



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

2 STRATEGY AND PERFORMANCE

2.12 SUSTAINABLE BUSINESS

MANAGEMENT APPROACH

Sustainability is an important value driver for SBM Offshore's long-term business and operations with a focus on Environmental, Social and Governance issues. Under what is called 'License to Grow', the approach is to create a competitive and commercial advantage by developing sustainable solutions that go beyond current rules and regulations, which are the obligations under the Company's 'License to Operate'. Over time, these solutions are embedded in the Company's mainstream business development and operations.

SBM Offshore believes in doing business that adds value and benefits all stakeholders, with specific focus on clients, employees, shareholders, partners and society in general. SBM Offshore considers this to be fundamental to its activities.

The Company aims to be the industry frontrunner on sustainability as reflected in the Company's vision. To achieve this ambition, SBM Offshore

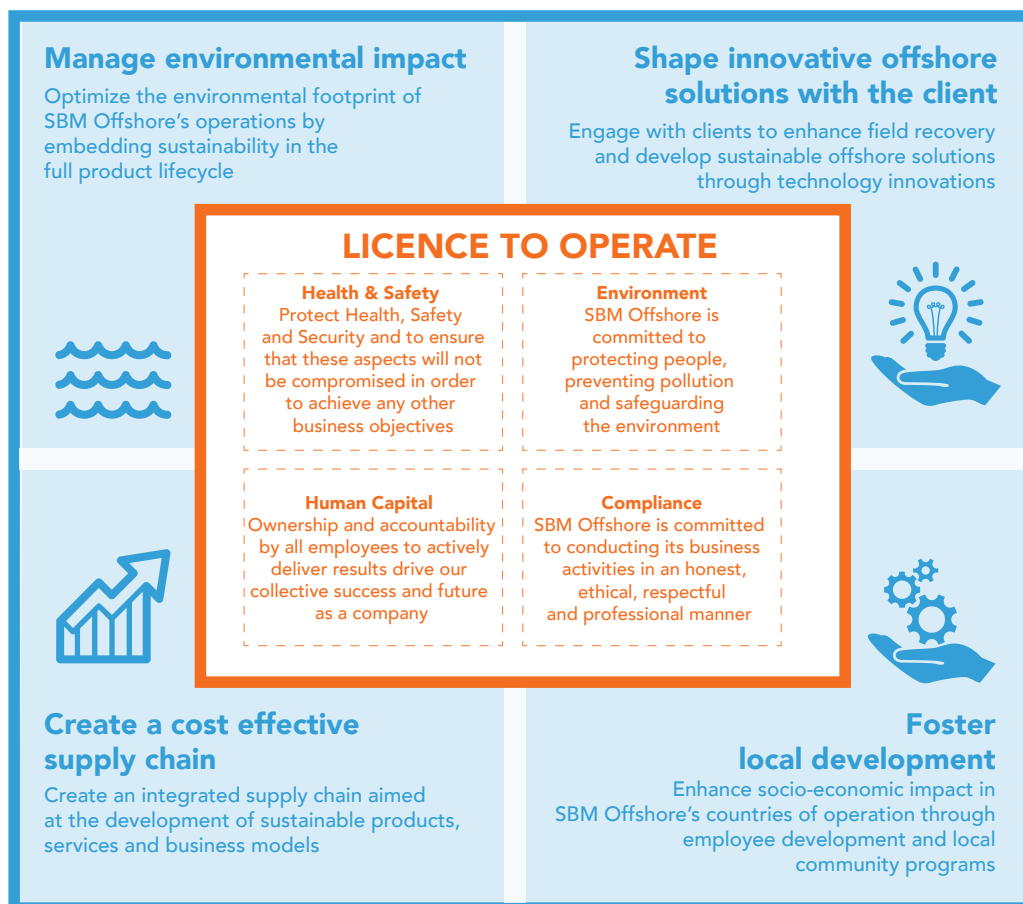
continuously strives to promote sustainability awareness, develop talent within the Company and incorporate ethics and integrity into all its activities. Embedding sustainability as a way of working in SBM Offshore is founded on continuous engagement with its employees. Reporting on successful sustainable initiatives, charity projects and donations will improve awareness and further encourage engagement.

Sustainability framework

At SBM Offshore, the overall sustainability performance consists of activities under both the License to Operate and License to Grow, with long-term initiatives differentiating the Company, securing its future growth and illustrating its commitment to sustainability. The License to Grow themes and objectives reflect the focus of SBM Offshore's Sustainability strategy to achieve value creation and is material for the Company.

Over time, successful deployment of License to Grow initiatives lead to adoption of these activities as part of the License to Operate.

LICENCE TO GROW



License to Operate

License to Operate refers to the standards required to operate in accordance with the law and regulations on ethics, safety, health, quality, labor standards, environmental standards, governance and on meeting client requirements and specifications for their project development. SBM Offshore's sustainability strategy is founded on developing the core functions of the Company to meet these standards among others. SBM Offshore has a long history of managing and reporting its performance on a wide range of the License to Operate aspects.

License to Grow

The Company's ambition is to fully integrate sustainability into its business proposition and to create a balanced economic, social and environmental value model in all of the countries, in which it operates. SBM Offshore believes that Sustainable Business will create a License to Grow, facilitating its future success.

The Company focuses on long-term, shared, value creation for the four themes of 'Manage environmental impact', 'Shape innovative solutions with the client', 'Create a cost-effective supply chain' and 'Foster local development'.

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2016 PERFORMANCE

The level of performance is measured in successful implementation of objectives as defined over the four themes under the License to Grow. In total fourteen objectives were identified, of which eight have been further developed and have been embedded into the Company's License to Operate.

- Renewable technology has developed from conceptual design to the commercial stage. A new Product Line for Renewable Energy was created.
- The objective to standardize the environmental footprint of FPSO operations was initiated with the CO₂ Challenge (see section 2.5.1 CO₂ Challenge) and is being further developed under the Digitization project.
- A list of creative ideas to develop Eco-design options for FPSO operations was generated as part of the CO₂ Challenge (see section 2.5.1 CO₂ Challenge) and handed over to R&D for implementation in their process.
- Reducing the environmental impact in offices is in progress for the CO₂ 'Office' Challenge.
- Supply Chain activities include the implementation of an acknowledgement by vendors of SBM Offshore's Supply Chain Charter (see section 2.10 Supply Chain).
- Business development teams implemented an approach to engage with clients and/or partners to optimize field development and field economics for clients.
- Sustainable end-of-life solutions have been adopted and a publication issued on SBM Offshore's Vessel Recycling Policy.
- A Product Line to develop Gas related business includes the Company's mid-scale LNG FPSO concept. (see section 2.9 Technology).

Sustainability reporting and benchmarking

- SBM Offshore commits to reporting its sustainability performance against the Global Reporting Initiative G4 core standard in a transparent manner and reports on indicators for

its sustainability policies, which reflect all the material topics (see section 6.1 Scope of Non-Financial Information).

- SBM Offshore's sustainability performance continues to improve and it has been included in the Dow Jones Sustainability Index World (DJSI) for the seventh consecutive year, with the mention of Industry Leader²⁰ for 2016.
- Other external institutes like the Carbon Disclosure Project (CDP), De Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO) and the Transparantie Benchmark of the Ministry of Economic Affairs of the Netherlands, have also rated the Company providing it with useful feedback on its performance.
- The following sustainability indices have included SBM Offshore: Euronext Vigeo index, Ethibel Sustainability Index (ESI) and Excellence Europe.

Ranking of SBM Offshore in Sustainability Benchmarks

	2016	2015	Maximum Score	Ranking
Carbon Disclosure Project (CDP)	C	E	A+	n/a
Dow Jones Sustainability Index	81	73	100	1
<i>Transparantie Benchmark</i> of the Ministry of Economic Affairs of the Netherlands	171	167	200	51

FUTURE

In 2016, SBM Offshore addressed two new sustainability issues, the Paris Climate Change Agreement and the Sustainable Development Goals explained below.

Paris Climate Change Agreement

Countries have adopted a new sustainable development agenda and global agreement on climate change. SBM Offshore recognizes the

²⁰ Industry Leader for the OIE Energy Equipment & Services

importance of both initiatives and has taken or is taking steps to integrate these into its strategy and sustainability objectives.

The Paris Agreement on climate change marks a critical turning point toward a zero-carbon and resilient world. The objectives to reduce global warming to two degrees Celsius will affect SBM Offshore's business model over time. The Company has embedded the potential effects of climate change into its strategy.

Sustainable Development Goals

On September 25, 2015, countries adopted The United Nations Sustainable Development Goals (SDG) to end poverty, protect the planet and to ensure prosperity for all, as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. SBM Offshore recognizes the SDG's clear goals in the Company's long-term Sustainability strategy and its License to Grow.

Over 2017 new objectives will be set as part of the Sustainability Framework to reflect the opportunities arising from impact of Climate Change and the SDGs.

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