



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

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

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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.

