



OFFSHORE

ENERGY. COMMITTED.



ANNUAL REPORT 2019

SBM OFFSHORE VALUES YOUR OPINION

SBM Offshore would like to know more about which economic, social and environmental issues are important to its stakeholders.

Would you like to participate in SBM Offshore's 2020 Stakeholder Engagement or provide feedback for the 2020 Stakeholder Engagement? Please write to us at sustainability@sbmoffshore.com.

5.1.4 TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

GOVERNANCE

Mitigating the impacts of climate change and meeting the needs of the future are a key priority for SBM Offshore. Sustainability is managed by the Global Sustainability Manager and supervised by the Chief Strategy Officer, whom reports directly to the CEO. The integration of sustainability into the strategy department enables sustainability to be fully implemented in many aspects and levels of the Company's activities. Furthermore, the HSSE department at SBM Offshore has the responsibility to manage Health, Safety, Security & Environmental impact, therefore this department works closely with the sustainability team.

STRATEGY

As disclosed in section 2.1 Group Strategy, SBM Offshore is committed to preparing and contributing to a fast-paced Energy Transition. The Company routinely assess the risks it faces and adapts its strategy in response.

SBM Offshore's Group Strategy team analyses the macro trends and specific market sectors to identify new opportunities in the short-, medium-, and long-term³³. This is done in close collaboration with Sustainability, Technology and Business Development departments, which are all part of the Chief Strategy Officer's portfolio. Once the opportunity has been initially assessed, a strategic plan is developed in conjunction with the business areas (i.e. Product Lines). This process ensures alignment with the business from the ideation phase up to the adoption of the new technology as a product for the Company's clients.

The potential impacts from climate change, the risks/opportunities they pose, and the strategy to address them

1 Market impact

With its main business segment being within oil and gas, the Company could be impacted in case of an earlier than expected transition of demand away from hydrocarbons and towards alternative energy sources.

³³ Short term: 1-5 year cycle // Medium-term: 5-10 years // Long-term: +10 years

Opportunity

The primary business opportunity areas identified by SBM Offshore within the Renewable Energy sector are in Wind and Wave energy. In addition, SBM Offshore is also developing solutions for Liquefied Natural Gas (LNG).

Strategy

As part of the product development process, SBM Offshore assesses both Technology- and Business Readiness Levels. This aims to certify the maturity of the product prior to the commercial phase. An important step of this process is the development of prototypes and pilots, which can also be done as co-development projects with partners and/or clients.

2 Policy Change Impact

Company proving unable to contribute to the Paris Agreement targets, as well as exposure to carbon tax.

Opportunity

Reduction of overall emissions/carbon intensity in the Company's products and operations.

Strategy

Following the SDGs framework, the Company has set targets for seven of the SDGs, which have been identified as the ones most relevant to our business, as well as the ones where the Company can have the largest impact. Under the governance of the Group Sustainability team, the business leaderships developed roadmaps covering short-, medium-, and long-term³³ actions for each of these SDGs, including action to better manage and reduce SBM Offshore's greenhouse gas emissions.

3 Physical Impact

More extreme weather events and changes in climate patterns.

Risk

Disruption of operations.

Strategy

This year, the Risk and Sustainability teams assessed the operational impact climate change risks could have on the Company. The primary physical risk identified for the Company is a disruption of onshore operations due to extreme weather events and climate patterns, either in its offices or at yard locations. These are less likely to impact offshore operations, as the units are equipped to withstand and/or avoid extreme weather events. The Company mitigates these risks via specific emergency response plans tailored to specific scenarios in each location.

RISK MANAGEMENT

Climate change risks are inherently identified and assessed against our strategy in our risk management approach as

5 NON-FINANCIAL DATA

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 Company 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 CO₂ 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%).