



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

2 STRATEGY AND PERFORMANCE

2016 PERFORMANCE

The following objectives were set in 2016:

- Reduce the frequency of Tier 1 and 2 Process Safety Events to align with IOGP industry average. This meant a target of 0.04 for the frequency of Tier 1 PSE and 0.12 for Tier 2 PSE normalized per 200,000 exposure hours offshore
- Cascade the new PSM program within the organization
- Continue development and drive implementation of PSM

Key achievements

- Progress has been made on the implementation of identified PSM priorities, including process safety culture, risk analysis, process safety dossier¹⁶, management of change and incident investigation
- The PSM Training Program has continued to train defined functions across the organization and provide more in-depth focus on PSM requirements and implementation
- A sharepoint microsite was launched to share information with the PSM Community and all employees
- The dedicated PSM department has been strengthened in fleet Operations to ensure implementation of PSM activities in the Operations phase as well as cascading the message of the importance of PSM

Key results

- A total of 297 Loss of Primary Containment incidents were recorded, of which 100 were oil and gas releases. In total, three were classified as Tier 1 Process Safety Events and 14 as Tier 2 Process Safety Events. Normalized per 200,000 exposure hours offshore, the Tier 1 PSE Frequency was 0.07 and Tier 2 PSE Frequency was 0.34. SBM Offshore has not been able to meet the targets. This result can be attributed

¹⁶ The Process Safety Dossier is the name used at SBM Offshore for a document which contains or refers to process safety critical information. This document is a required part of internal processes implemented in 2016.

mainly to the start-up of three units in 2016, which if excluded, would demonstrate an improved performance over previous reporting years and closer to the IOGP benchmark.

- Since the introduction in 2014 of process safety reporting in line with industry standards, the Company has achieved its best ever performance for Tier 1 events (3 in 2016; 4 in 2015; 6 in 2014). Compared to 2015, the Company has seen a significant increase in the number of minor LOPCs reported. This increase demonstrates an effective reporting process and is a direct result of training, awareness campaigns and reminders on the topic.
- The majority of the liquid related Loss of Primary Containment incidents resulted in releases contained onboard.

FUTURE

The following objectives have been set for 2017:

- Tier 1 and Tier 2 targets have been set using a bottom-up approach linked to Asset Integrity and monitoring programs, with a view to continuing to reduce LOPC events across all units.
- Specifically targets are set to reduce the frequency of Tier 1 and 2 Process Safety Events (PSE) compared to 2016 i.e. Tier 1 PSE Frequency to be better than 0.05 and Tier 2 PSE Frequency to be better than 0.17.
- Continue development and drive implementation of PSM aligned with ISRS plans.
- Support PSM deployment and increase employees awareness with quarterly PSM campaigns, e-learning modules and inclusion of PSM workshops in the Global SBM Offshore Life Day in 2017.

2.6.2 INTERNATIONAL SUSTAINABILITY RATING SYSTEM™

SBM Offshore adopted DNV GL's International Sustainability Rating System™ (ISRS) system in 2014. Implementation of ISRS has allowed SBM

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).'