



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

Would you like to participate in SBM Offshore's 2018 Stakeholder Engagement or provide feedback for the 2019 Stakeholder Engagement? Please write to us at sustainability@sbmoffshore.com.

5.2 REPORTING BOUNDARIES

SBM Offshore not only reports on impacts it causes, but also on impacts it contributes to, and impacts that are linked to its activities. In each of the following paragraphs we elaborate in detail on the boundaries of our material topics. The boundary of a material topic relates to the parts of the organization and supply chain covered in the figures.

5.2.1 HEALTH, SAFETY AND SECURITY REPORTING

The Health, Safety and Security (HSS) performance indicators boundaries take into account:

- Employees which include all direct hires, part-time employees, locally-hired agency staff ('direct contractors') in the fabrication sites, offices and offshore workers, i.e. all people working for the Company
- Contractors which include any person employed by a contractor or contractor's subcontractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.

HSS incidents are reported and managed through the Company's Single Reporting System (SRS) database. SRS is a web-based reporting system that is used to collect data on all incidents occurring in all locations where the Company operates. The SRS system records safety, environmental, security incidents, loss of containments, equipment failure and damage only incidents.

Safety incidents are reported based on the incident classifications as defined by the IOGP Report 2017 – June 2018. Health incidents are reported based on the occupational illnesses classification given in IOGP Report Number 393 – 2007.

The Company also reports incident data from contractor's construction facilities if the incident is related to an SBM Offshore project.

The Company uses records of exposure hours and SRS data to calculate Health and Safety performance indicators set by SBM Offshore.

5.2.2 ENVIRONMENTAL REPORTING

OFFSHORE

The environmental and process safety offshore performance reporting scope is comprised of offshore units that use the following reporting boundaries:

- Units in the Company's fleet producing and/or storing hydrocarbons under Lease and Operate contracts in 2018
- Units in which the Company exercises full operational management control
- Units in which the Company has full ownership or units that are jointly owned and where the Company has at least 50% ownership

The environmental and process safety performance of the Company is reported by region or management area: Brazil, Angola, North America & Equatorial Guinea and Asia. Based on the criteria stated above, SBM Offshore reports on the environmental performance for the following 13 units:

- Brazil – *FPSO Espirito Santo*, *FPSO Capixaba*, *FPSO Cidade de Paraty*, *FPSO Cidade de Anchieta*, *FPSO Cidade de Ilhabela*, *FPSO Cidade de Marica*, *FPSO Cidade de Saquarema*
- Angola – *FPSO Mondo*, *FPSO Saxi Batuque* and *N'Goma FPSO*
- North America & Equatorial Guinea – *FPSO Aseng* and *MOPU Deep Panuke* (cessation of gas production in May)
- Asia – *FSO Yetagun* (terminated operations in April)

The environmental offshore performance reporting methodology was chosen according to the performance indicators relative to GRI Standards and IOGP guidelines. This includes:

- Greenhouse Gases, referred to as GHG which are N₂O (Nitrous Oxide), CH₄ (Methane) and CO₂ (Carbon Dioxide)
- GHG emissions per hydrocarbon production from flaring and energy generation
- Non Greenhouse Gases which are CO (Carbon Monoxide), NO_x (Nitrogen Oxides), SO₂ (Sulphur Dioxide) and VOCs (Volatile Organic Compounds)
- Gas flared per hydrocarbon production, including gas flared on SBM Offshore account
- Energy consumption per hydrocarbon production
- Oil in Produced Water per hydrocarbon production

5 NON-FINANCIAL DATA

SBM Offshore reports some of its indicators as a weighted average, calculated pro rata over the volume of hydrocarbon production per region. This is in line with the IOGP Environmental Performance Indicators.

ONSHORE

SBM Offshore reports on its onshore scope 1 and 2 emissions²⁵ by operational control and discloses on all its locations with the exception of Africa (Angola office, yard and shorebase), the Kuala Lumpur Shorebase and the small offices in Singapore, China and Jakarta. Efforts are being made to extend the reporting scope to include all locations in operational control. SBM Offshore does not have absolute targets as the Company is focused on the maturity of its data collection.

SBM Offshore reports in this Annual Report for the second time on greenhouse gas emissions related to business flights (scope 3). The data consists of all flights invoiced via our standard travel system and the data covers all operating companies. The CO₂ emissions relating to business flights are based on third party documentation, each containing different calculation methods.

For the onshore electricity usage, the Company uses the World Resources Institute Greenhouse Gas Protocol (GHG Protocol) method and conversion factors to calculate CO₂ equivalents. For fuels the Company uses conversion factors published by the UK government's Department for Environment Food & Rural Affairs (DEFRA). CO₂ equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO₂ that would have the same global warming potential (GWP), when measured over a specified timescale (generally, 100 years).

Construction yards' environmental data, specifically emissions, energy and water usage have not been included in scope. SBM Offshore is aware that the construction yards may have a large impact on the environment and have identified this as part of its license to grow under the initiative 'Manage Environmental Impact'.

²⁵ The World Resources Institute GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

ATMOSPHERIC EMISSIONS

The calculation of air emissions from offshore operations units uses the method as described in the EEMS-Atmospheric Emissions Calculations (Issue 1.810a) recommended by Oil & Gas UK.

SBM Offshore uses the GHG Global Warming Potentials from the Fourth Assessment Report issued by the Intergovernmental Panel on Climate Change (IPCC).

Emissions reported in the Company's emissions records include:

- GHG emissions for the production of energy. Records of GHG emissions from steam boilers, gas turbines and diesel engines used by the operating units.
- GHG emissions from gas flared. Flaring events accountability is split into either client or SBM Offshore: 'SBM Offshore Account' is flaring resulting from unplanned events. Whereas Client Account is flaring resulting from events caused by the client or planned by SBM Offshore in agreement with the client.

Identifying the causes of flaring for which SBM Offshore is responsible and acting on these events is part of the continuous improvement process.

OFFSHORE ENERGY CONSUMPTION

The energy used to produce oil and gas covers a range of activities, including:

- Driving pumps producing the hydrocarbons or re-injecting produced water
- Heating produced oil for separation
- Producing steam
- Powering compressors to re-inject produced gas
- Driving turbines to generate electricity needed for operational activities.

The main source of energy consumption of offshore units is Fuel Gas and Marine Gas Oil.

OIL IN PRODUCED WATER DISCHARGES

Produced water is a high volume liquid discharge generated during the production of oil and gas. After extraction, produced water is separated and treated (de-oiled) before discharge to surface water. The quality of produced water is most widely expressed in terms of its oil content. Limits are imposed on the concentration of oil in the effluent discharge stream (generally expressed in the range of 15-30 ppm) or

discharge is limited where re-injection is permitted back into the reservoir. The overall efficiency of the oil in water treatment and as applicable reinjection can be expressed as tonnes of oil discharged per million tonnes of hydrocarbon produced.

Incidental environmental releases to air, water or land from the offshore operations units are reported using the data recorded in the SRS database. SBM Offshore has embedded a methodology for calculating the estimated discharge and subsequent classification within the SRS tool.

WASTE

In line with the GRI standards, SBM Offshore reports on hazardous and non-hazardous waste outputs. The reporting methodology is detailed in each unit's Waste Management procedure which is part of Environmental Management System Manual. Collected information is based on manifests issued by the installations in compliance with client requirements.

DATA REVISIONS

Onshore emissions

Unlike in 2017, this year the Company only reports Scope 1 emissions of buildings under operation control. To consistently implement this change, the gas usage for 2017 has been revised (and with that the energy usage and CO₂ emission in Scope 1) to meet the same criteria as in 2018.

5.2.3 PROCESS SAFETY REPORTING

A Loss of Primary Containment (LOPC) is defined as an unplanned or uncontrolled release of any material from primary containment, including non-toxic and non-flammable materials (e.g. steam, hot condensate, nitrogen, compressed CO₂ or compressed air).

A Process Safety Event (PSE) is defined as a LOPC from a process that meets the Tier 1 or Tier 2 definitions within API RP 754.

LOPC events are reported in the Company's Single Reporting System as highlighted in section 5.2.1. This system includes a built-in calculation tool to assist the user in determining the release quantity of LOPC events. All LOPCs are analysed to identify those considered to be PSEs as per API RP 754. Process

Safety KPIs used by the Company include the number of Tier 1 and the number of Tier 2 PSEs.

5.2.4 HUMAN RESOURCES REPORTING

The Company's Human Resources data covers the global workforce and is broken down by region (continents), employment type, gender and age. The performance indicators report on the workforce status at year-end December 31, 2018. They include all staff assigned on unlimited or fixed-term contracts, employee new hires and departures, total number of locally-employed staff from agencies, and all crew working on board the offshore operations units and shore bases.

HEADCOUNT, TURNOVER & NATIONALIZATION

Human Resources considers:

- 'Direct Hire' employees as a staff member holding a labor contract for either an unlimited or a defined period (or an offer letter for an unlimited period in the USA). Direct hires are recorded on the payroll, directly paid by one entity of the SBM Offshore Group.
- 'Contractors' as an individual performing work for or on behalf of SBM Offshore, but not recognized as an employee under national law or practice (not part of SBM Offshore companies payroll, they issue invoices for services rendered).
- 'Subcontractors' are not considered as staff in the HR headcount breakdown structure. This population is managed as temporary service and are not covered by HR processes policies.

For reporting purposes certain performance indicators report on construction yard employees separately. Construction yard employees for Human Resources reporting purposes consist of employees for yards located in Brazil and Angola. These constitute a non-traditional type of SBM Offshore workforce who work in construction yards which SBM Offshore owns and/or operates via a joint venture and could be allocated to non-SBM Offshore projects. SBM Offshore includes the BRASA Yard in Brazil and the PAENAL Yard in Angola in its reporting scope based on partial ownership and operational control including human resource activities and social responsibility for the employees.

In principle, reporting on headcount, turnover, training and collective bargaining covers all SBM Offshore, including construction yards. For the

5 NON-FINANCIAL DATA

reporting on Appraisals and absenteeism, construction yard employees are not included, due to the limits on influence and impact that SBM Offshore has on JV partners in the PAENAL and BRASA yards.

SBM Offshore reports its Human Resources data in all the regions (Africa, Asia, Europe, North America, South America, Other) it is located. Starting from this year, we decided to no longer report per entity, but per location, for both sustainability reasons and due to the recent reorganization of SBM Offshore.

Certain differences may potentially arise between the headcount numbers reported by Finance, HSSE and HR. This is due to the difference in the reporting structure of the two departments. Turnover has been calculated as such; number of employees who have left the Company in 2018 (between January 1 and the December 31, 2018) compared with the headcount on January 1, 2018 and the number of newcomers in 2018.

For fleet operations, engagement and development of the local workforce is the main indicator for successful local content development. In this perspective, SBM Offshore monitors the percentage of local workforce – % of nationalization per vessel – and invests in training to increase or maintain the targeted level. For example, specific programs in both below countries focus on education and training of nationals to facilitate them entering the workforce with the required level of qualifications and knowledge.

- 88% of Brazilian direct hire workforce consists of Brazilian nationals
- 82% of Angolan direct hire workforce consists of Angolan nationals

ABSENTEEISM

SBM Offshore considers absenteeism as the number of work days lost due to unplanned absence. This does not include permitted absences such as maternity/paternity leave, national holidays, vacation, or compassionate leave.

The absenteeism rate is calculated as follows: The total amount of sick days on Full Time Equivalent (FTE) basis divided by the total amount of scheduled work days on FTE basis.

Absenteeism has been monitored internally at a local level by SBM Offshore and in 2017 the Company started to report externally on a consolidated level. The Company started reports on the absenteeism rates per Region (Locations) and disclose absenteeism rates by Gender (Male/Female) and Age (less than 30 years old/between 30 and 50 years old/more than 50 years old). The scope for this indicator includes all office-based Direct Hire SBM Offshore employees. The reporting for this metric excludes all offshore and construction yard employees. Due to a change in the GRI reporting standard, the Company is most likely not reporting on absenteeism next year unless the topic becomes material as a separate topic in the materiality analysis.

PERFORMANCE MANAGEMENT

In order to ensure personal development and optimal management of performance within the Company, SBM Offshore conducts annual performance reviews for all employees. Globally, the Company uses a common system to grade and evaluate all employees.

TALENT MANAGEMENT

A talent management and succession planning program is in place to discuss the strengths, development needs and potential future career paths of SBM Offshore employees, taking into account certain criteria and identifies those who have the potential to take on greater leadership roles today and tomorrow.

TRAINING

The training indicator is reported within SBM Offshore as the number of hours in total and per employee, breakdown per gender. SBM Offshore has also chosen to disclose training information in the employee categories onshore/offshore as a relevant breakdown method for the Company's stakeholders, as these are two very different types of populations with different training needs.

The Anti-corruption policies and procedure been communicated to all governance body members. All governance body members, situated in Amsterdam, have been trained accordingly.

COLLECTIVE BARGAINING

Collective bargaining is a process of negotiation between employers and a group of employees aimed at agreements to regulate working salaries, working

conditions, benefits, and other aspects of workers' compensation and rights for workers. Within SBM Offshore, it is considered as collective bargaining: all the employees of which the interests are commonly represented by external or internal representatives of a trade union to which the employees belong.

5.2.5 COMPLIANCE REPORTING

SBM Offshore reports on significant fines paid by SBM Offshore and all affiliate companies. To define a significant fine the following thresholds are considered (subject to final assessment by Management Board on a case by case basis):

1. Operational fines of a regulatory and/or administrative nature which exceed US\$ 500,000

No significant operational fine had to be paid in 2018.

2. Legal and compliance fines of a criminal nature which exceed US\$ 50,000:

During 2018, two cases brought through Brazilian dispute resolution mechanisms led to significant fines to be paid by the Company:

1. On July 26, 2018, the Company signed a Leniency Agreement with Brazilian Ministry of Transparency and Comptroller's General Office (Ministerio da Transparencia e Controladoria-Geral da Uniao – 'CGU'), the Attorney General's Office (Advocacia Geral da Uniao – 'AGU') and Petrobras. The Leniency Agreement provides for:
 - a. cash payment BRL 549 million (**approximately US\$ 146 million**), which consists of:
 - i. BRL 264 million (approximately US\$ 70 million) civil fine;
 - ii. BRL 285 million (approximately US\$ 76 million) compensation for alleged damages; and
 - b. a 95% reduction in future performance bonus payments related to FPSOs Lease and Operate contracts; representing approximately US\$ 180 million, as compensation for alleged damages to be paid by the Company; and

2. On September 1, 2018, the Company reached resolution with the Brazilian Federal Prosecutor's Office (Ministerio Publico Federal – 'MPF'), by means of an agreement that provides for a fine of BRL 200 million (**approximately \$48 million as per December 31, 2018**) to be paid by the Company to Petrobras. As with all such agreements signed by the MPF, this agreement is subject to approval by the Fifth Chamber of the MPF.

The legal fines and compensations for alleged damages amount to **US\$ 374 million**. With the signing of the agreements mentioned above, the Company is allowed to resume normal business activities with Petrobras.



5 NON-FINANCIAL DATA

5.3 NON-FINANCIAL INDICATORS

5.3.1 HEALTH, SAFETY & SECURITY

Health, Safety & Security

	Year to Year		2018 – By Operating Segment	
	2018	2017	Offshore	Onshore
Exposure Hours				
Employee ¹	12,038,253	12,640,875	8,040,307	3,997,946
Contractor ²	15,282,127	742,280		15,282,127
Total Exposure hours	27,320,380	13,383,155	8,040,307	19,280,073
Fatalities (work related)				
Employee	0	0	0	0
Contractor	1	0	0	1
Total Fatalities	1	0	0	1
Injuries				
Lost Time Injury Frequency Rate Employee	0.10	0.05	0.15	0.00
Lost Time Injury Frequency Rate Contractor	0.10	0.27	0.00	0.10
Lost Time Injury Frequency Rate (Total)³	0.10	0.06	0.32	0.01
Total Recordable Injury Frequency Rate Employee	0.23	0.17	0.32	0.05
Total Recordable Injury Frequency Rate Contractor	0.14	0.54	0.00	0.14
Total Recordable Injury Frequency Rate (Total)⁴	0.18	0.19	0.32	0.12
Occupational Illnesses				
Employee	20	1	20	0
Contractor	0	2	0	0
Total recordable Occupational Illness Frequency Rate (employees only)⁵	0.33	0.02	0.50	0.00
Security				
Work-related security incidents	7	11	5	2
Work-related security incident resulting in physical harm to employees (number)	0	0	0	0

1 Direct hires, part-time employees, locally hired agency staff ('direct contractors') in the fabrication sites, offices and offshore workers, i.e. all people working for the Company

2 Any person employed by a contractor or contractor's sub-contractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore

3 Lost time injuries per 200,000 exposure hours

4 Recordable injuries per 200,000 exposure hours

5 Occupational illnesses per 200,000 exposure hours

Process Safety

	Year to Year		2018 – Regional Breakdown			
	2018	2017	Brazil	Angola	Africa / North America	Asia
Loss of Containment - Process						
Total	344	353	227	39	30	48
API 754 Classified Materials	181	227	115	28	15	23
API 754 Classified Materials (by TIER)						
Tier 1 incidents (number)	4	5	3	1	0	0
Tier 2 incidents (number)	5	7	0	3	2	0