



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

3.7 COMPLIANCE

MANAGEMENT APPROACH

SBM Offshore's reputation and license to operate depend on responsible business conduct. SBM Offshore is committed to complying with all applicable laws and regulations, its internal rules and procedures as well as stimulating dialogue on situations that can create dilemmas. SBM Offshore does not tolerate corruption, violation of trade sanctions, anti-money laundering or anti-competition laws, or any other illegal or unethical conduct in any form by anyone working for or on behalf of the Company. All employees or those working for or on behalf of SBM Offshore must embrace and act in accordance with the core values of the Company and the Code of Conduct. SBM Offshore believes that doing business honestly and with integrity is vital to increasing the competitiveness of SBM Offshore and its partners. It creates an environment in which experience and quality can flourish.

Governance

The Group Ethics & Compliance function is, on behalf of the Management Board, responsible for ensuring that the entire SBM Offshore organization operates within its clearly defined, group-wide, integrity and compliance program. The establishment of an ethical culture with commitment to integrity at all levels is key to this aim. The Group Compliance function has a leadership role in proactively advising the Management Board and management on acting in a compliant manner, both from a strategic and an operational perspective. An important part of its role includes the prevention of misconduct.

The Company's Management Board has overall accountability and the Chief Governance and Compliance Officer (CGCO) has overall responsibility for compliance, risk and legal issues. Reporting to the CGCO, the Group Risk & Compliance Director (GRCD) leads the Ethics and

Compliance Program, drives its execution and regularly reports on its operating effectiveness to the Management Board, the Supervisory Board and the Audit Committee, while also reporting on the Company's key compliance risks and incidents. Business leadership has accountability and responsibility to manage compliance and integrity risks within the Company's Regional Centers and Operations.

STRATEGY

SBM Offshore's Compliance Program aims to guide the Company's leadership team in applying its moral compass and strengthening the management control system. SBM Offshore has integrated the Compliance Program into its organizational structure as well as promoting a compliant culture in the day-to-day way of working of all employees. SBM Offshore maintains an effective compliance risk management and control system, which includes monitoring and reporting and upholds the Company's zero tolerance for corruption or any misconduct. The Company maintains a global management control framework, while the Company's management in the Regional Centers is responsible for embedding compliance in day-to-day business practice.

The Program is built on three pillars:

1. Compliance governance and organization
2. Hard and soft controls²³
3. Organizational culture and employee behavior

Key elements of the Program:

1. Supervision and oversight by the Group Risk and Compliance Director (GRCD) and ultimately the Management Board and the Supervisory Board

²³ Hard controls are the explicit, tangible controls that guide employee behavior through defined policies and procedures while on the other hand, soft controls are intangible factors that influence the behavior of employees and ensure compliance with procedures such as openness, discussability and enforcement. Soft controls can be strengthened by for instance training, improving the speak-up culture and facilitating the discussion of ethical dilemmas.

2. Operational accountability by business management
3. Management and staff knowledge and understanding, including regular training
4. Policies and procedures, including the third party due diligence procedure
5. Communication, including availability of policies on website and intranet for external stakeholders and staff respectively
6. Annual Code of Conduct certification for staff in leadership positions
7. Regular monitoring of compliance risks, mitigating measures and risk-based controls as well as incident and action reporting
8. Compliance-related internal financial controls, following ICOFR principles
9. Reporting procedures, including an Integrity Line for employees to (anonymously) report on suspected violations of the Code of Conduct
10. Independent verification (e.g. compliance audits)
11. A thorough due diligence process of high-risk third parties, including an internal Validation Committee which reviews the due diligence on high-risk third parties prior to engagement

2016 PERFORMANCE

- SBM Offshore's procedure for anonymously reporting suspected violations of the Code of Conduct – the 'Integrity Line' was extended to its suppliers, clients and partners
- Development and launch of two training programs: (1) refreshed Code of Conduct e-learning for targeted employees and (2) a face-to-face compliance training program for those in leadership positions and targeted staff. By enabling discussion of complex dilemmas, the training program aimed to strengthen compliant, balanced and consistent decision making
- Compliance with Core Values included in the annual appraisal of all employees

How SBM Offshore measures performance

- As part of performance management processes, the Company identified compliance KPI's for its Regional Centers and Operations
- Compliance training hours and completion rate by employee target group
- Annual Code of Conduct certification by staff in leadership positions
- Use of tool to approve, register and monitor giving and receiving of Hospitality, Gifts and Entertainment
- Use of Company-wide applied tool 'GRACE' for continuous risk identification, assessment, registration and reporting by Regional Risk & Compliance Officers and Group Compliance Officers
- Monitoring through a Company-wide Compliance Case Management System
- Integrated quarterly Group Compliance reports to the Management Board and Audit Committee of the Supervisory Board

Achievements

- The annual compliance statement as signed by the top 1,140 employees in leadership positions – includes the following declarations:
 1. Compliance with the Code of Conduct
 2. Conflicts of interest
 3. Relationships with Public Officials
 4. Reporting Irregularities or Changes in Information

The number of signatories has almost doubled compared to last year (1,140 versus 700), as a result of expanding the program to more individuals, particularly those in the front line undertaking sensitive functions. This program was started in 2014 with 100 signatories and aims at re-enforcing knowledge and accountability for behavior. Certification is a key tool to support that compliance is embedded in daily practices and it is a strong indicator of the Company's continued efforts to promote a compliant way of working. The completion rate is part of

the 'Compliance Performance Indicator' that is included in the score cards for RC's/FPSO/ Operations.

- The Code of Conduct e-learning was launched in December 2016 to the full onshore office population. The modular course presented essential information in ethics and compliance that employees at every level of the organization need to know in order to comply with SBM Offshore's organizational policies, best practices, and the law. The modules in the course included the following vital foundational topics: Business Courtesies, Conflicts of Interest, Diversity, Anti-Corruption, Fair Dealing, and Reporting and Retaliation. Real world scenarios and activities reinforced understanding. At year-end the recently launched course was completed by already 60% of the targeted population. The remaining population will be requested to take the course in 2017.
- In addition to the annual compliance e-learning, face-to-face compliance training was conducted for designated staff in leadership position and/or exposed to compliance risks due to their job position. The training covered among other elements the topics of competition law, anti-corruption, export controls, trade sanctions and conducting due diligence. At year-end 819 people received face-to-face training, which led to a completion ratio of 84%.
- Compliance employee survey 2016 (for employees in leadership positions)
The objective of the survey was to measure how the compliance culture is perceived and to gain insight on how to further fine-tune the compliance program, such as training measures and how to improve the quality of our controls. In addition, it signaled to employees how we value integrity and compliance in our day-to-day work.

embedding responsible business conduct. The results have been shared and discussed with the Management Board, the Supervisory Board and management teams and actions are been taken to address the most significant observations.

On the other hand, there is some room for improvement regarding enforcement and