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 N_2O (Nitrous Oxide), CH_4 (Methane) and CO_2 (Carbon Dioxide)
- GHG emissions per hydrocarbon production from flaring and energy generation
- Non Greenhouse Gases which are CO (Carbon Monoxide), NOx (Nitrogen Oxides), SO_2 (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 emissions[25] 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 CO_2 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 CO_2 equivalents. For fuels the Company uses conversion factors published by the UK government's Department for Environment Food & Rural Affairs (DEFRA). CO_2 equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO_2 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 CO_2 emsission 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 CO_2 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