



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

2.7 OPERATIONAL EXCELLENCE

MANAGEMENT APPROACH

Group Execution Functions are organized to support operational and assurance functions, with the goal of achieving operational excellence in all areas of the Company's business.

This goal is pursued via the maintenance of the Company's Global Enterprise Management System (GEMS) (see section 3.10.1) and continuous improvement, such as adoption of best practice through the application of the International Sustainability Rating System (ISRS) (see section 2.7.2) and Process Safety Management frameworks.

For more information on Operational Governance, please refer to section 3.10.

2018 PERFORMANCE

The Company supported the Journey to Excellence efforts to streamline GEMS, learn from events and other continuous improvements initiatives.

Key achievements

- Learning from events through investigation and follow-up of significant incidents at Management level.
- Adoption of a number of Lessons Learned initiatives with the purpose of analyzing, developing and implementing robust solutions to improve our operations.
- Deployment of Process Safety Fundamentals and Process Safety leading KPIs across all the Company's operating units as highlighted in section 2.7.1 Process safety management
- Continued deployment of Process Safety Management and Investigation/Root Cause Analysis training programs.
- Ongoing integration of Operations Management System documentation into GEMS

FUTURE

The following objectives have been set for 2019:

- Continue to optimize GEMS, including restructuring and simplification where required
- Process Safety Management strategy and targets as highlighted in section 2.7.1
- Continuation of the deployment of ISRS and Process Safety Management frameworks, including the development or improvement of associated

tools where required, and strengthening hazard management processes.

- Maintain efforts on continuous improvement, including incident investigation and follow-up, and Lessons Learned initiatives.

2.7.1 PROCESS SAFETY MANAGEMENT

MANAGEMENT APPROACH

A Process Safety Management (PSM) framework and program based on an industry standard^{18,19} is in place, which when applied throughout the product lifecycle, has the potential to reduce the risk of major accidents.

The PSM framework consists of a set of risk-based priority activities and practices that are being embedded in the Company's GEMS and the Group Technical Standards (GTS), which have been aligned with the ISRS improvement activities.

All Loss of Primary Containment (LOPC) events occurring offshore are reported to the relevant parties within the organization and analyzed to identify appropriate treatment measures. SBM Offshore follows IOGP 456 and API 754 standards for LOPC classification. The annual statistics are compared to previous years and benchmarked against IOGP averages.

2018 PERFORMANCE

Key achievements

- Successful deployment of Process Safety Fundamentals (PSFs)¹⁹ fleetwide.
- Implementation of internal Process Safety Leading KPI's across our operating assets, with better than target performance achieved.

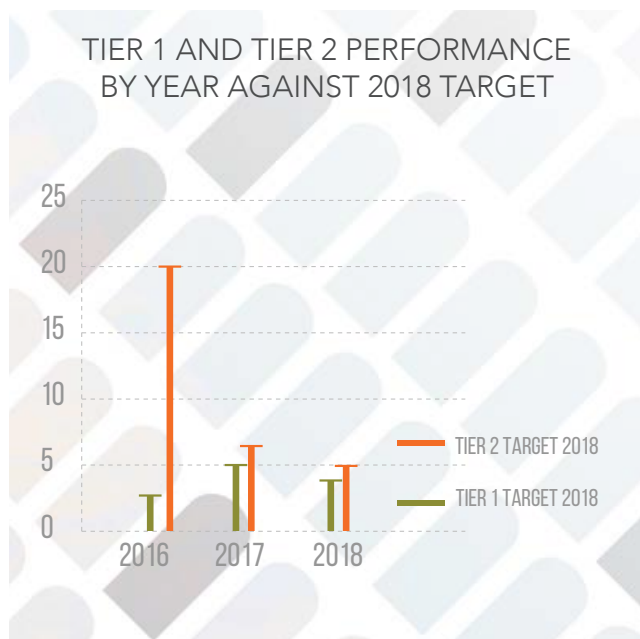
Key results

- The number of Tier 1 Process Safety Events (PSE) was higher than our target primarily due to cargo tank vent dispersion issues on one of our assets which has now been resolved.
- Our recorded number of Tier 2 PSEs was 5, which was better than our target of 6.
- A total of 344 process related LOPC events were recorded, of which 181 were of API 754 classified materials.

¹⁸ 'Guidelines for Risk Based Process Safety' by the Centre for Chemical Process Safety (CCPS)

¹⁹ PSFs are a set of 10 guidelines that reinforce best practices targeting causal factors related to PSE with the objective of reducing LOPC events.

2 STRATEGY AND PERFORMANCE



FUTURE

The following objectives have been set for 2019:

- Targets are set to reduce the number of Tier 1 and 2 PSEs compared to 2018 i.e Tier 1 PSE performance to be 1 or better, and Tier 2 PSE performance to be 3 or better.
- Continue implementation of the PSM framework throughout our business processes.

2.7.2 INTERNATIONAL SUSTAINABILITY RATING SYSTEM™

Since adopting the DNV GL's International Sustainability Rating System™ (ISRS) system in 2014, the Company has been implementing the ISRS best practices into its ways of working.



2.8 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 (including but not limited to clients).

As part of the Group Execution Functions, the combined Quality & Regulatory Management function is dedicated to ensuring that such objectives are consistently met in the Company's core business, notably through:

- Promoting a quality and compliance culture across its organization and ensuring appropriate behaviors
- Ensuring compliance of GEMS with relevant international standards (including, but not limited to, ISO 9001) and, in turn, ensuring effective compliance of the organization with GEMS.
- Providing systematic identification of regulatory requirements applicable to its core business activities and ensuring their implementation within the organization.
- Ensuring that conformity, compliance and acceptance of the Company's products and services are effectively achieved and maintained throughout their lifecycle.

2018 PERFORMANCE

Key achievements

- Active promotion of quality and regulatory compliance through communication campaigns and events (combined with HSSE and Process Safety)
- Maintenance of SBM Offshore's ISO 9001:2015 certification.
- Development and implementation of a revised, more risk-based and integrated approach to assurance activities across disciplines and business entities
- Quality improvement initiatives in the context of SBM Offshore's Journey to Excellence, focusing notably on 'Costs of Non-Quality' and 'Quality Rules'
- Regulatory watch and research as required to support the Company's Win, Execute and Operate