



2017

ANNUAL REPORT



EXPERIENCE MATTERS

3 GOVERNANCE

3.7 RISK MANAGEMENT

3.7.1 COMPANY APPETITE FOR RISKS

The Risk Appetite Statement approved by the Management Board acts as the main guidance in setting the boundaries within which SBM Offshore is willing to take risks in pursuit of its strategic objectives. This is periodically reviewed, at least annually, in line with changing market conditions and the Company's strategy, to ensure that the Company maintains the balance between risk and reward, while making decisions and pursuing potential opportunities available in the market.

SBM Offshore has reviewed the extent to which it is prepared to accept certain risks. It uses various metrics to define its Risk Appetite. These metrics were agreed with the Management Board at the start of 2017 including the respective boundary thresholds. The metrics cover a range of risk areas including Financial, Strategic, Operational and Technological. The various metrics are reviewed and reported quarterly to determine whether the Company is in or out of appetite for each metric.

SBM Offshore has an overall cautious and practical risk appetite, which is explained as follows in the key risk areas:

- Strategic risks: The Company is willing to accept certain risks as it endeavours to achieve its objectives.
- Financial risks: SBM Offshore manages its financial risks in order to provide shareholder return based on cash flow performance whilst at the same time ensuring that it maintains sufficient liquidity to fund new investments to secure the growth of the Company.
- Operational risks: With an integrated approach to quality and safety within SBM Offshore's operations, the Company achieves high performance with no appetite to harm people or to damage its assets or the environment in the execution of any of its activities.
- Compliance risks: In its pursuit of continued outstanding governance and compliance, the Company has strong policies and controls in place to support the policy of compliance with SBM Offshore's Code of Conduct, Anti-Bribery and Corruption Policy and any applicable laws and regulations.

3.7.2 DESIGN AND EFFECTIVENESS OF THE INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM

MANAGEMENT APPROACH

SBM Offshore is continuously exposed to a number of factors that could potentially affect its operational and financial performance. The primary duty of the Risk Management function is to ensure that those risk factors are properly identified, evaluated and managed in order for the Company to achieve its strategic goals and objectives.

SBM Offshore recognizes the importance of internal control and risk management systems. The effectiveness of SBM Offshore's risk management and control framework is periodically assessed and amended to ensure stakeholders' value protection.

The framework's effectiveness, as well as significant changes and improvements, are regularly reported to, and discussed with, external auditors and SBM Offshore's Audit and Finance Committee; the latter reports on these subjects to the Supervisory Board on a yearly basis.

The identification, assessment and management of risk are considered management's responsibility and are carried out with the support of dedicated resources integrated into the Company's main business areas. Under the leadership of the Group Risk and Compliance Director, the business area risk and compliance officers bring the necessary skills in challenging and advising the business on identifying and properly managing risks associated with businesses operations and core processes. The Risk Assurance Committee (RAC) reviews the most significant risks faced by the company and the relevant control measures to mitigate them on a quarterly basis.

2017 PERFORMANCE

To comply with duties in the area of internal risk management and control systems with respect to financial reporting risks, SBM Offshore continues to use various measures among which:

- Quarterly Management Operational Review meetings of the Management Board with Regional Center senior management on financial performance and realization of operational objectives and responses to emerging issues;
- Quarterly financial reporting to the Management Board and senior management;