



**OFFSHORE**

ENERGY. COMMITTED.



# ANNUAL REPORT 2019

## 2.10 SUPPLY CHAIN

### MANAGEMENT APPROACH

The Supply Chain function remains focused on supporting the projects with the highest level of safety, performance and quality. In order to support the strategy launched last year, to have an integrated Group Supply Chain division under the Resources and Services Business Unit, the key resource centers have been reinforced and professionalized.

As a result of the ramp-up in projects, extra staff has been deployed and allocated to the key resource center. Vendor management, strategic sourcing, capability and project supply chain activities are under the same umbrella, allowing a fully integrated supply chain and a flawless execution. Throughout this year, particular attention and efforts on vendor qualification have been maintained in order to ensure that subcontractors' capabilities have been properly assessed before commercial engagement. Group Supply Chain has also confirmed the development of supply chain activities in China through the development of the local team and organization, and the expansion of the approved database with local Companies.

### 2019 PERFORMANCE

#### Key Achievements

- In order to efficiently pursue the vendor qualification efforts and to strengthen the support to the projects, the Vendor Qualification activities have been outsourced to a reputable and experienced large company with a worldwide footprint.
- Close collaboration between strategic sourcing and all company product lines has been enhanced to better understand the requirements and expectations and define objectives and priorities, to deliver the most appropriate procurement strategies. In addition to framework agreements, the category management team is continuously supporting the business by providing key strategic insights (vendor surveillance, market intelligence, etc.) and operational assistance (facilitate vendors' early engagement, dispute resolution, etc.).
- The partnerships with SBM Offshore strategic vendors has been further reinforced with the implementation of Key Account Management activities covering the full lifecycle. Executive and Operational Steering Committees and Global Vendor Day have again been organized this year.
- Highest focus has been maintained on the importance for the Company's vendors to adhere to the SBM Offshore Code of Conduct. In this respect, as part of the vendors qualification process, the Company asks vendors to sign its Supply Chain Charter. In line with Company commitments to reach its sustainable development aspirations, the Supply Chain Charter has

been upgraded to reinforce human rights, eco-footprint and waste management aspects.

- In addition to other digital initiatives, Group Supply Chain is one of the main stakeholders involved in the design and implementation of SBM Offshore's global Enterprise, Resource, Planning (ERP), with the objective of streamlining the flow of information and processes all along project execution up to the operations activities. As such, Group Supply Chain is deeply contributing to the Company's Digital Transformation.

#### Performance measurements:

- 10 Frame Agreements signed in 2019
- Global Supply Chain Vendor Day in Amsterdam, the Netherlands
- Nine Steering committee meetings organized with strategic vendors
- 985 vendors qualified under revised qualification process since 2017, of which 99.1% signed Supply Chain Charter

### FUTURE

Next year, Group Supply Chain will maintain the recruitment efforts to support company development in all Resource Centers with an agile and fully integrated organization.

Through its continuous improvement and global integration, Group Supply Chain has adopted a full lifecycle approach from early engagement at framing stage to Operations activities. Group Supply Chain ensures the strategy defined at Win phase is well implemented during the Execution.

The Fast4Ward® Transformation principles and objectives are fully implemented within Group Supply Chain strategy, based on two main pillars: Strategic Sourcing and Modules subcontracting.



## 2.11 HUMAN RIGHTS

### MANAGEMENT APPROACH

Care, specifically care and respect for people, is one of SBM Offshore's four Values. It also means upholding human rights within the Company and throughout the supply chain. The Company's commitment is embedded in SBM Offshore's Code of Conduct, which is applicable to all employees, subcontractors and third parties. SBM Offshore expects its suppliers to comply with the Company's Supply Chain Charter, which includes respect for human rights. The Company's approach towards human rights within our business activities is informed by the Universal Declaration of Human Rights, the core conventions of the International Labour Organization and the UN Guiding Principles on Business and Human Rights (UNGPs).

#### Program

This year, the Company focused on strengthening the governance around implementing the UNGPs, which started with the identification of our salient issues. These main priority areas were selected based on the results of internal consultations and external input. The consultation helped us identify, calibrate and prioritize the human rights risks for SBM Offshore. The Company then detailed the human rights road map, aligned with three main pillars of the UNGPs, to guide SBM Offshore in further implementing human rights standards within the Company and throughout its Supply Chain. SBM Offshore has continued work to detail long-term objectives and plans to support SDG 8: 'Decent Work and Economic Growth', one of the seven SDGs identified by SBM Offshore for focus (see 2.3 Sustainability ).

#### Due Diligence

SBM Offshore's human rights due diligence process has matured over 2019 and will be further developed in 2020 based on a program of assessments of the Company's operations.

#### Grievance Mechanism

Grievance mechanisms and other reporting channels are available to SBM Offshore employees and third parties to identify and investigate potential and actual human rights impacts and take appropriate action. For further details on the reporting mechanism and Integrity line, please see section 3.8 Compliance.

#### Governance

To ensure proper governance on human rights, SBM Offshore identified the need for a Human Rights Steering Committee. The right level of attention, ownership and mandate is achieved through a Steering Committee comprised of Management Board and Executive Committee members. The Steering Committee oversees and provides guidance on the implementation of the

human rights program at SBM Offshore. In addition, Human Rights Working Groups in SBM Offshore provide input on specific topics, such as risk identification and saliency analysis.

#### Awareness and collaborations

SBM Offshore actively promotes human rights awareness through monthly campaigns and dedicated learning sessions on specific human rights aspects. SBM Offshore is an active member of 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 a member of Building Responsibility SBM Offshore has been working on the application of the ten worker welfare principles within SBM Offshore activities and through its supply chain.

### 2019 PERFORMANCE

#### Key achievements

- Of the vendors qualified under revised qualification process since 2017, 99.1% have signed Supply Chain Charter (see 2.10 Supply Chain ).
- Developed Human Rights Road Map.
- Issued a Workers Welfare campaign, which provided increased visibility, strengthened understanding and awareness on the topic of human rights across the Company.
- Continued to make progress on the pilot project implementing human rights with SBM Offshore contractors and subcontractors on a fabrication yard.
- Completed human rights assessments for two fabrication yards.
- Continued commitment to Building Responsibly:
  - Updated Supply Chain Charter to include the ten Worker Welfare Principles from Building Responsibly.
  - Contributed to the development of the ten Worker Welfare Principles Guidance Notes.

#### FUTURE

SBM Offshore is on a journey to further detail a human rights control framework in support of its commitments, building on existing human rights processes and procedures, and to further embed human rights into its ways of working. The Company plans to continue due diligence work in 2020 at a number of business activity locations.