



OFFSHORE

ENERGY. COMMITTED.



ANNUAL REPORT 2019

2.3 SUSTAINABILITY

MANAGEMENT APPROACH

Sustainability is a key topic for SBM Offshore; it contributes to the Company's vision to provide *Safe, Sustainable and Affordable Energy*. Sustainability objectives are integrated in the core of the Company and aimed at creating value for SBM Offshore's stakeholders, as reflected in the Materiality and Value Creation section. Sustainability is an integral part of the Company's strategy, as reflected in section 2.1.

SBM Offshore is committed to alignment with the Guidelines for Multinational Enterprises (MNE) of the Organization for Economic Co-operation and Development (OECD). SBM Offshore also follows the Global Reporting Initiative (GRI) standards as the reporting standard on progress and non-financial performance. In doing so, the Company relates its most material topics and business impact to internationally agreed-to long-term goals on which the Company can transparently report. SBM Offshore aims to address sustainability issues that go beyond current rules and regulations.

The Company is committed to the energy transition through the development of sustainable solutions. SBM Offshore's ambition is to integrate sustainability in every step of the long lifecycle of our projects - from new technological development to the recycling phase. In addition to the sustainability department, the Company has




Sustainability Ambassadors in various business and functional divisions to drive the implementation of the sustainability strategy and embed it within the ways of working. This program is founded on continuous engagement with employees.

Furthermore, to provide context for SBM Offshore's targets and performance, SBM Offshore leverages the UN SDGs framework. The Company identified seven SDGs that are most material to its business. In line with these SDGs, SBM Offshore has developed long-term roadmaps for development. These roadmaps are built with inputs and commitments from different business entities as part of business plans and budgets. Each SDG is implemented with one or several associated annual targets; in 2018, SBM Offshore defined annual targets in line with SDG 7, SDG 8, and SDG 14. The Company is expanding this approach towards the future.

2019 PROGRESS

In 2019, the Company committed to achieving the targets set in 2018 - which were linked to the Company's Short Term Incentive (STI). These targets were linked to the first three of seven SDGs on which SBM Offshore chose to focus: SDG 7: 'Affordable and Clean Energy', SDG 8: 'Decent Work and Economic Growth' and SDG 14: 'Life Below Water'. The table below demonstrates how the Company has performed on these targets.

SUSTAINABLE DEVELOPMENT GOALS: TARGETS FOR 2019

SDG	2019 SBM OFFSHORE AMBITION	2019 Actual
7 AFFORDABLE AND CLEAN ENERGY 	Reduce by 20% the mass of gas flared under SBM Offshore account (target flaring rate: 3.13 tonnes per thousand tonnes of HC production)	0.8%
	Purchase 25% of total energy in offices from green energy providers	91%
8 DECENT WORK AND ECONOMIC GROWTH 	Ensure that 100% of vendors that have gone through the revised qualification process signed the Supply Chain charter	99.1%
	Maintain Total Recordable Injury Frequency Rate below 0.29	0.13
14 LIFE BELOW WATER 	Reduce offshore plastic waste by 40% (target: 129 tonnes)	22%
	Ensure that 100% of our offices have a recycling program	100%
	Volume of oil spills: 0 m³	0.039m³

■ 100% or more
 ■ 50% or more
 ■ Less than 50%

2 STRATEGY AND PERFORMANCE

SDG 2019 Target results

The Company takes pride in reporting on SDG-linked targets and the results achieved during 2019. In investigating the reasons for over and under performance, the Company can take action and sets improved subsequent targets.

Of the seven targets set for this year, four have been met or overachieved; the amount of energy purchased from green providers, the number of qualified vendors having signed the Supply Chain Charter, the Total Recordable Injury Frequency Rate (for more detail, see section 2.6) and the number offices with a recycling program. One of these targets was significantly overachieved: the amount of energy in offices purchased from green providers was 91% by year-end, while the target set was 25%. As part of the commitment SDG 8, SBM Offshore joined Building Responsibly – a group of leading engineering and construction companies working together to raise the bar in promoting the rights and welfare of workers across the industry. As part of this initiative, SBM Offshore:

- updated the Company Supply Chain Charter to include the ten Worker Welfare Principles from Building Responsibly, and
- contributed to the development of the ten Worker Welfare Principles Guidance Notes

The target on oil spills was set as 0m³, demonstrating a strong ambition in line with SDG 14, 'Life Below Water'. The Company reported total oil spills of 0.0391 m³ in 2019, being less than 40L, partly hydrolic oil from crane equipment. One of the targets on SDG 7 was to reduce the overall flaring on the SBM Offshore account by 20%; the actual flaring rate reduction by year-end was by 0.8%. This is mainly due to interventions on gas compression in Angola and inhibited gas injection. In Malaysia, gas flared on the SBM Offshore account increased due to reliability problems with Seawater Lift Pumps at the beginning of the year and process instability following modifications. SBM Offshore has taken action, which led to continuous performance improvement throughout the remainder of the year. As regards the ambitious target to reduce offshore plastic, although this has not been met, the Company did achieve reduction of 22%. With hindsight, the Company underestimated the engagement needed with its supply chain. SBM Offshore updated the waste management policy to include the waste management principles in the Supply Chain Charter.

SBM Offshore applied the lessons learned from performance on these targets for further improvement. The Company is setting SDG-linked targets for 2020 accordingly; in 2019, SBM Offshore is adding specific targets linked to three additional SDGs: SDG 3 'Good Health and Wellbeing', SDG 9 'Industry, Innovation &

Infrastructure' and SDG 13 'Climate Action' (see hereafter). The Company takes pride in the continuous improvement of this approach and will continue to apply knowledge gained from these targets in future target setting.

Sustainability reporting and benchmarking

- SBM Offshore commits to reporting its sustainability performance against the GRI Standards in a transparent manner and reports on indicators for its sustainability policies, which reflect all the material topics.
- SBM Offshore is also reporting based on the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). These recommendations guide companies in identifying the risks and opportunities posed to their operations by climate change and in planning a more climate-resilient strategy for the future (see section 5.1.3).
- SBM Offshore was included in the Dow Jones Sustainability Index Europe in the category OIE Energy Equipment & Services in 2019. The Company improved its overall ranking to second in its industry, positioning itself in the 92nd percentile.
- The Company is also rated by other external institutes, such as the CDP, the Dutch transparency benchmark and *De Vereniging van Beleggers voor Duurzame Ontwikkeling* (VBDO), which provide useful feedback on its performance.
- In 2019, SBM Offshore also started engaging with additional Environmental, Social, and Governmental (ESG) rating companies to gain a more complete assessment of our sustainability performance, namely Sustainalytics and MSCI.

Ranking of SBM Offshore in Sustainability Benchmarks

	2019	2018 ¹	Maximum Score	Ranking
CDP	C	B	A+	n/a
Dow Jones Sustainability Index (DJSI)	92 ²	85 ²	100	DJSI Europe
Sustainalytics	78	72	100	n/a
MSCI	A	A	AAA	n/a

¹ Score available as of YE 2018

² Percentile ranking

FUTURE

In 2020, SBM Offshore aims to continue building on this, and previous, years' performance, further embedding sustainability in the core of the Company. The Company acknowledges sustainability both as a prerequisite to operate and a differentiator towards SBM Offshore's key stakeholders, as described in section 1.7. Lifecycle value – from a financial and non-financial perspective – remains an important framework for the Company, as explained in previous sections. The Company will continue using the SDGs as guidance to set targets and drive performance, with an increased focus on Innovation, as demonstrated by

specifying targets for SDG 9. These targets are flowing from long-term roadmaps and reflect commitment to the energy transition, as well as decarbonizing future FPSO projects, which is where SBM Offshore could have a material contribution to ‘cleaner and environmentally friendly technologies and industrial processes’, as formulated in SDG 9.







SBM Offshore recognizes the growing expectations on businesses to increase sustainability ambitions and performance, and will continue to report and perform in accordance with these expectations. The Company manages these expectations with the added challenge of being part of an industry with inherent safety and sustainability risks.




SBM OFFSHORE’S COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS

SDG	SBM OFFSHORE AMBITION
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SUSTAINABLE DEVELOPMENT GOALS: TARGETS FOR 2020 ⁽¹⁾

<div>3</div> <div>GOOD HEALTH AND WELL-BEING</div> 	Introduce a Health Check Program in accordance with SBM Offshore best practice in offices in five key countries
<div>7</div> <div>AFFORDABLE AND CLEAN ENERGY</div> 	Reduce mass of gas flared under SBM Offshore account by 25% 60% of project offices to have a local sustainability certification
<div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> 	Total Recordable Injury Frequency Rate below 0.2 Include Human Rights screening in the Vendor Qualification Process; 90% of Key Vendor sample responding
<div>9</div> <div>INDUSTRY INNOVATION AND INFRASTRUCTURE</div> 	30% of the 2020 R&D budget allocated to non-carbon technologies 100% of FPSO EPC proposals contain recording carbon emissions planned over asset life
<div>13</div> <div>CLIMATE ACTION</div> 	Introduce measurement system of CO ₂ related to air travel to enable setting of reduction target by end of Q3
<div>14</div> <div>LIFE BELOW WATER</div> 	Reduce plastic waste offshore by 10% Zero hydrocarbon spills in accordance with industry reporting guidelines

POST 2020: ADDITIONAL SUSTAINABLE DEVELOPMENT GOALS

<div>4</div> <div>QUALITY EDUCATION</div> 	People development
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1 - The scope of our targets differs from the reporting scope. Environmental targets (on flaring, offshore plastic waste and oil spills) also include Serpentina. The office targets (Green energy use and recycling programs) are set on the shared services offices only, which includes project offices and excludes representative offices and shorebases