

2017

ANNUAL REPORT



EXPERIENCE MATTERS

value to projects, particularly in the current business environment. In this vein, greater emphasis will be put on globalized framework agreements with vendors that have broad and diversified product portfolios. Focus on strategic vendors' account activities will continue for the coming year. The vendor qualification campaign will evolve to respond to developments in the market place, including intensified efforts to embed sustainability into Supply Chain activities.

2.11 LOCAL CONTENT

The operational activities of SBM Offshore have a significant social and economic impact on local communities in countries where the Company executes long-term lease and operate contracts offshore for clients. The Company also recognizes potential exposure to human rights issues through its supply chain for both its Operations and Turnkey activities.

Both social and economic impact on local communities and human rights are considered material topics for SBM Offshore and are discussed in more detail in the following chapters.

2.11.1 LOCAL COMMUNITIES

MANAGEMENT APPROACH

The Company engages with and creates a positive impact on local communities through its operational activities. SBM Offshore operates its floating production systems offshore with a substantial percentage of local employees. The Company constructs substantial parts of the vessels in the countries of operation depending on local content requirements, existing infrastructure and project economics. Development of the local economy and workforce improves the social and economic situation in-country. This is achieved through the Company's core business as well as the localization of employees in-country, the development of local talent and local community programs. A competitive advantage is created with successful localization programs and the development of construction yards.

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Nationals employed in workforce (Localization)

For fleet operations, engagement and development of the local workforce is the main indicator for successful local content development. SBM Offshore monitors the percentage of local workforce - a KPI for the Company - and invests in training to increase or maintain the targeted level.

Key Markets

- 34% of the permanent workforce consists of Brazilian nationals
- 10% of the permanent workforce consists of Angolan nationals

Localization programs in both countries focus on education and training of nationals to enter the workforce.

Local community activities and programs in 2017

Working with the local communities where the Company has offices has been important to SBM Offshore. The programs are designed to maximize the value of activities for both the Company's community partners and the business. Below are examples of some of the initiatives that took place in 2017:

Angola

- SBM Offshore, in partnership with the local community, supports the Lubango Orphanage to house and school young girls.
- The Company provides the students with computer training and assists in securing employment for them. The orphanage has been run for almost 13 years since the Company undertook its construction as a key part of its social development program.

Brazil

- Monthly donations made to support the child care institution, **Babylonia Day Care Center**.
- BRASA yard promoted a coastline cleaning initiative in São Lorenzo Channel and collected two tonnes of waste.

Equatorial Guinea

- The Company supported the refurbishment and extension of a Social Project Boarding School, **Bososo** in 2017.
- During the year, the Company committed to fund a new social project in partnership with the government.

Malaysia

A newly created Corporate Social Responsibility (CSR) team aligned its efforts with the wider United Nations Sustainability Development Goals. Some of the volunteer activities include:

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- Donating time and sharing skills to tutor 130 young refugees as well as donating material to improve the school building.
- Establishing an 'Eco Free Market' to donate food and goods to the Orang Asli (Indigenous People) at Kuala Woh, Perak.

Europe

- Monaco-based employees joined local charity **Children and Future** for the **No Finish Line** (NFL) event, raising almost EUR 5,000.
- Participation in the Schiedam harbor area development project.

USA

- Hurricane Harvey volunteer/relief efforts: employees donated over 600 hours of Company paid time and SBM Offshore provided tax-free grants to affected employees.
- Office employees donated 300 articles of clothes to **Dress for Success**, a local charity to help people re-entering the workforce.
- A Company team participated in the MS150 charity bike ride for the **National Multiple Sclerosis Society**.

2.11.2 HUMAN RIGHTS

MANAGEMENT APPROACH

Society provides SBM Offshore with the social and physical infrastructure for entrepreneurship. Accordingly, the Company has the following responsibilities:

- respecting human rights as formulated in the Universal Declaration of Human Rights;
- taking all reasonable measures to avoid involvement or complicity in human rights violations;
- assessing the social, environmental and economic impact of intended operations prior to the commencement of operational activities, including the impact on local communities and human rights.

SBM Offshore has its business spread over six continents and the Company has embraced the challenges offered by different environments. SBM Offshore does not accept any discrimination on the basis of sex, age, race, religion, political or trade union affiliations, nationality or disability.

SBM Offshore is most exposed to human rights issues in developing countries where it either operates or constructs its units and depends on services provided

throughout its value chain. Operating a responsible supply chain, in which the Company combines long-term shared value creation with human rights standards among others, is continuously improved with consistent implementation of the Company's Supply Chain Charter throughout the supply chain.

As part of its Corporate Social Responsibility strategy, SBM Offshore adheres to international standards such as:

- the United Declaration of Human Rights,
- the OECD Guidelines for Multinational Enterprises,
- International Labour Organization¹⁹ (ILO) conventions
- the United Nations Global Compact.

The impact on SBM Offshore's reputation in case of breach of human rights standards is considered significant as the Company's clients, employees, NGOs and certain key suppliers consider human rights an essential part of performing business at the highest level of integrity as promoted by the Company.

The Company endeavours to match the highest level of employment standards for all its employees in line with the Group's Code of Conduct and Social Accountability Manual. These standards meet and most often exceed International Human Rights and ILO Guidelines.

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Details can be found under sections 2.3.2 Fleet and 2.10 Supply Chain.

2.12 SUSTAINABLE BUSINESS

MANAGEMENT APPROACH

Sustainability is an important value driver for SBM Offshore's long-term business and operations with a focus on Environmental, Social and Governance issues. The Company aims to be the industry frontrunner on sustainability as reflected in the Company's vision. To achieve this ambition, SBM Offshore continuously strives to promote sustainability awareness, develop talent within the Company and incorporate ethics and integrity into all its activities. Embedding sustainability as a way of working in SBM Offshore is founded on continuous engagement with its employees.

SBM Offshore believes in doing business that adds value and benefits all stakeholders, with specific focus

¹⁹ The UN specialized agency which seeks the promotion of social justice and internationally recognized human and labour rights.