



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

All processes are based on:

- An multi-discipline approach, which benefits from lessons learnt and contribution from all valuable stakeholders feeding the Supply Chain (including Engineering, Construction, Operations, Quality, HSSE and QA).
- A Total Cost of Ownership approach to capture the spend during the full life cycle.

Performance measurements:

- Frame Agreements signed
- Supplier days organized by Supply Chain departments worldwide – four of the five Regional Centers completed this initiative
- Steering committee meetings organized with key vendors
- Vendors who have signed the Supply Chain Charter

Management is satisfied that the targeted performance for the year was achieved.

FUTURE

The strategic vision implemented this year moves SBM Offshore from a 'project to project' approach to a pro-active, sustainable and holistic approach with the Supply Chain function playing a key role in the added value of a project. The steps taken to date are aimed at offering future project teams improved technical solutions based on standardization. In addition, pre-negotiated contractual and commercial conditions with qualified vendors will save time and will ensure consistency across projects. Other benefits will include savings on effort and resources, while assisting Project teams in avoiding costly customization options that may be unnecessary to meet a project's specifications.

2.11 LOCAL CONTENT

The operational activities of SBM Offshore have a significant social and economic impact on local communities in countries where the Company executes long-term lease and operate contracts

offshore for clients. The Company also recognizes potential exposure to human rights issues through its supply chain for both its Operations and Turnkey activities.

Both Social and Economic impact on local communities and Human Rights are considered material topics for SBM Offshore and are discussed in more detail in the following chapters.

2.11.1 LOCAL COMMUNITIES

SBM Offshore operates its floating production systems offshore throughout the world. The Company will also construct substantial parts of the facilities in the countries of operation depending on local content requirements, existing infrastructure and project economics.

MANAGEMENT APPROACH

The management approach is to engage and create a positive impact on local communities and when possible their development, through the Company's core business as well as the localization of employees in-country and the development of local talent and local community programs.

A competitive advantage is created with successful localization programs and the development of construction yards. Development of local economy and workforce improves the social and economic situation in country.

2016 PERFORMANCE

Nationals employed in workforce (Localization)

For fleet operations, engagement and development of the local workforce is the main indicator for successful local content development. SBM Offshore monitors the percentage of local workforce and invests in training to increase or maintain the targeted level, which is a KPI for the Company.

2 STRATEGY AND PERFORMANCE

Key Markets

- In Angola 62% of the offshore workforce consists of Angolan nationals
- In Brazil 71% of the offshore workforce consists of Brazilian nationals

Localization programs in both Angola and Brazil focus on education and training of nationals to enter the workforce.

LOCAL COMMUNITY ACTIVITIES AND PROGRAMS IN 2016

Monaco

- The Monaco Regional Center (RC) continues to work closely with local NGOs including Actif Azur, HELP and Digital Aid to donate computers, screens and mobile phones for re-use. In 2016, over 400 pieces of equipment were donated.
- Monaco employees are also very active in the annual *No-Finish Line* event to raise money for charity, with over 200 employees participating. The 2016 goal for the event was to cover the distance between the earth and moon (384,400 km), which was achieved, with a new record of 392,516 km.
- In addition, the Monaco RC in collaboration with the above event, participated in the Oceanographic Museum's first ever dedicated pedal power event called 'No Finish Lights' – promoting the Principality's eco-friendly commitment. A light installation decorating the Museum façade was powered by 30 stationary bicycles, which were peddled by participants. SBM Offshore's Monaco RC Cycling Club, which promotes biking to work has achieved over 26,000 kg CO₂ emissions avoided compared to commuting by car in 2016.

Brazil

- In Brazil, SBM Offshore supports local communities where the Company has activities by supporting initiatives such as the Babylonia daycare center in Rio de Janeiro's Leme

neighbourhood and educational programs such as the creation of the Welding School Professional Training Program with local partners. Support is provided through charitable monetary donations and by SBM Offshore employees who play an active role in activities and events.

Malaysia

- The Company's RC in Kuala Lumpur has created a dedicated CSR Team, comprised of employees who are committed to partnering with local Malaysian charities to support their cause, while at the same time creating a platform for employees to contribute to the communities, where they live and where the Company operates.
- The team also engaged in many volunteer activities including donating their time and sharing their skills to repair a local orphanage home, as well donating surplus office stationery to an educational charity initiative and to tutoring young refugees.

USA

- SBM Offshore Houston RC held three donation drives to collect food and household items for local charities in the community. Blood donation drives are held quarterly in the Houston office.
- A health and fitness program is available to all employees, which includes access to fitness facilities, monthly 5-kilometer walks or runs, information sessions on health and fitness and in-house fitness classes. Close to 40 employees participated in the Cypress Half Marathon, which donates money raised to the Leukemia & Lymphoma Society.

Angola

- Almost 12 years ago SBM Offshore, in partnership with the local community, built the Lubango Orphanage to house and school young girls. Further to supporting the orphanage, SBM Offshore now provides the girls with computer

training and by assisting in securing employment for them.

The Netherlands

- The Ocean Cleanup Project has been working on a floating barrier solution, which will allow the ocean currents to passively gather waste plastic. SBM Offshore has been involved in the project since 2014, through the donation of the time and expertise of employees. The engineers have supported many phases of the project – from mooring system design and layout, to anchor installation, as well as identifying potential suppliers and provision of ‘ad hoc’ troubleshooting.
- Employees participated in the city’s Harbor Run obstacle race for the Dutch Maritime industry.

2.11.2 HUMAN RIGHTS

MANAGEMENT APPROACH

Society provides SBM Offshore the social and physical infrastructure for entrepreneurship. Accordingly, the Company has the following responsibilities: respecting human rights as formulated in the Universal Declaration of Human Rights;

- taking all reasonable measures to avoid involvement or complicity in human rights violations in its relationships and interactions with state security forces
- assessing the social, environmental and economic impact of intended operations prior to the commencement of operational activities, including the impact on local communities and human rights

SBM Offshore has its business spread over six continents and the Company has embraced the challenges offered by different environments. SBM Offshore does not accept any discrimination on the basis of sex, age, race, religion, political or trade union affiliations, nationality or disability.

SBM Offshore is most exposed to human rights issues in developing countries where it either operates or constructs its units and depends on services provided throughout its value chain.

As part of its Corporate Social Responsibility strategy, SBM Offshore adheres to international standards such as the United Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, International Labour Organization¹⁹ (ILO) conventions and the United Nations Global Compact.

The impact on the SBM Offshore’s reputation in case of breach of human rights standards is considered significant as our clients, employees, NGOs and certain key suppliers consider human rights an essential part of performing our business at the highest level of integrity as promoted by the Company.

The Company endeavours to match the highest level of employment standards for all its employees in line with the Group’s Code of Conduct and Social Accountability Manual. These standards meet and most often exceed International Human Rights and ILO Guidelines.

Operating a responsible supply chain, in which the Company combines long-term shared value creation with human rights standards among others, is continuously improved with consistent implementation of the Company’s Supply Chain Charter throughout the supply chain.

2016 PERFORMANCE

Details can be found under sections 2.3.2 Fleet and 2.10 Supply Chain.

¹⁹ The UN specialized agency which seeks the promotion of social justice and internationally recognized human and labour rights.