



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

Natural e Biocombustíveis (ANP) R&D funding program.

Intellectual Property

The Company maintains a significant Intellectual Property (IP) portfolio, including patents, trademarks, and copyrights. The IP portfolio contains 151 patent families, each registered in many countries around the world, and covers a wide range of technologies, including FPSO mooring and turret systems, semi-submersible and tension leg FPU's, hydrocarbon transfer and processing systems including LNG and gas processing, drilling and riser technologies, offshore installation and also covering renewable technologies like wind floaters and wave energy systems. During 2018, the Company divested several non-core patents, filed 14 new patent applications for new and innovative technologies and closed out a legal case of an infringement of a Malaysian patent of SBM Offshore.

Technical Standards

A key driver for the cost of new projects is the technical standards to be applied in addition to the local regulatory requirements. Typically, these standards can fall into three categories – client standards, contractor standards or a hybrid set of customized standards. In the current climate of severe cost pressure there is a logical push in the industry towards wider acceptance of contractor standards. By leveraging its expertise, SBM Offshore can minimize project customization and efficiently deliver more standard products with significant cost and schedule savings.

The Company achieves this through its Group Technical Standards (GTS), by integrating key elements of its accumulated project and fleet operational experience. To date, the Company has executed over 20 major projects using its GTS as the basis since they were established in 2003. The Company aims to continuously improve and develop the GTS.

2.11 SUPPLY CHAIN

STRATEGY

The Supply Chain function remains focused on supporting the projects with the highest level of safety, performance and quality. In 2018, Supply chain resources of the Company's worldwide locations were amalgamated and now report to the centralised Group Supply Chain function under the Resources and Services division. As such, responsibility for the processes, tools and project supply chain activities is now under the same umbrella allowing monitoring of the business synergies, better sharing of the lessons learned and continuous improvement of the ways of working. Throughout this year, particular attention and efforts on vendor qualification have been maintained in order to ensure that subcontractors' capabilities have been properly assessed before commercial engagement. Group Supply Chain has also actively participated in the development of supply chain activities in China through the set-up of the local team and organization and the definition of a plan to expand our approved vendor data base with local Companies.

2018 PERFORMANCE

Key Achievements

- In a permanent objective to achieve better quality, the vendor qualification campaign launched in 2017 has been pursued. This exercise was undertaken with relevant internal stakeholders to guarantee a multi-dimensional assessment
- Close collaboration between strategic sourcing and all Company Product Lines to better define objectives and priorities, to deliver the most appropriate procurement strategies, framework agreements and market intelligence information for each strategic category.
- The collaboration with SBM Offshore's strategic vendors has been further enhanced and key events have again been organized this year, such as a Global Supply Chain Vendor Day and Executive and Operational Steering Committees.
- High focus has been maintained on the importance for our vendors to adhere to our Code of Conduct. In this respect, suppliers that have gone through the revised vendor qualification process are required to sign the Supply Chain Charter, in order to fulfill the Company commitments to meet human rights and labor law standards, among others.

2 STRATEGY AND PERFORMANCE

Performance measurements:

- 38 Frame Agreements signed .
- Global Supply Chain Vendor Day in Rotterdam, the Netherlands.
- Three Steering committee meetings organized with strategic vendors.
- 492 vendors qualified under revised qualification process since 2017, of which 99.4% signed Supply Chain Charter.

FUTURE

SBM Offshore plans to finalize the vendor qualification campaign and finalize implementation of the outsourcing of this service, so as to allow the Company to put the focus on vendor performance monitoring. The Company also intends to pursue Supply Chain development in China by qualifying more vendors and ensuring efficient and timely support is provided to the projects' local supply chain activities.

SBM Offshore also intends to implement a long-term strategy, allowing the Company to accommodate future growth through:

- Embedding the Fast4Ward™ principles into the Supply Chain function.
- Working in integrated teams to better benefit from Lessons Learned.
- Increasing flexibility by pursuing the subcontracting of post-order management activities (such as expediting, inspection and vendor documentation review).
- Supporting synergies across projects on key equipment, with the early involvement of the Strategic Sourcing team.

2.12 HUMAN RIGHTS

SBM Offshore is committed to respecting internationally-recognized human rights standards. These fundamental rights contribute to the general well-being of the communities in which SBM Offshore operates. The Company can potentially have an impact on local communities in countries where it executes long-term Lease and Operate contracts offshore, as well as through its supply chain and construction activities.

MANAGEMENT APPROACH

SBM Offshore's Code of Conduct sets the Company's standard with regards to human rights. In the

development of the Code of Conduct, the Company referred to principles described in the:

- Universal Declaration of Human Rights (UDHR)
- United Nations Guiding Principles for Business and Human Rights (UNGP)
- International Labor Organization core conventions related to human rights

The Company's well-established values of Integrity, Care, Entrepreneurship and Ownership are reflected in SBM Offshore's approach towards human rights. SBM Offshore's global business operations cover a wide range of activities. Supported by its Code of Conduct and Supply Chain Charter, the Company works with the supply chain function to notify vendors within its supply chain of the Company's expectations towards human rights, as well as the anti-corruption policy (available on the website: <https://www.sbmoffshore.com/who-we-are/our-ethics/anti-corruption/>).

2018 PERFORMANCE

Key achievements

- Supply Chain Charter signed (see section 2.11).
- SBM Offshore joined Building Responsibly, a group of leading engineering and construction companies working together to raise the bar in promoting the rights and welfare of workers across the industry.
- In 2018, SBM Offshore created a new position within the Sustainability Department to focus on human rights and to facilitate their development and integration within Company operations.
- Human rights was the topic of a Life Day workshop, which helped increase the education and awareness on the topic of human rights across the Company.
- Specific sub-target set related to the human rights and commitment to SDG 8: decent work and economic growth.

FUTURE

SBM Offshore plans to further improve on its human rights commitments by developing a specific policy and program dedicated to upholding them. The Company intends to build on existing human rights processes and procedures and further embed human rights into its ways of working. It plans to support worker rights and the ten workers welfare principles from Building Responsibly.