



**OFFSHORE**

ENERGY. COMMITTED.



# ANNUAL REPORT 2019

### 3.10 OPERATIONAL GOVERNANCE

Operational Governance of the Company is supported by an independent and dedicated team under Group Operational Excellence, which encompasses 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 over the full lifecycle i.e. Win, Execute and Operate phases, and 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 GEMS, as introduced in section 3.10.1
- Implementation of continuous improvement initiatives, as introduced in section 2.7, led by a dedicated team
- Improvement of reporting systems and setting 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
- 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 3.10.2
- Involvement of independent third-parties as certification, verification or classification bodies

A detailed certification and classification table is provided in section 5.5, mapping compliance with international certification standards and classification rules.

#### 3.10.1 GLOBAL 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 (section 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 offices and fleet operations (in-country offices and vessels).

GEMS allow an integrated end-to-end approach to all the business activities of SBM Offshore and of the co-owned operating entities, 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 to all employees. In order to support the identity and scope of our co-owned operating entities, dedicated web portals have also been set up with access to applicable information from the central GEMS database.

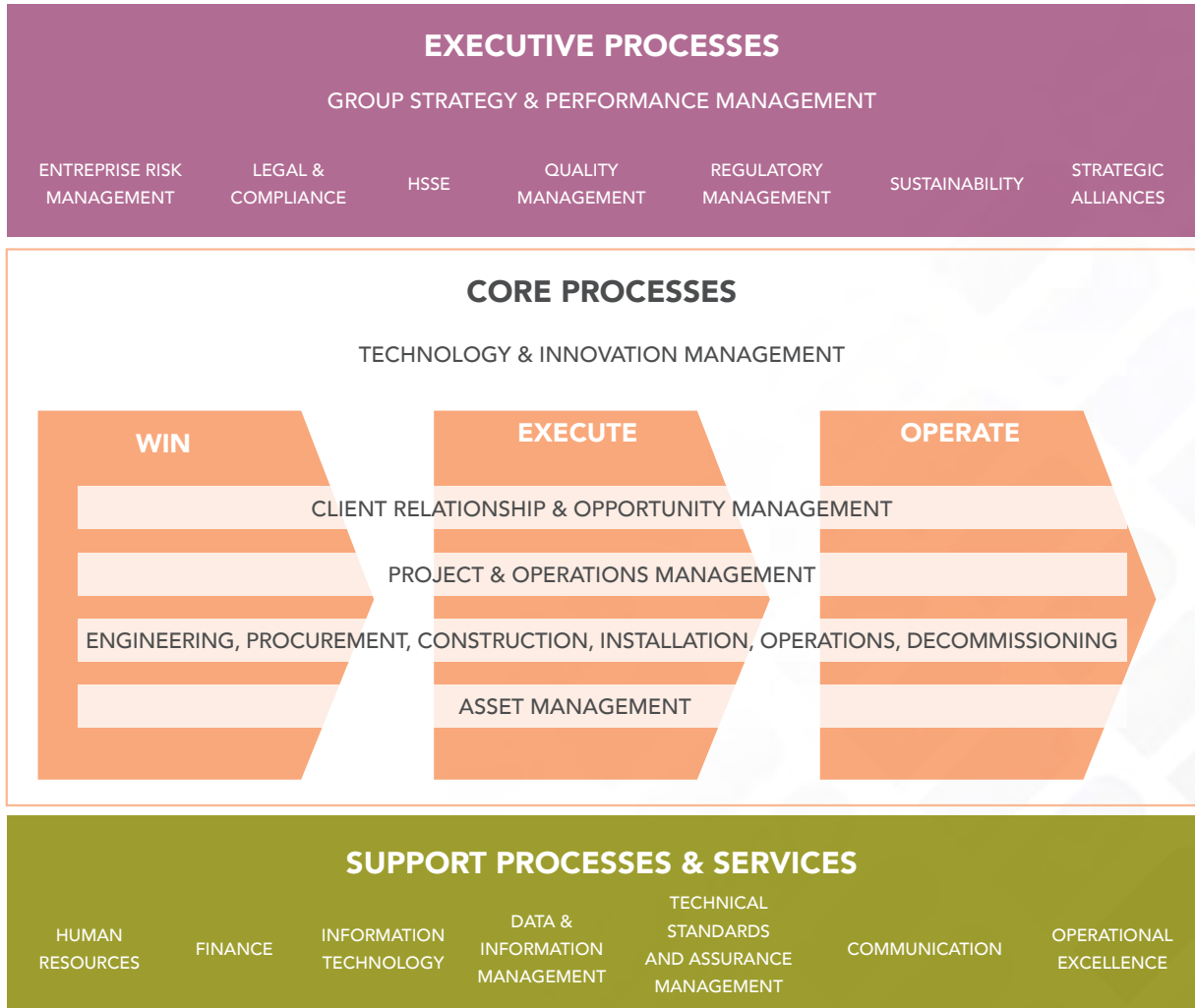
#### 3.10.2 GROUP TECHNICAL STANDARDS (GTS)

A key driver for the cost of new projects is the technical standards to be applied in addition to the local regulatory requirements. Typically, these standards can fall into three categories – client standards, contractor standards or a hybrid set of customized standards. In the current climate of severe cost pressure, there is a logical push in the industry towards wider acceptance of contractor standards. By leveraging its expertise, SBM Offshore can minimize project customization and efficiently deliver more standard products with significant cost and schedule savings.

The Company achieves this through its GTS, by integrating key elements of its accumulated project and fleet operational experience. To date, the Company has executed over 20 major projects using its GTS as the basis since they were established in 2003. The Company aims to continuously improve and develop the GTS.



## GEMS ON A PAGE



## MANAGEMENT SYSTEM HIERARCHY



\*A swimlane, also referred to as a Process Diagram, is a cross-functional diagram that displays all the steps included in an Organizational Process

## 3.11 IN CONTROL STATEMENT

### INTRODUCTION

The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. The implementation of the internal risk management and control framework at SBM Offshore focuses on managing both financial risks and operational risks, as described in section 3.7 Risk Management of the Management report. As a key part of its scope, the Risk Management function is responsible for the design, monitoring and reporting on the internal control framework.

During 2019, various aspects of risk management were discussed by the Management Board, including the consolidated quarterly Risk Report and the result of the yearly testing Internal Control Over Financial Reporting (ICOFR) campaign. The responsibilities concerning risk management, as well as the lines of defense, were also discussed with Senior Management of the Company. In addition, the result of the yearly testing campaign of controls covering financial reporting risks has been reviewed with the Audit and Finance Committee and Supervisory Board. This testing campaign did not highlight any major control deficiency and concluded to a stable level of conformity rate around the organization.

In line with the adoption of the Dutch Corporate Governance Code, SBM Offshore prepared the *In Control Statement 2019* in accordance with the best practice provision 1.4.3. of the Dutch Corporate Governance Code. With due consideration to the above, the Company believes that its internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance and that the internal risk management and control systems relating to financial reporting risks worked properly in 2019. Based on the current state of affairs, the Management Board states that it is justified that the financial reporting is prepared on a going concern basis and those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report have been included in the Management Report.

However, the Company cannot provide certainty that its business and financial strategic objectives will be realized or that its approach to internal control over financial reporting can prevent or detect all misstatements, errors, fraud or violation of law or regulations. Financial reporting over 2019 was based upon the best operational information available throughout the year and the Company makes a

conscious effort at all times to weigh the potential impact of risk and the cost of control in a balanced manner.

With reference to section 5.25c paragraph 2, sub c of the Financial Markets Supervision Act (*Wet op het financieel toezicht*), the Management Board states that, to the best of its knowledge:

- The financial statements for 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of SBM Offshore and its consolidated companies.
- The Management Report gives a true and fair view of the position as per December 31, 2019 and that SBM Offshore's development during 2019 and that of its affiliated companies is included in the financial statements, together with a description of the principal risks facing SBM Offshore.

Schiphol, the Netherlands  
February 12, 2020

### Management Board

Bruno Chabas, CEO  
Philippe Barril, COO  
Erik Lagendijk, CGCO  
Douglas Wood, CFO