

Annual REPORT

SBN
OFFSHORE

2015



4.6 Risk Management

4.6.1 Company Appetite for Risks

Risk management ensures that the Company maintains a good risk/reward balance in its pursuit of potential opportunities and that consistent and controlled measures are in place. The Company is prepared to accept a calculated amount of risk if there is a high probability that these prospects will contribute to the achievement of the Company's strategic, operational and financial goals, while remaining firm regarding the amount of risk that the Company is willing to accept within its contractual obligations to clients.

4.6.2 Design and Effectiveness of the Internal Risk Management and Control System

Based on strategic objectives, risks are identified – within a defined appetite – while key financial controls are defined and implemented. An integrated approach ensures that the Company's strategic, operational and financial objectives are set within this framework. It is fundamental to ensuring that SBM Offshore's strategy is successfully executed in a controlled and compliant manner and it minimizes the risk of isolated decision making.

The fundamental objective of SBM Offshore's Risk Management Systems is to manage rather than eliminate risks and to provide a reasonable assurance that the Company's financial and non-financial reporting does not contain any errors of material importance. Although maximum safeguards are in place and independently audited, the systems at SBM Offshore can only provide reasonable but not complete assurance against the risks that could contribute to the Company's failure to meet its business objectives.

Key Achievements

- A well defined Risk Appetite Statement, developed with the Management Board and endorsed by the Supervisory Board, communicated to all the relevant stakeholders.
- Consolidation of the Company's Risk Management framework in line with ISO31000 standards with a focus on Strategic, Tactical and Operational risk management and the implementation of a more stringent Internal Control framework
- Detailed risk review and analysis of all tenders, projects and FPSO fleet operations which are part of the Company's portfolio
- Enhancement of strategic risk management processes with particular attention to the Company's project and product portfolio risks
- Quarterly Risk reports are discussed with management, providing a consolidated view and improving transparency of the processes
- Quantitative risk analysis is performed consistently for the Company's tenders and projects with the objective to assess contingencies

Major Improvements Planned

In 2016 the focus will be on enhanced integrated approach between 2nd line of defence functions.