ANNUAL REPORT 2019

deployed throughout the Company. When relevant, these risks are included in the detailed risk review and analysis is done for all tenders, projects and FPSO (asset) fleet operations which are part of the Company's portfolio. Climate change risks are assessed as part of the SBM Offshore's Enterprise Risk Management (ERM). This results in a heat-map of risks which are incorporated in a Risk report. This report provides an overview of the top ten risks and the latest Risk Profile versus the defined Risk Appetite status to the Management Board and Supervisory Board.

The quarterly Risk report covers proposal, projects and fleet individual risks, as well as Group Functions and Execution Centers, and includes actions and managing measures in place to mitigate each risk which are followed-up on by partners. In order to manage the transition risk and opportunity of a changing energy mix, SBM Offshore defines action in light of the evolution of the energy landscape. It is gradually diversifying its product portfolio through product development and investments in R&D.

METRICS AND TARGETS

Once again this year, SBM Offshore set out short-term targets for the upcoming year (see section 2.3 Sustainability). These ten targets were linked to the six SDGs the Comany has implemented. Several of SBM Offshore's SDG targets are part of the Company's efforts to mitigate the effects of climate change, focused on limiting the Company's emissions and adapting our ways of working.

Focus on emissions reduction:

- Reduce by 25% the mass of gas flared under SBM Offshore account (in tonnes of gas flared per thousand tonnes of hydrocarbon production) (SDG 7)
- Ensure that 60% of project offices operations have a local sustainability certification (SDG 7)

Focus on improved management of emissions:

- 100% of FPSO EPC proposals recording carbon emissions planned over asset life (SDG 9)
- Propose uniform air travel CO_2 measurement system to enable target setting (SDG 13)

Focus on new technological developments:

- 30% of R&D budget going to low-carbon technologies (SDG 9)

5.2 REPORTING BOUNDARIES

SBM Offshore not only reports on impacts it causes, but also on impacts it contributes to, and impacts that are linked to its activities. In each of the following paragraphs we elaborate in detail on the boundaries of our material topics. The boundary of a material topic relates to the parts of the organization and supply chain covered in the figures.

5.2.1 HEALTH, SAFETY AND SECURITY REPORTING

The HSS performance indicators boundaries take into account:

- Employees, which include all direct hires, part-time employees, locally-hired agency staff ('direct contractors') in the fabrication sites, offices and offshore workers, i.e. all people working for the Company
- Contractors which include any person employed by a contractor or contractor's subcontractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.

SBM Offshore implements consultation and participation in accordance with the applicable rules and regulations, and with the ISM onboard offshore units in the form of joint committee. The committee meets with the management team at an agreed frequency to address health and welfare and safety concerns of the employees.

All employees are provided HSSE trainings to familiarize themselves with the Company's health, safety, and security rules and regulations. As part of the training content, individuals attend internal classroom training, attend external training, practice on hands-on training or perform e-learning. The training topics are based on the hazards identified through the structured identification process as well as the regulatory requirements and includes Company standard training package such as security, Life Saving Rules, display screen equipment, site hazard awareness etc.

HSS incidents are reported and managed through the Company centralized incident management tool (SRS – Single Reporting System) which is a web-based reporting system that is used to collect data on all incidents occurring in all locations where the Company operates. The system records safety, environmental, security incidents, loss of containments, equipment failure and damage only incidents.

SBM Offshore reports on all incidents classified as fatalities, injuries and high consequence injuries - work-related injuries that results in a fatality or in an injury from which the worker is not expected to recover from within six months. Safety incidents are reported based on the incident classifications as defined by the IOGP Report 2018 – June 2019. Health incidents are reported based on the occupational illnesses classification given in IOGP Report Number 393 – 2007. The main-type of work-related injury categories are related to slips, trips and falls (walking at same level & on stairs) (40%) as well as finger injuries (30%).

All incidents with an actual or a potential consequence for the Health, Safety and Security of personnel and/or impact on the environment arising out of Company's activities are investigated. Investigations, based on the type, criticality and severity of the event, are performed by specifically identified personnel using methods amongst which TapRoot® and 5 Why. The Company also reports incident data from contractor's construction facilities if the incident is related to an SBM Offshore project.

Safety incidents are reported based on the incident classifications as defined by the IOGP Report 2018 – June 2019. Health incidents are reported based on the occupational illnesses classification given in IOGP Report Number 393 – 2007.

The Company uses records of exposure hours and SRS data to calculate Health and Safety performance indicators set by SBM Offshore.

5.2.2 ENVIRONMENTAL REPORTING

OFFSHORE

In accordance with the IOGP and IPIECA guidelines, SBM Offshore reports on offshore units using the following reporting boundaries:

- Units in the Company's fleet producing and/or storing hydrocarbons under Lease and Operate contracts
- Units in which the Company exercises full operational management control

SBM Offshore considers 'operational management control' as: having full authority to introduce and implement operating policies at the operation, in line with the IPIECA definition.

The environmental and process safety performance of the Company is reported by region or management area: Brazil, Angola, North America & Equatorial Guinea. Based on the criteria stated above, SBM Offshore reports on the environmental and process safety performance for the following 12 units:

- Brazil – FPSO *Espirito Santo*, FPSO *Capixaba*, FPSO *Cidade de Paraty*, FPSO *Cidade de Anchieta*, FPSO *Cidade de Ilhabela*, FPSO *Cidade de Marica*, FPSO *Cidade de Saquarema*
- Angola – FPSO *Mondo*, FPSO *Saxi Batuque* and FPSO *N'Goma*
- North America & Equatorial Guinea – FPSO *Aseng*
- Asia – FPSO *Kikeh*

The environmental offshore performance reporting methodology was chosen according to the performance indicators relative to GRI Standards and IOGP guidelines. This includes:

- Greenhouse Gases, referred to as GHG which are N_2O (Nitrous Oxide), CH_4 (Methane) and CO_2 (Carbon Dioxide)
- GHG emissions per hydrocarbon production from flaring and energy generation
- Non Greenhouse Gases which are CO (Carbon Monoxide), NOx (Nitrogen Oxides), SO_2 (Sulphur Dioxide) and VOCs (Volatile Organic Compounds)
- Gas flared per hydrocarbon production, including gas flared on SBM Offshore account
- Energy consumption per hydrocarbon production
- Oil in Produced Water per hydrocarbon production

SBM Offshore reports some of its indicators as a weighted average, calculated pro rata over the volume of hydrocarbon production per region. This is in line with the IOGP Environmental Performance Indicators.

ONSHORE

SBM Offshore reports on its onshore scope 1, 2 and 3 emissions[34]. As indicated in the 2018 Annual Report, efforts have been made in 2019 to further mature onshore emissions reporting to extend the reporting scope to include all locations in operational control by SBM Offshore. In 2019, the reporting scope includes all locations where the headcount is over 10 and yards over which the Company has full operational control. This scope has been extended from that used previously; due to improved reporting and data quality, the Company can now report onshore emissions on more locations. There is no revision of the 2018 data however, as there was no data for the locations added in the scope in 2019.

Next to this, the Company has started reporting both the 'location-based approach' as well as the 'market-based approach' for its scope 2 emissions. This is related to the SDG target on percentage of renewable energy used in the offices set in place in 2018. These changes did not result in a change of the reported emissions over 2018 as for 2018 only information on the location-based approach is available. SBM Offshore reports onshore emissions data for the following locations: Amsterdam, Houston, Kuala Lumpur, Marly, Monaco, Rio de Janeiro, Schiedam, Shanghai, Carros lab, Canada Shorebase, Georgetown Shorebase, Luanda Shorebase, Malabo Shorebase, Rio Shorebase, Santos Shorebase, and Vitória Shorebase. The Singapore office is excluded as we have no visibility on energy breakdown usages as the energy is included in the lease.

[34] The World Resources institute GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.