysis, process safety dossier¹⁷, management of change and incident investigation
- PSM Training Programs have been progressed in accordance with the plan

Key results

- As part of the continued drive to improve reporting of LOPC events, at the start of 2017 SBM Offshore performed a review of the Tier 3 events reported in 2016 to distinguish between events above or below 1kg/hr (very minor). An additional outcome of this review was that 6 Tier 3 events were reclassified as Tier 2.
- The number of Tier 2 events has seen a significant improvement from 20 events in 2016 to 7 in 2017.
- A total of 353 process related LOPC events were recorded, of which 227 were of API 754 classified materials.

TIER 1 AND TIER 2 PERFORMANCE BY YEAR AGAINST 2017 TARGET



FUTURE

The following objectives have been set for 2018:

- Targets are set to reduce the number of Tier 1 and 2 PSE compared to 2017 i.e Tier 1 PSE performance to be 2 or better, and Tier 2 PSE performance to be 6 or better.
- Deployment of 'Process Safety Fundamentals' (PSF's) in the fleet. PSF's are a set of 10 guidelines that reinforce best practices targetting causal factors related to PSE with the objective of reducing LOPC events.
- Continue implementation of the PSM framework, including increasing employee awareness with PSM campaigns.

2.6.2 INTERNATIONAL SUSTAINABILITY RATING SYSTEM™

SBM Offshore adopted DNV GL's International Sustainability Rating System™ (ISRS) system in 2014. The initial assessment took place in 2014 and the gaps identified at that time provided the foundation for the implementation plan. The adoption of ISRS best practices into the Company's ways of working will be progressed over several years.

¹⁶ 'Guidelines for Risk Based Process Safety' by the Centre for Chemical Process Safety (CCPS)

¹⁷ The Process Safety Dossier is the name used at SBM Offshore for a document which contains or refers to process safety critical information. This document is a required part of internal processes implemented in 2016.

