



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

Offshore to measure how the Company compares internally and externally with best-practice in all areas of its business, against a recognized framework. Gaps in performance have been identified and a plan is in place to implement improvement initiatives where required to a defined timescale prioritized according to risk. ISRS is being implemented on a continuous basis throughout the organization.

2.7 QUALITY AND REGULATORY

MANAGEMENT APPROACH

SBM Offshore is committed to performing its business in full compliance with all applicable laws and regulations and to delivering products and services meeting all related regulatory requirements as well as any applicable specifications and requirements imposed by relevant Stakeholders.

As part of the Group Execution Functions, the newly combined Quality & Regulatory Management function is dedicated to ensuring that such objectives are consistently and reliably met by SBM Offshore in the course of its core business performance, notably through:

- Promoting a Quality and Compliance culture across the Organization and ensuring appropriate behaviours from each and every employee
- Ensuring compliance of GEMS with relevant International Standards (including but not limited to ISO 9001) and in turn ensuring compliance of the Company's Organization and business activities with GEMS
- Providing systematic identification of applicable regulatory requirements and ensuring actual follow-up by the Company's Organization
- Ensuring that conformity, compliance and acceptance of the Company products and services are effectively achieved and maintained throughout their lifecycle

2016 PERFORMANCE

Key achievements

- Extension of SBM Offshore's ISO 9001 certification to now include 'Management of Operations' by the Company's Operations division
- Launch of Quality-specific initiatives in the context of SBM Offshore's Journey to Excellence, including notably the development of Quality Rules (to be deployed in 2017)
- Likewise, launch of a Cost-of-Non-Quality initiative involving the development of new processes and improvement of detailed investigations (not limited to specific Quality Incidents)
- Regulatory watch and research as required to support Company's Win, Execute and Operate¹⁷ activities
- In terms of actual regulatory performance, all Company offshore facilities have been duly accepted by all relevant Authorities and Regulators, with all relating permits, licenses, authorizations, notifications and certificates duly granted and maintained valid at all times. Company offshore facilities have also remained in Class at all times as required from both statutory and insurance perspectives.

Strategy and targets

The following objectives have been set for 2017:

- Leading contribution to the Company's Journey to Excellence, notably with respect to quality and regulatory compliance culture & leadership;
- Reduction of Costs-of-Non-Quality through the development and implementation of a comprehensive program (including but not

¹⁷ SBM Offshore is an integrated contractor committed to early engagements with clients in developing optimal field development solutions. When resulting in a project award (Win) SBM Offshore manages the EPC cycle in which it is accountable for the engineering of the floating solution, procurement of the materials and construction in close cooperation with the subsequent yards (Execute). Upon completion of the execution phase, SBM Offshore welcomes the floating unit to its fleet where it is operated, maintained and, if needed, upgraded over the lifetime after which it is eventually decommissioned (Operate).'

2 STRATEGY AND PERFORMANCE

limited to processes) focused on preventing and mitigating future occurrences across Company's Win, Execute and Operate activities;

- ISO 9001 certification renewal and upgrade to the ISO 9001:2015 revision;
- Revamping of Company's Management Review process to make it more robust and effective;
- Enhanced coordination of audit activities across all assurance functions and business entities for a more effective use of resources and a less disruptive interface with business activities;
- Maintenance of an effective regulatory watch and interface with Regulators, supporting innovation and new ventures as necessary.

2.8 TALENTED PEOPLE

MANAGEMENT APPROACH

SBM Offshore's people are a key value driver for the Company and critical to its success.

The Company wants to motivate its employees by supporting their professional development and by ensuring that all employees are treated equally on the basis of their skills and by optimizing safe and healthy working conditions. Its ultimate ambition is – notably with regard to employment, recruitment, talent – to generate higher performance and greater employee engagement by identification, mobility, training, remuneration, health and safety using world-class people practices that are supported by common processes and policies throughout the Company.

Investment in its talent base is seen as a key part of SBM Offshore's strategy to ensure that the Company maintains its expertise and talent pool in order to continue delivering quality work that meets clients' expectations.

The last two years represent a period of significant change for SBM Offshore as the Company implemented an ambitious reorganization program

to improve its competitiveness and to maintain its reputation as the leading supplier of floating production systems. This involved restructuring to better manage SBM Offshore's cost base. The latter includes more flexibility to subcontract i.e. more control of the associated overheads. The aim is for a bigger percentage of work not requiring advanced technological know-how to be subcontracted going forward.

The restructuring targets were met in 2016. The desired balance between the planned reduction of headcount and retaining the talent needed for the future was achieved. Overall efficiency has increased and HR costs have decreased. The reorganization has resulted in the optimization of teams and the creation of a more entrepreneurial and productive environment. Management's objective is to ensure that the Company's knowledge and expertise – embodied by its employees – are not jeopardized but nurtured and put to other uses in these lean times. For example talent was diverted to the development of new technologies and their commercialization in expectation of future growth. Although maintaining capacity may be going against the current trend of the industry, the Management Board recognizes that people are at the heart of the Company and its licence to grow and ultimately give it a competitive edge.

Talent Management

By focusing on the assessment and development of its talent pool, SBM Offshore continued the integration of its talent and business activities in 2016. The yearly Talent Management process begins with the identification of the key succession roles within the Company and the potential successors among SBM Offshore employees at the mid-management level. To assess all employees in a consistent manner and regardless of location indicators are used globally: Performance Ability, Engagement and Learning Agility. Clear