

2017

ANNUAL REPORT



EXPERIENCE MATTERS

3 GOVERNANCE

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;

- Implementation of continuous improvement initiatives as introduced in section 2.6 led by a dedicated team;
- Improvement of reporting systems and key indicators to ensure effective oversight and performance monitoring;
- Coordination and harmonization of the Company's ways of working;
- Specific focus on the product lifecycle, notably based on a cross-functional gate process and internal arbitration if necessary;
- Direct and active involvement in the qualification of suppliers and subcontractors as part of Strategic Sourcing activities (per section 2.10);
- Governance of partly-owned fabrication yards through the corresponding JV Governance and Management structure;
- Coordinated assurance activities focusing on risk management, compliance, effectiveness and business performance;
- Coordinated assurance activities focusing on product conformity vis-à-vis applicable international and local Regulations, Rules, Technical Standards and other applicable requirements as introduced in section 2.7;
- Involvement of independent 3rd Parties as Certification, Verification or Classification Bodies.

A detailed Certification & Classification Table is provided in section 5.4, mapping compliance with International Certification Standards and Classification Rules.

3.10.1 GROUP ENTERPRISE MANAGEMENT SYSTEMS (GEMS)

SBM Offshore operates under a Global Enterprise Management System (GEMS), which is structured around three main process domains known as executive processes, core processes and support processes, with the core processes further modelled into the Win, Execute and Operate phases and is represented as shown in the illustration.

Group Values (1.3) and Policies are embedded to support the correct governance of SBM Offshore's organization and business activities. These form the foundation of GEMS and its processes, which are consistently applied throughout all Regional Centers and Fleet Operations (in-country offices and vessels).

GEMS allows an integrated end-to-end approach to all the business activities of SBM Offshore and of the Joint Venture operating companies, with clear and formal ownership of key processes and clear identification of key controls. It provides a cohesive framework for Quality and Regulatory compliance, Health and Safety, Security of Personnel and Assets, Protection of the Environment as well as Risk and Opportunity Management throughout the product lifecycle, ensuring the Company's Sustainability.

GEMS can be accessed in its entirety via SBM Offshore's Online Intranet Portal which ensures easy access by all employees. In order to support the identity and scope of our Joint Venture operating companies, dedicated web-portals have also been set up with access to applicable information from the central GEMS database.

GEMS ON A PAGE

EXECUTIVE PROCESSES

GROUP STRATEGY & PERFORMANCE MANAGEMENT

ENTREPRISE RISK
MANAGEMENT

LEGAL &
COMPLIANCE

HSSE

QUALITY
MANAGEMENT

REGULATORY
MANAGEMENT

SUSTAINABILITY

STRATEGIC
ALLIANCES

CORE PROCESSES

TECHNOLOGY & INNOVATION MANAGEMENT

WIN

EXECUTE

OPERATE

CLIENT RELATIONSHIP & OPPORTUNITY MANAGEMENT

PROJECT & OPERATIONS MANAGEMENT

ENGINEERING PROCUREMENT CONSTRUCTION INSTALLATION OPERATIONS DECOMMISSIONING

ASSET MANAGEMENT

SUPPORT PROCESSES & SERVICES

HUMAN
RESOURCES

FINANCE

INFORMATION
TECHNOLOGY

DATA &
INFORMATION
MANAGEMENT

TECHNICAL
STANDARDS
AND ASSURANCE
MANAGEMENT

COMMUNICATION

OPERATIONAL
EXCELLENCE

MANAGEMENT SYSTEM HIERARCHY

POLICIES /
CHARTERS

PROCESSES

BUSINESS
ON A PAGE

BUSINESS
PROCESS

ORGANIZATIONAL
PROCESS

SWIM
LANE *

INSTRUCTIONS

FORMS
& TEMPLATES

MANUALS

DOCUMENTS & RECORDS

*Business Process Flow diagram with defined Roles & Responsibilities