

2017

ANNUAL REPORT



EXPERIENCE MATTERS

3 GOVERNANCE

RISK	DEFINITION	RESPONSE MEASURES
Operational Risks		
Human Capital	<p>The Company aims to maintain the resources to support its anticipated project activity levels as well as the ongoing operational fleet. Failure to attract and retain the right level of competences could ultimately have an adverse impact on the Company's operations and contractual relationships with clients.</p> <p>The Company also recognizes the reliance upon its supply chain and the risk that capability shrinkage would represent.</p>	<p>A talent-retention program is in place in order to specifically retain key personnel. This is particularly important in specialized areas such as design innovation in order to maintain our technology leadership position. The Company fosters an environment which holds leaders at all levels accountable for their projects' commercial success, and rewards results.</p> <p>SBM Offshore continuously monitors the availability of resource across the supply chain. The Company also assesses supplier capability and financial strength as part of the selection process when tendering sub-contract work.</p>
Compliance Risks		
Changes in applicable Laws and Regulations	SBM Offshore's activities are carried out in compliance with Laws and Regulations valid in the relevant territory, including international protocols or conventions, which apply to the specific segment of operation. Changes to such regulatory frameworks, if not properly identified and implemented may expose the Company to fines, sanctions or penalties. Moreover, changes to the applicable 'local content' requirements may expose the Company to additional costs or delays and impact the proposed execution methods for projects.	Rigorous, continuous monitoring of applicable Laws and Regulations is constantly carried out by relevant functions within SBM Offshore and substantive changes are brought to the attention of Management. Compliance is enforced across all the various operating segments within the Company.
Compliance Risks		
Climate Change and Paris Agreements	At the Paris climate conference (COP21), 195 countries adopted a legally binding global climate deal. The implementation of COP21 agreements will accelerate the transition towards greener sources of energy and potentially lower the demand for hydrocarbon fuels in the long-term. This may lead to additional regulatory measures, which might ultimately result in higher costs and even project delays or cancellations, in the worst case scenario.	SBM Offshore is monitoring developments and analysing market trends in the change in the energy mix. As part of its response to such changes SBM Offshore furthered its efforts with the creation of a new Gas, Power & Renewables Product Line during 2017. In addition, initiatives are ongoing within the Company to reduce the amount of CO ₂ released across the fleet, with the support and engagement of clients.
Compliance Risks		
Failures of governance, transparency and integrity	Integrity failure could severely harm the Company's reputation, finances and business results. It is of utmost importance across the Company's Management that such events shall be prevented. Previous failures to live up to the values have led to financial penalties being imposed on the Company in the past in the Netherlands and this year by authorities (DoJ) in the USA. The Company has provisioned for a settlement (the Leniency Agreement) with the Brazilian authorities. The timing and value of such a settlement cannot be confirmed, which means there is a risk of prolongation of the inability to win orders from Petrobras.	The Company's Compliance Program provides policy, training, guidance and risk-based oversight and control on compliance risk, and its components aim to strengthen awareness and enhance employees' capabilities for ethical decision making. The Company's core values and Code of Conduct guide employees and business partners on compliant behaviors in line with the Company's principles. For further details see section 3.8 Compliance. The Company continues to engage with the Brazilian authorities on the conclusion of the Leniency Agreement. Until this is finalized the Company has determined not to participate in any further FPSO tenders from Petrobras.

3.8 COMPLIANCE

MANAGEMENT APPROACH

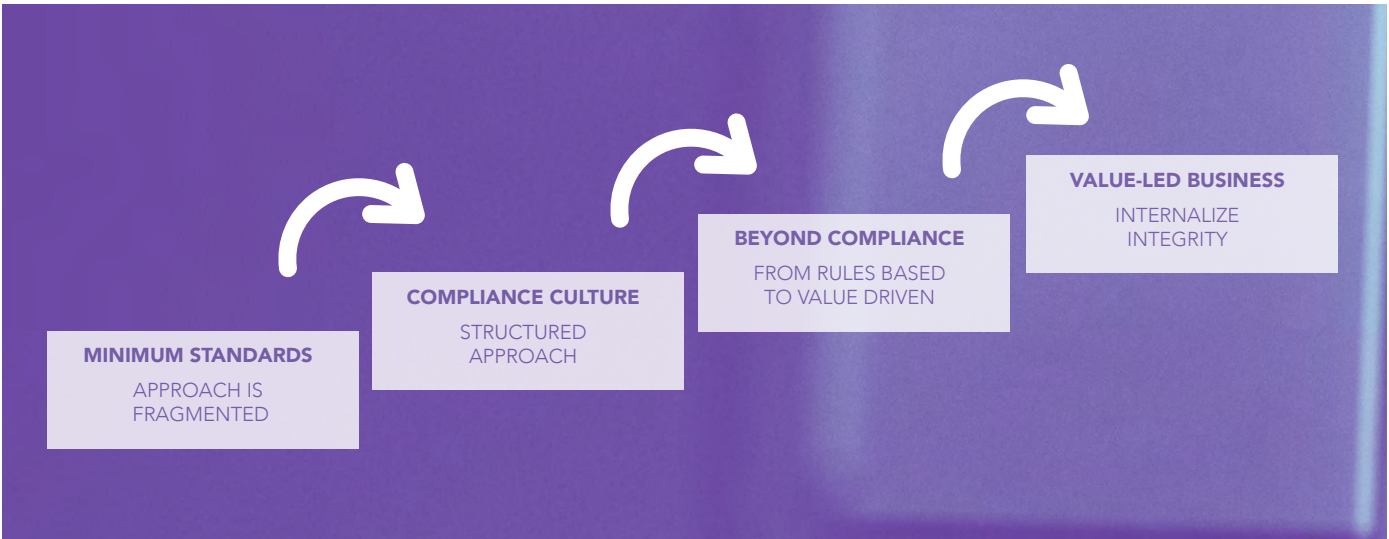
SBM Offshore's reputation and license to operate depends on responsible business conduct.

SBM Offshore is committed to complying with all applicable laws and regulations. SBM Offshore does not tolerate bribery, corruption, fraud, violations of trade sanctions, anti-money laundering or anti-competition

laws, or any other illegal or unethical conduct in any form by anyone working for or on behalf of the Company. All employees and those working for or on behalf of SBM Offshore must embrace and act in accordance with the core values of the Company (see section 1.3), the Code of Conduct and the Company's internal policies and procedures. SBM Offshore fosters a culture of trust and fairness where dilemmas are openly addressed enabling employees to make the

right decisions, with commitment to integrity at all levels. This commitment is one of the foundations of the Company's license to operate and license to grow in support of SBM Offshore's Vision. Building on the

accomplishments of recent years, the Company will strive for continuous improvement in embedding compliance as an integral part of its business processes.



Governance

The Group Compliance function is, on behalf of the Management Board, responsible for ensuring that the entire SBM Offshore organization operates within its clearly defined Compliance Program. The Group

Compliance function has a leadership role in proactively advising the Management Board and Management on acting in a compliant manner, both from a strategic and an operational perspective. An important part of its role includes the focus on the prevention of misconduct.

Governance Management

The Company's Management Board has overall accountability and the Chief Governance and Compliance Officer (CGCO) has the overall responsibility for compliance, risk and legal matters. Reporting to the CGCO, the Group Risk and Compliance Director (GRCD) leads the Compliance Program, drives its execution and regularly reports on its operating effectiveness to the Management Board and the Audit and Finance Committee of the Supervisory Board, while also reporting on the Company's key compliance risks and incidents. The GRCD is chair of the Company's Validation Committee for the review and approval of third parties before engaging in a business relationship. Furthermore, the GRCD chairs the Company's Risk Assurance Committee, ensuring an integrated approach to risk management. The integrated Risk & Compliance department comprises a global team of eleven Risk and/or Compliance professionals, reporting directly to the GRCD, located within the Company's worldwide locations and at corporate headquarters. Business leadership has accountability and responsibility to manage compliance and integrity risks within their fields of management control.



3 GOVERNANCE

STRATEGY

SBM Offshore's Compliance Program aims to guide the Company's management and employees in applying their moral compass as well as strengthening the management control system. SBM Offshore has integrated the Compliance Program into its organizational structure and is promoting a culture of integrity and compliance in the day-to-day way of working of all employees. SBM Offshore maintains an effective compliance risk management and control system, which includes monitoring and reporting and upholds the Company's zero tolerance for bribery, corruption, fraud or any other form of misconduct. The Company maintains a global management control framework, while the Company's Management is responsible for embedding compliance in day-to-day business practice.

The Compliance Program is built on three pillars:

- Compliance governance and organization
- Hard and soft controls²²
- Organizational culture and employee behavior



²² Hard controls are the explicit, tangible controls that guide employee behavior through defined policies and procedures while on the other hand, soft controls are intangible factors that influence the behavior of employees and ensure compliance with procedures such as openness, discussability and enforcement. Soft controls can be strengthened by for instance, training, improving the speak-up culture and facilitating the discussion of ethical dilemmas.

Key elements of the Compliance Program

- Commitment of the Management Board and the Supervisory Board
- Responsibility and accountability for compliance implementation and management residing in line management and ultimately with the Management Board
- Oversight and autonomy of the GRCD and adequate, qualified resources in the department
- Company Code of Conduct and Compliance policies and procedures
- Regular communication, training and continued guidance and advice
- Regular monitoring of compliance risks, mitigating measures and risk-based controls as well as incident and action reporting
- A thorough third party due diligence process, including an internal Validation Committee which reviews the due diligence outcome on high-risk third parties prior to engagement
- Independent verification (e.g. compliance audits)
- Compliance-related internal financial controls, following ICOFR principles
- Confidential reporting procedures, including an Integrity Line and internal investigations
- Annual compliance statements from employees in middle and senior management positions



NOTABLE DEVELOPMENTS AND ACHIEVEMENTS IN 2017

Third Party Due Diligence scope. In addition to compliance due diligence on business partners, as a continuous process, due diligence was performed on a very significant number of yards, subcontractors, logistics providers and other vendors.	Due Diligence database. Up-to-date repository in the Company's Group Supply Chain department of all compliance due diligence reports on vendors.	Due Diligence Process and ownership. Significant increase of timely and systematic compliance due diligence by Management in the Regional Centers, Product Lines and Operations. Vendor compliance due diligence integrated in renewed Vendor Qualification Process.
Annual Compliance Training Plan. Developed and executed with special focus on sharing of practical examples and dilemmas.	Insider Trading e-Learning. Training launched to targeted staff in December enhancing the awareness of the SBM Offshore Rules of Conduct regarding Inside Information.	SBM Offshore Vendor Compliance Day. Held in Europe for a large selection of key vendors, dedicated to the importance of compliance with the rules of the Company's Code of Conduct.
Compliance KPIs in Regional Centers, Product Lines and Operations. These KPIs include management attention for completion of compliance certificates and participation in compliance training, and are monitored and reported on a quarterly basis.	Risk Assurance Committee Charter. Clearly describing the roles and responsibilities of the RAC members and incorporated into the Company's management system.	Compliance Staffing. Strengthening of the integrated Group Risk & Compliance department with qualified and experienced staff members warranting the continuity of oversight and adequate support to the business.
Market Abuse Regulation. Development and implementation of the Disclosure Committee Charter to ensure compliance with the Market Abuse Regulation.	Townhall meetings. The core values of Integrity and Care are a standard topic addressed by the Company leadership in the Company's updates to employees, with real live examples including compliance topics.	Compliance Due Diligence on SBM Offshore. Clients, business partners and other stakeholders such as financing partners, through their qualification process, provided assurance in the Company's Compliance Program.
CSR/Sustainability. Initiatives include participation in an Ethics presentation to high schools in Rio de Janeiro under the name 'Preparing the future' aimed at impacting young people around the theme of 'doing the right thing'.	Integrity Line. Improved access to the Company Integrity Line and improved ways of working of the Integrity Panel for the review and handling of Integrity Line reports.	Legacy Issues. For information on the Company's Legacy Issues see sections 1.1, 1.8, 2.2, 3.3, 3.7.3, 4.1.

How SBM Offshore measures performance

- As part of performance management processes, the Company sets, monitors and reports on compliance KPIs for its Regional Centers, FPSO Product Line and Operations
- Compliance training hours and completion ratios by employee target group
- Employee feedback surveys after each face-to-face training
- Annual Code of Conduct certification by staff in leadership positions
- Use of a Company-wide tool to approve, register and monitor giving and receiving of Gifts, Hospitality and Entertainment
- Use of a Company-wide tool 'GRaCE' for continuous risk identification, assessment, registration and reporting
- Registration, review and monitoring of integrity reports through a Company-wide Compliance Case Management System
- Integrated quarterly Group Risk & Compliance reports to the Management Board and the Audit and Finance Committee of the Supervisory Board

Metrics

COMPLIANCE CERTIFICATES AND TRAININGS TO DESIGNATED STAFF

Number of employees in Designated Staff* per year-end	845
Compliance Certificate completed full year	85%
Trained on Code of Conduct (face-to-face and/or e-Learning) full year	85%

* Designated Staff reflecting the number of employees per January 1, 2017 in Hay-grade 11 or above, less the number of employees that left the Company during the year.

The ratio of completion of Compliance Certificates and Training on the Code of Conduct (face-to-face and/or e-Learning) of Onshore Designated Staff is 97%, that of Offshore Designated Staff 18% (Compliance Certificates) and 21% (face-to-face training and/or e-Learning).

OVERALL NUMBER OF FACE-TO-FACE TRAININGS IN 2017:

Face-to-face trainings worldwide	1,179
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OVERALL COMPLETION OF CODE OF CONDUCT E-LEARNING CAMPAIGN 2016-2017:

e-Learnings in 2016	1,678
Additional e-Learnings in 2017	302

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INTEGRITY LINE REPORTS:

Integrity Line reports received under the Company's Integrity Reporting Policy 37

The Company is promoting a Speak Up culture. The nature of the Integrity Line reports over 2017 was predominantly workplace related.

The objectives for 2018 are to continuously strengthen compliance management and control, focusing on the importance of the right behavior and enhancing efficiencies in the management process.

3.9 COMPANY TAX POLICY

SBM Offshore's tax policy is summarized as follows:

- The Company aims to be a good corporate citizen in the countries where it operates, by complying with the law and by contributing to the countries' progress and prosperity through employment, training and development, local spending, and through payment of the various taxes it is subject to, including wage tax, personal income tax, withholding tax, sales tax and other state and national taxes as appropriate
- The Company aims to be tax efficient in order to be cost competitive, whilst fully complying with local and international tax laws

The Company operates in a global context, with competitors, clients, suppliers and a workforce based around the world. A typical FPSO project sees a hull conversion in Asia, topsides construction in Asia, Africa or South America, engineering in Europe, Asia or the USA and large scale procurement from dozens of companies in many countries across the globe. In each of these countries the Company complies with local regulations and pays direct and indirect taxes on local value added, labor and profits and in some cases pays a revenue based tax. To coordinate the international nature of its operations and its value flows and to consolidate its global activities, in 1969 the Company created 'Single Buoy Moorings Inc', which continues to perform this function today from its offices in Marly, Switzerland.

The Company:

- Complies with the OECD transfer pricing guidelines
- Has reviewed the final releases from the OECD BEPS project and Company practices are in line with the BEPS outcome. In parallel, the Company has

welcomed the 2016 European Union Anti-Avoidance Directive as well as its 2017 amendment, implementing some of the Base Erosion and Profit Shifting (BEPS) deliverables throughout the European Union. In respect of country-by-country reporting and transfer pricing documentation, the Company has taken the proper actions to comply with OECD requirements that have been implemented in the Dutch tax law and the Company is deploying them according to applicable regulations

- Makes use of the availability of international tax treaties to avoid double taxation
- Does not use intellectual property as a means to shift profits, nor does it use digital sales. Furthermore, the Company does not apply aggressive intra-company financing structures such as hybrids. The Company treats tax as a cost, which needs to be managed and optimized in order to compete effectively in the global competitive arena. In 2017, the Company had a current corporate income tax charge of US\$ 16.6 million (compared to US\$ 5.3 million in 2016). Due to the large losses incurred on the legacy projects and the current industry downturn, some tax loss carry forward positions exist at the global contracting company, which are limiting the current tax payments in Switzerland and in jurisdictions of the Regional Centers.

3.10 OPERATIONAL GOVERNANCE

Operational Governance of the Company is supported by an independent and dedicated team under Group Execution Functions, which encompasses all key operational and assurance functions involved in SBM Offshore's core business activities.

Such functions have a key role in ensuring a coordinated, consistent and controlled approach to core business during Win, Execute and Operate phases, across the Company's locations, Fleet Operations and Product Lines, notably through:

- Functional leadership within the corresponding communities (distributed across entities) and vis-à-vis other functions;
- Ownership and governance of processes and systems, developed in response to known and anticipated risks in line with the strategic direction of the company;
- Maintenance of a Global Enterprise Management System (GEMS) as introduced in section 3.10.1;