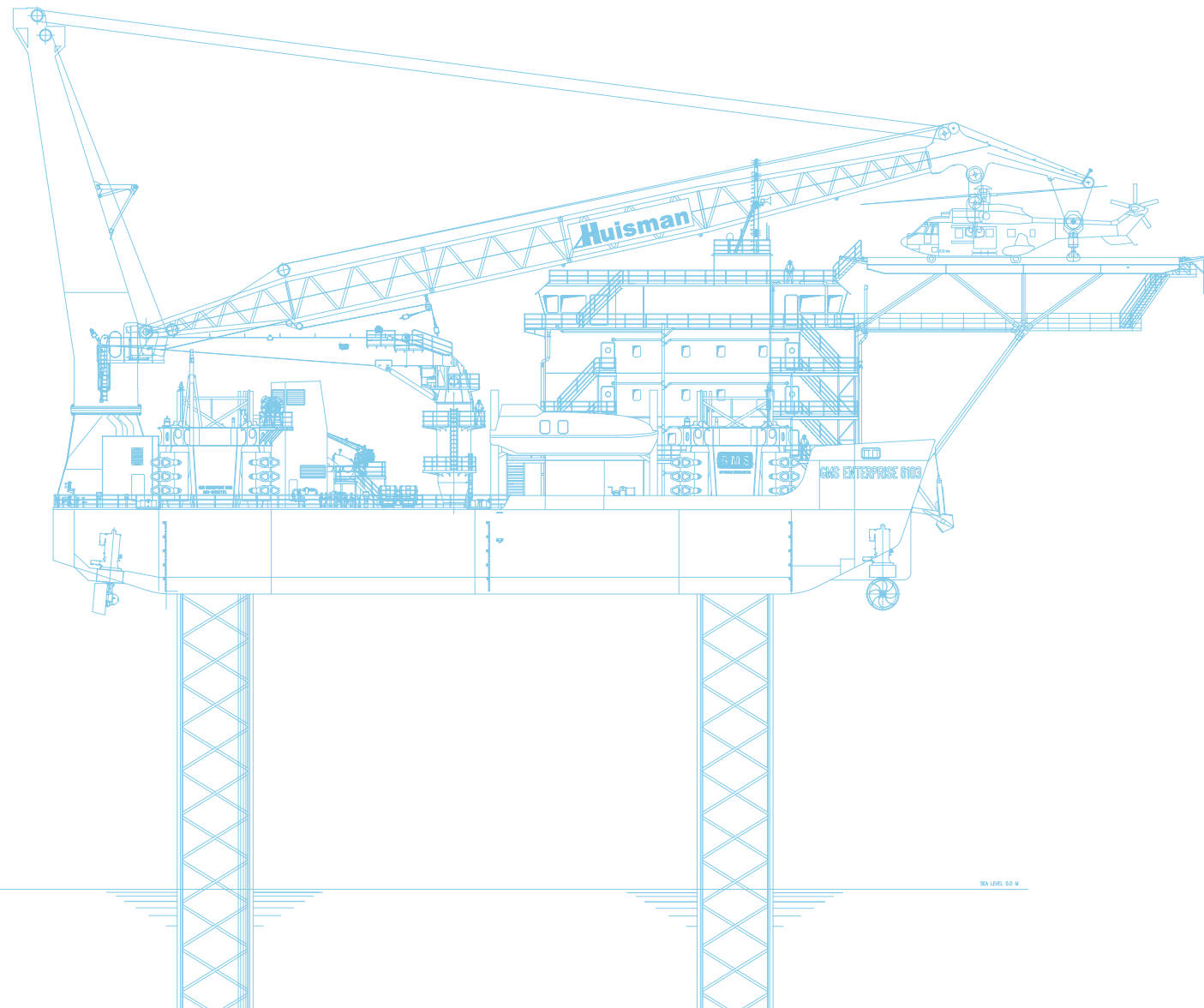




HSSEQ ANNUAL REPORT 2018

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Message from the CEO



“ I would like to take this opportunity to thank everyone at GMS for all their hard work in achieving increased fleet utilisation and for delivering another outstanding HSSEQ performance in such a busy year. ”

I am very pleased to report that GMS has once again delivered an outstanding HSSEQ performance, with a total recordable injury rate of zero and no lost time due to injuries in 2018. This achievement was attained against a total number of man hours worked of 4.1 million (2017: 4.5 million).

Health, safety and the environment are a major priority for GMS across all aspects of our business. We remain committed to providing all personnel with a high quality, safe working environment at all times and will continue to maintain a focus on safety.

2018 was a very busy year in which we also maintained our high standards of operational excellence, achieving a technical and operational uptime of 99% for our chartered vessels. A number of projects were also delivered to support GMS's 13 vessel mobilisations in the year, including the repositioning of a Large Class SESV from MENA to the UK for a wind farm charter.

We market our Large and Mid-Size Class vessels worldwide, to both oil and gas and renewable energy sector clients. The successful execution and relocation of the Large Class SESV from one region to another demonstrates both our operational flexibility and our ability to deploy our vessels quickly, efficiently and safely to other geographies in response to market demand.

As reported in last year's report, our innovative boat landing tower, which was fitted to one of our Large Class vessels operating at a wind farm development, became operational during the year, with this successfully facilitating the movement of around 200 people per day to and from transfer vessels while our SESV remained jacked up. Another project undertaken during the year was the enhancement

of the capability of one of our Small Class vessels in response to a specific tender. The project required 4 x 9 metre leg extensions to be fitted to the vessel to allow it to work in the same water depths as our Mid-Size Class vessels. Notwithstanding the complex heavy lifts and working at height off erected scaffolding, during the hot Middle-East summer months, the project was executed both safely and on time, and this proved to be beneficial to the business, as GMS was awarded a new contract against a competing vessel with similar leg extensions.

In conclusion, I would like to take this opportunity to thank everyone at GMS for all their hard work in achieving increased fleet utilisation and for delivering another outstanding HSSEQ performance in such a busy year. The ongoing support and continued commitment of all our personnel ensures that the GMS HSSEQ standards remain the very core of our business model in the industry sectors in which we operate.

Duncan Anderson

Introduction

The 2018 annual report summarises the overall GMS Health, Safety, Security, Environmental and Quality (HSSEQ) performance for 2018. As always as a company we place the highest priority on managing the risks inherent to our operations and we continually comply fully with National and International HSSEQ Regulations and Standards. Utilizing our company integrated management system, GMS strives to continually attain zero harm for personnel and to minimize the impact on the environment from all operations that we undertake. The integrated system aims to provide innovative and sustainable solutions to enhance our HSSEQ performance and deliver continuous improvement.

Our 2018 HSSEQ performance again saw us record zero Lost Time Incidents and zero Recordable Incidents, extending our zero recordable record to an impressive 2 years. The overall man hours which were worked totalled circa. 4,100,000 hours. If we examine the GMS performance over the past 5 years, (2014 – 2018 inclusive), we can see that the Total Recordable Incident Rate (TRIR) has decreased from 0.4, to a rate of zero.

The Lost Time Injury Rate (LTIR) has also fallen from 0.14 in 2013 to zero in 2018.

As might be expected the trendlines for both LTIR and TRIR show an undulating picture, however, the overall linear trendline from 2013 through to 2018 shows a continued improvement year on year for both LTIR and TRIR and this continuing downward trend is a very positive indicator of a positive safety culture within the company, and one which needs to be sustained.

On a cautionary note, in 2018 our attention and energy must be maintained on the prevention of High Potential Incident (HiPo's) occurrences, as 5 of these occurred in 2018, against 3 which were recorded in 2017, an overall increase of 60%. Indeed, another area where there was an increase in incident occurrence was within the Safety and Environmental Critical Elements (SECE's) Impairment/Failure, where in 2017 there were 13 reports against 33 reports in 2018, nearly 3 times more. However, as outlined in the 2017 report, this can be understood by the ongoing concerted effort of awareness being raised, along with the fact that in 2018 we started to see more of our vessels going back on contract.

Both HiPo's and SECE's have become critical measuring metrics within the HSSEQ performance reviews. In-depth analysis along with improvement actions are constantly being undertaken and implemented as a result of these reviews.

Total man hours worked for 2018 again saw a slight reduction (approx. 400,00 hours) as the tight market environment prevails, however, this was not as drastic as was witnessed for the 2017 reduction (approx. 1,500,000 hours) following the completion of our new build programme. Our North West Europe region saw an increase from 2 to 3 operating vessels of our Large Class ('E' Class) assets being assigned and deployed on offshore wind projects.

From an environmental view point we again saw no pollution incidents in 2018, and we continue to capture all our emissions data and report this through our GMS Annual Report. We ensured that all our environmental operational objectives were driven through our annual HSSEQ Plan.

2018 saw the full implementation and completion of our ISO 9001:2008 to 9001:2015 standards transition project. This was a major project but one which shall also be beneficial and add value for the company as it aligns with GMS's HSSEQ risk-based methodologies and rationale, and will assist in our constant quest for continual improvement within our systems and operations.

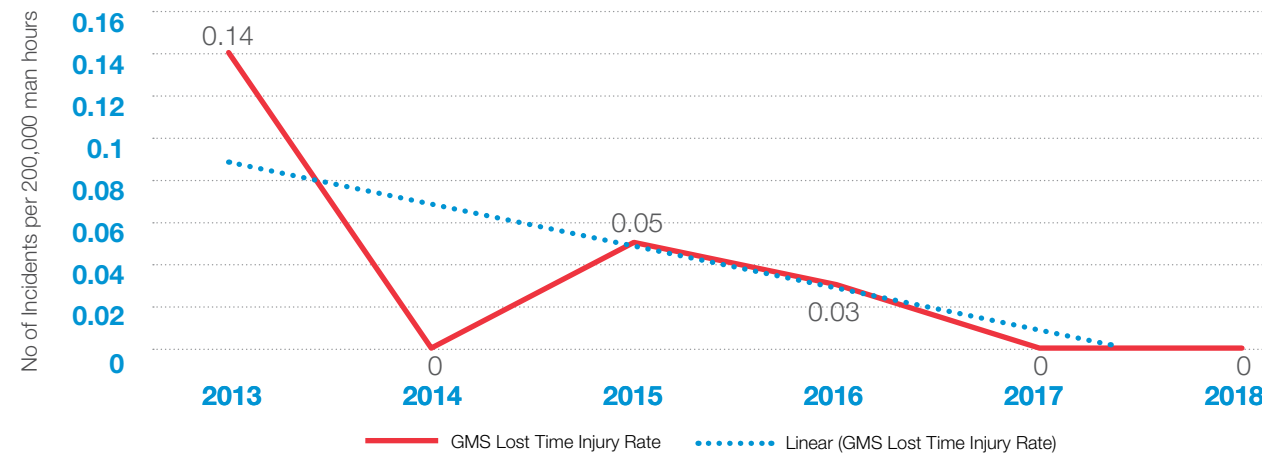
Looking ahead, we are determined to continue our efforts to drive improvement into our performance trends. As more of our operating units are put back on contract and new crews go into operation we shall manage the changing risk profile as we have done in the past. As for the established teams already in situ, we shall ensure that complacency does not become a factor following our successful zero performance of 2017 and 2018, and this shall be accomplished through a drive to ensure that our personnel, at all levels, accept and recognize their individual responsibilities and keep their focus on performing their duties safely and efficiently.

Stephen Reid
GMS HSSEQ Director

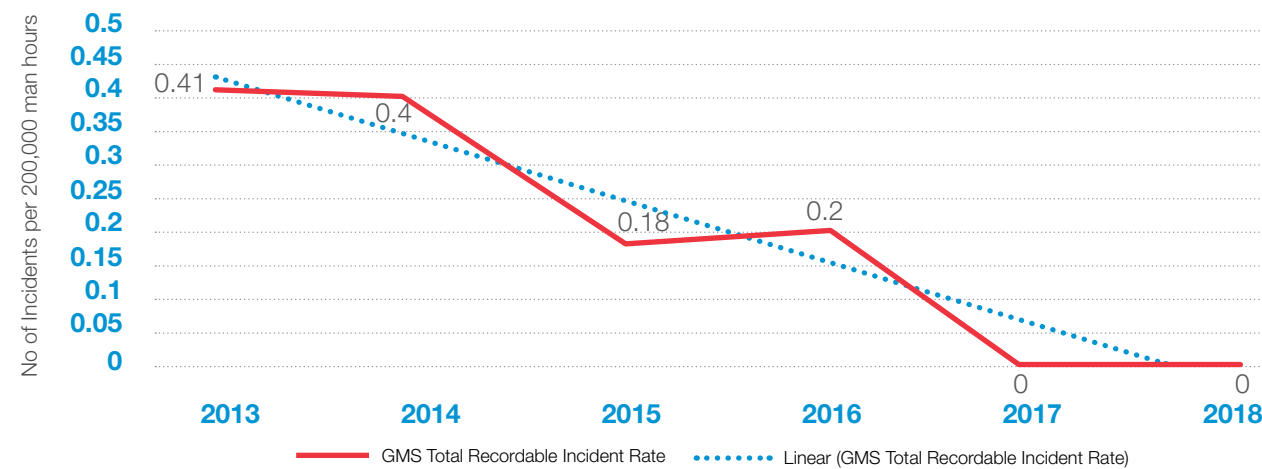
H&S Performance

Lost Time and Total Recordable Injury Rate Performance Annual Comparison

Lost Time Injury Data GMS 2013 - 2018



Total Recordable Injury Data GMS 2013 - 2018

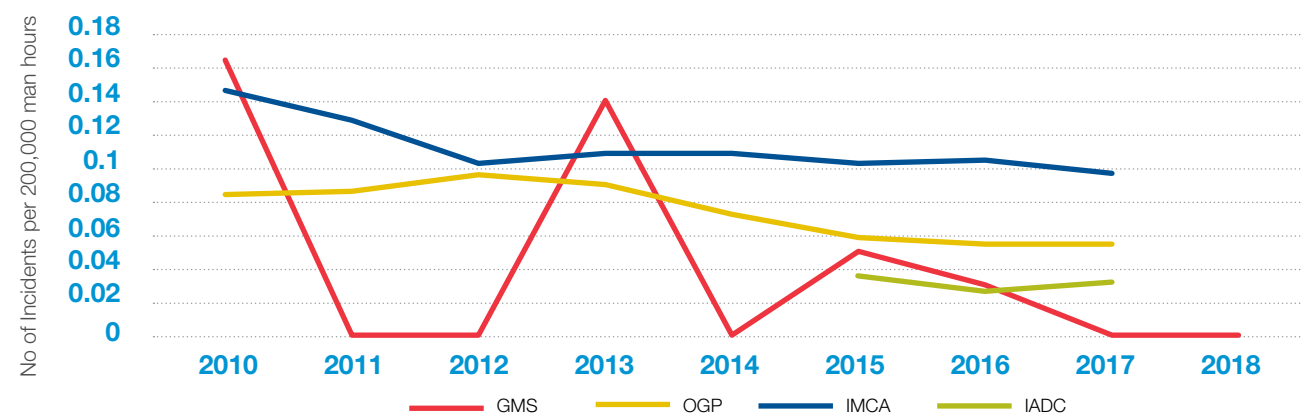


Lost Time Incident Rate (LTIR) 2013 - 0.14 to 2018 - 0.00

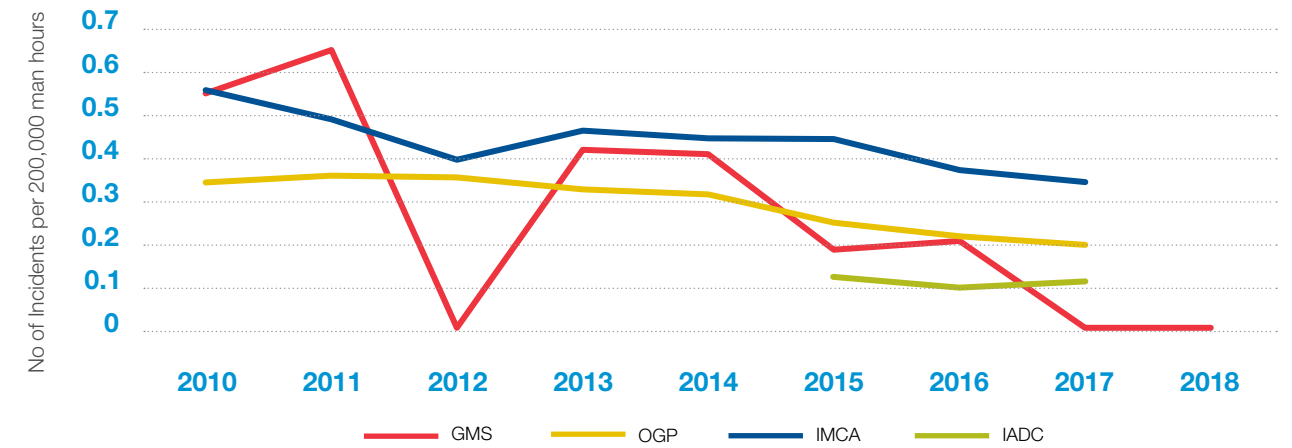
The Total Recordable Incident Rate (TRIR) 2013 - 0.41 to 2018 - 0.00 (per 200,000 man-hours worked)

Lost Time and Total Recordable Injury Frequency Rate Benchmarks

LTI / 200,000



TRIR / 200,000

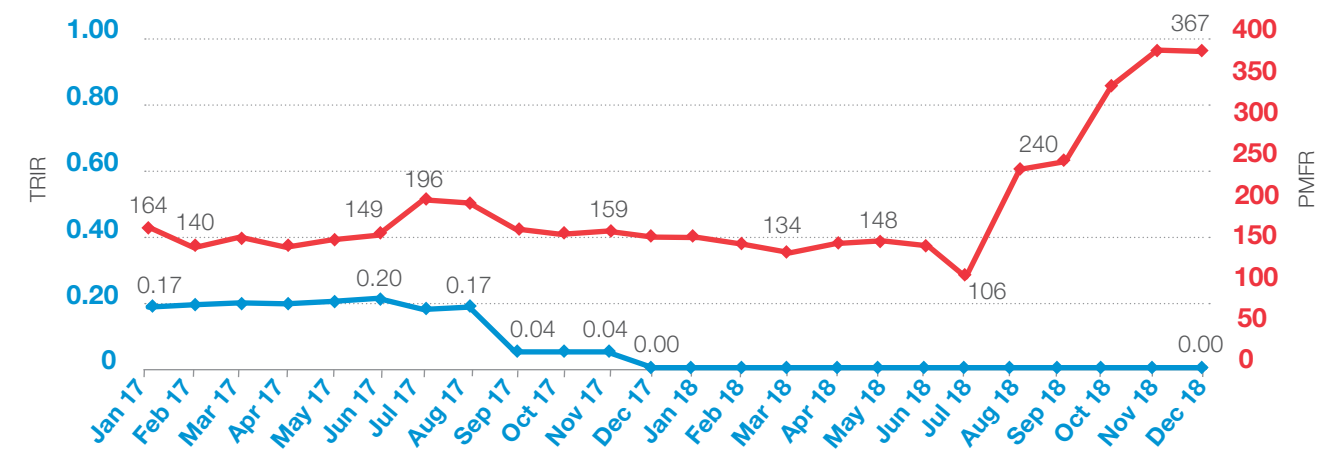


GMS are still outperforming the groups which we benchmark against – International Marine Contractors Association (IMCA) and The Oil and Gas Producers (OGP) and most recently International Association of Drilling Contractors (IADC)

GMS Potential Matrix Frequency (PMF)

The following graph shows how GMS uses its' proactive tool, the PMF Matrix, to analyse against how we have performed when we look at the same incidents and rate them against the potential outcome. The performance is looked on from a rolling 2 year period - January 1st 2017 until December 31st 2018 (Potential Incident Outcomes (Red) versus Actual Incident Outcomes (Blue)).

Company Combined January 2017 to December 2018 TRIR v PMFR Per 200,000



As can be seen, the potential outcomes (Red Line) recorded a virtual flat line performance from January 2018 until June, where an improvement was noted in July. However, the incidents that have occurred since then, and in particular the calculated potential outcomes lead us to believe that chance, and not our processes and systems, may have been a factor on the actual outcomes.

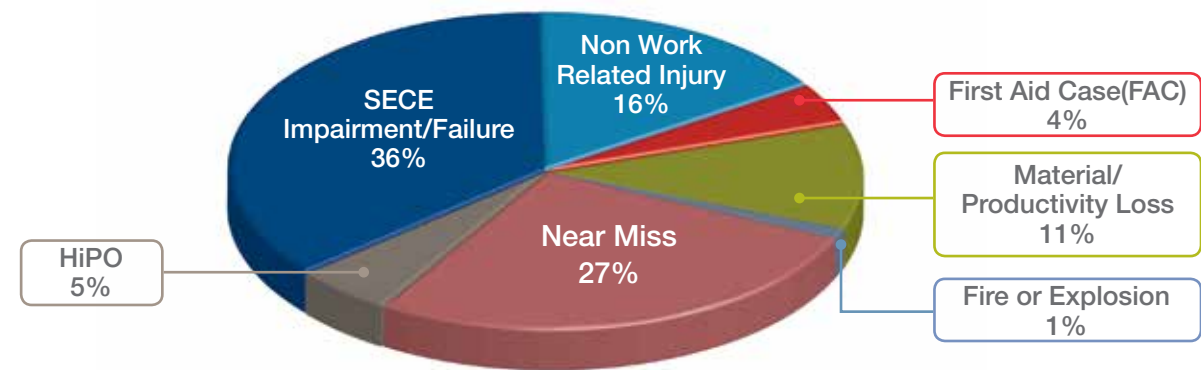
We have recognised this as a warning and we need to work together to ensure this is not a reflection of the workforce's cultural mindset. Initiatives to engage all personnel and to get individual and team hazard and risk awareness and perception levels raised again early in 2019 is a must in order to maintain our overall performance. Actions need to be identified and implemented to ensure that the early warning has been recognised and that the actual performance result remains at zero.

Corporate Statistics and Trends

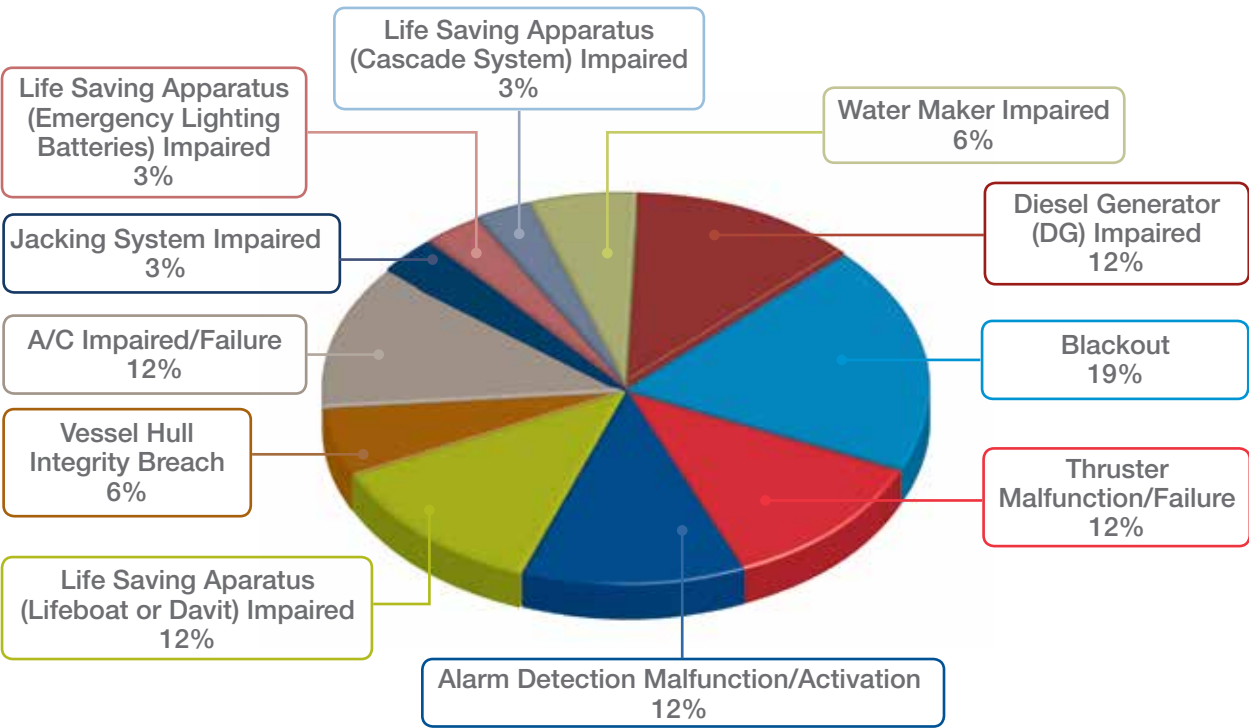
TOTAL CORPORATE STATISTICS					
CATEGORIES	2018	2017	2016	2015	2014
Fatalities	0	0	0	0	0
Lost Time Injury (LTI)	0	1	1	2	0
Restricted Work Day Case (RWDC)	0	0	4	1	3
Medical Treatment Case (MTC)	0	0	1	4	3
First Aid Case (FAC)	4	7	12	5	86
Occupational Illness/Disease	0	0	0	0	0
Material/Productivity Loss	10	6	10	9	10
Pollution	0	0	0	0	0
Loss of Containment	0	3	1	1	4
Fire Explosion	1	0	1	3	4
Security	0	1	0	0	0
Near Miss	25	24	22	20	10
HiPO	5	3	3	1	7
Safety Critical Equipment Impairment/Failure	33	13	7	0	2
Technical Offhire	0	1	1	0	0
Vehicle Incident	0	1	0	0	1
Man Hours Worked	4,146,093	4,517,474	5,967,760.5	7,655,055	2,994,497
Total Days Lost	0	0	0	33	0
LTI Frequency (LTI per 200,00 man hours)	0	0	0.03	0.05	0.00
Total Recordable Injury Rate (LTI+RWC+MTC per 200,000 man hours)	0	0.00	0.20	0.18	0.4

Incident Classification Performance

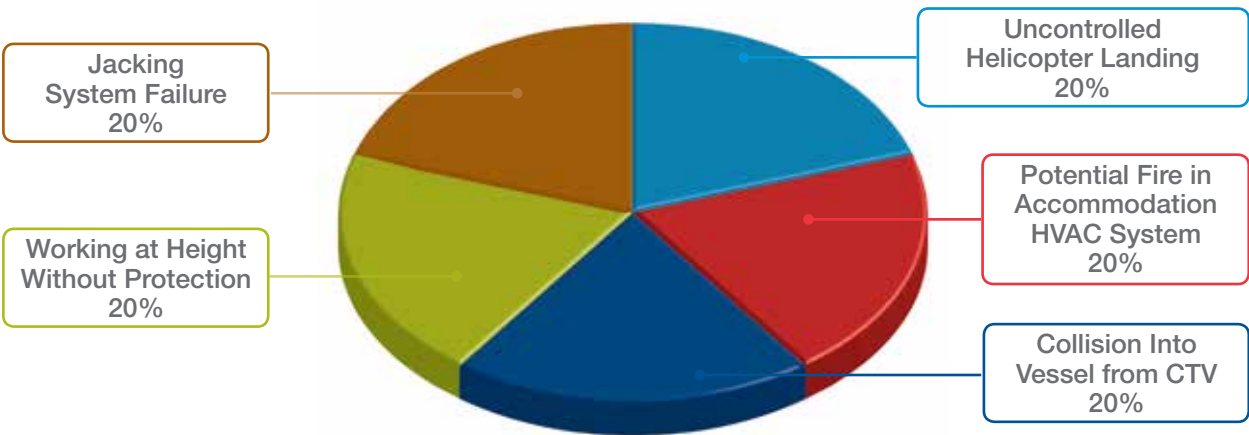
Incident Classification Performance 2018



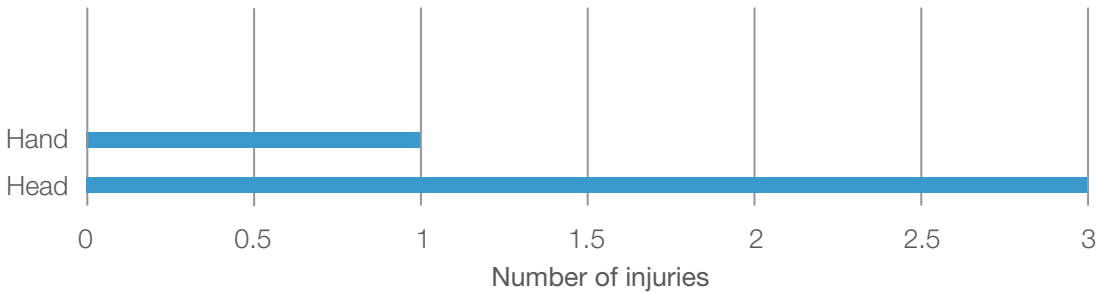
SECE Impairment/Failure Classifications



High Potential Incidents (HiPo's) Classifications



OH&S Performance – Injured Body Parts



OH&S Conclusion

2018 was again a very impressive year for GMS in their health and safety performance. Achieving another full year with Zero Lost Time and Recordable Incidents in a high risk - high hazard working environment is an achievement which should be celebrated. However, as can be seen from the earlier statistics, the journey is still in its infancy and needs more than ever to be continued and driven further.

Last year we mentioned the fact that our risk profile had changed due to the extended service provision, however, through 2018 and going into 2019 the profile has changed again as more and more units have been going back to work. This has presented us with new personnel coming into the company, along with vessels that have gone back onto contract following lay-up. It is imperative that everyone, new and established, must know and fully understand what their “individual responsibility for safety” means. It is incumbent on us all to carry out our roles and responsibilities to the standards and expectations that have been clearly set out for all of us.

GMS believes that “No-one should be injured or made ill while at work”, and we are driving this value throughout the company. If each and every one of us, each and every day, sustain and strive to improve the standards we have set over the last 2 years, this value shall become a reality and at the same time it shall allow GMS to remain in front of all our competitors within our industry sector and will continue to set the standards that the competition will need to emulate in order to compete with us.



Environment

This section has been prepared in accordance with our regulatory obligation to report Green House Gas (GHG) emissions pursuant to Section 7 of the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013.

We have reported on all of the emission sources required. These sources fall within our consolidated financial statement. We do not have responsibility for any emission sources that are not included in our consolidated statement.

In calculating our GHG emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), the Climate Registry 2014, the IEA CO2 Emissions from Fuel Combustion 2018 and emission factors from the UK Government Conversion Factors for Company Reporting 2018.

The table below shows the data points that are required under the UK Government regulatory requirements.



Global GHG Emissions Data For Period 1 January 2018 to 31 December 2018

TONNES OF CO ₂ e		
	Current reporting year	Comparison year
Emissions from:	2018	2017
Combustion of fuel and operation of facilities	42,930	48,405
Electricity, heat, steam and cooling purchased for own use	819	767
Total (in tonnes CO₂e)	43,749	49,172
Total Revenue in the reporting period	123,335,000	112,881,000
Company’s chosen intensity measurement:		
Emissions reported above normalised to the ratio of tonnes of CO₂e per US\$ 1,000,000 of Group revenue	354.72*	435.68*

Note: *Emissions for the 2018 to 2017 comparison have been normalised to the ratio of tonnes of CO₂e per US\$ 1,000,000 to provide greater clarity (previous years' utilised a ratio of tonnes of CO₂e per US\$ 1,000).

The consumption of fuel during the operation of our vessels is the largest contributor to our GHG emissions. Although our vessels are leased to our clients on a long-term basis we have chosen to account for their GHG emissions within our footprint, in accordance with the ‘operational control’ approach to developing our GHG footprint. The decrease in emissions from fuel since the previous year is due to a decrease in overall vessel mileage during contracted works.

Quality Management

Quality Continuous Improvement Analysis

2017	2018	Results Positive/Negative
18 Internal Audits (82% completion)	28 Internal Audits (97% completion)	Increase: Improved planning for KSA & Qatar-based vessels
14 External Audits	20 External Audits	Increase: intermediate audits
No Critical Actions Raised	No Critical Actions Raised	Positive: no critical findings in 2018
12 Major CPARs	3 Major CPARs	Positive: 75% decrease in major actions
No. of Overdue Actions by year end: 22%	No. of Overdue Actions by Year end: 16.5%	Positive: 5.5% less in overdue CPARs
20 Client Feedback Collected	10 Client Feedback Collected	Less vessels working means less feedback opportunities

- Audit schedule completion % Increase – Improved planning and more accessibility to GMS operations in KSA
- No Critical Actions raised & a further reduction in Major Actions raised, resulting from continual improvement
- A further Decrease (5.5%) on 2017 in overdue actions.



Audit Performance 2018

Internal + Supplier Audit Execution:

AUDITS	PLANNED	EXECUTED
Internal Audits - Office	11	10
Internal Audits - Vessels	18	18
Contractor Audits	4	4

Internal Audit schedule was 97% completed (up from 82% completion in year 2017). Where accessibility to our operating units was very challenging in 2017, in 2018 we saw clients allowing us more accessibility to undertake our audits.

External Audit Execution

GMS had 20 external audits in 2018 compared with the 14 which took place in 2017. The increase was mainly due to intermediate ISM audits for our vessels, which increased the number of mandatory audits. There was also the addition of the KSA office which required to achieve its' Document of Compliance.

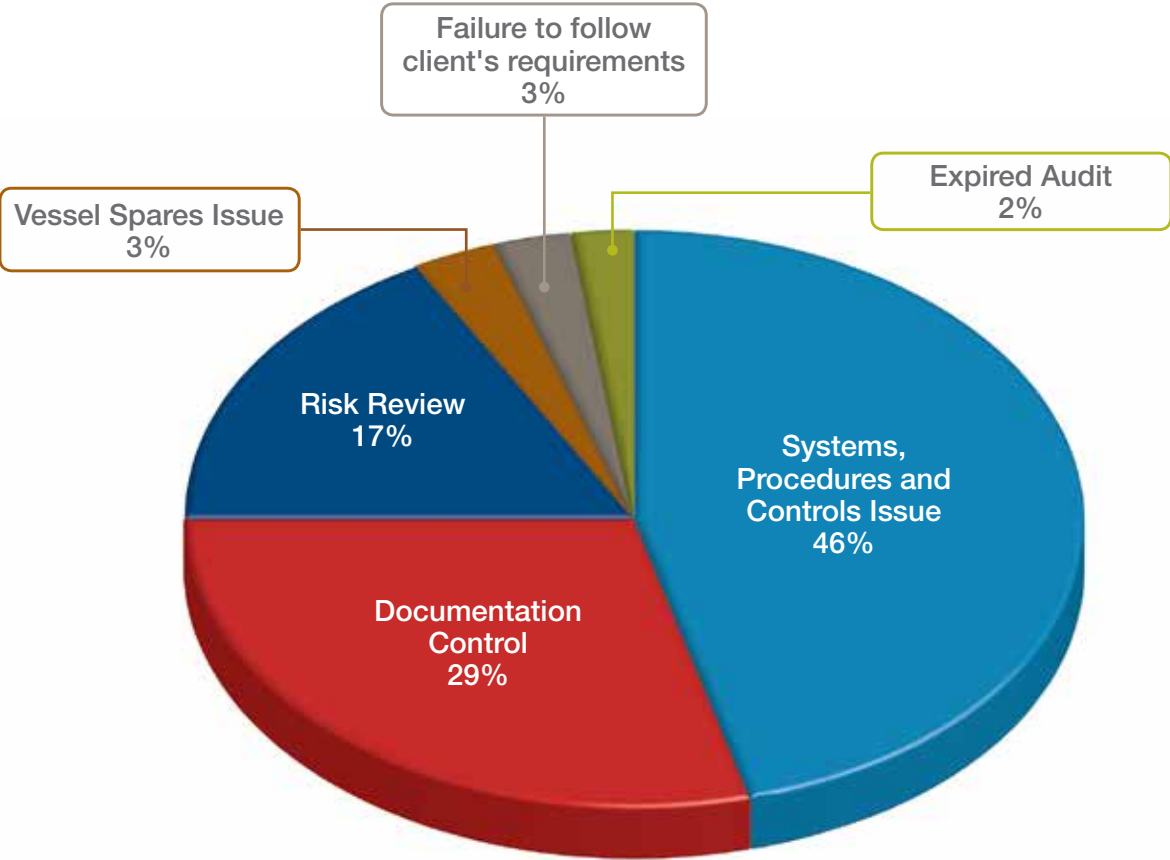
ENTITY	TYPE	DP / VESSEL	SCOPE
ABS	Classification Body	Kawawa	ISM
		Pepper	
		Keloa	
		Evolution	
		Kikuyu	
ABS	Classification Body	Kawawa	ISPS
		Pepper	
		Evolution	
		Kikuyu	
Panama SEGUM	Maritime Authority	Keloa	Flag State Safety Inspection
ABS	Certification Body	Corporate	DOC Audit
		KSA	
		NWE	
ABS	Certification Body	Corporate/MENA	BMS Re-certification & upgrade to new ISO 9001:2015
		NWE	
ADNOC	Client	Operations MENA	Marine - HSE - Quality
Zamil Offshore	Client	Sharqi	HSE
Port State Control Amsterdam	Regulatory Body	Endurance	PSC Audit
		Evolution	

Results of Internal and External Audits (2018)

Report of Findings

Internal and External Main audit findings

- No Critical findings raised
- Reduction in Major findings (75%) compared with 2017
- Systems, Procedures and Control Issues were again the significant findings (46%) for 2018, however, compared with 2017 the percentage overall has reduced by 10%



In 2018 there were 3 Major CPARs raised:

- Overdue maintenance for SCE items
- No lifeboat launching & maneuvering drill conducted
- Failure to conduct the mandatory periodic review of SSP on time

The significant trend within the Minor CPARs raised are:

- Systems, Procedures and Control Issues
- Documentation Control
- Risk Review

Customer Feedback

	Vessel	Country	Client	Type
January	Shamal	KSA	ARAMCO	Recognition
April	Enterprise	KSA	Subsea 7	Recognition
	Endurance	UK	Spirit-Energy	Recognition
May	Endurance	UK	Spirit-Energy	Recognition
	Enterprise	KSA	Subsea 7	Recognition
June	Endurance	UK	Spirit-Energy	Recognition
October	Pepper	UAE	Fugro	Recognition
November	Keloa	UAE	ADNOC	Negative
	Kudeta	KSA	Dynamic	Recognition
	UK Office	UK	Spirit-Energy	Recognition

- Generally positive Recognition feedback.
- The only negative Client feedback was in relation to our outsourced catering team

QA/QC Conclusion

2018 was a year where all the efforts to improve the management systems made in previous years finally came together. Although it was a challenging year with the opening of a new office, a new management system standard, several vessels previously in different stack modes coming back on hire, overall it was a very successful year for quality in GMS.

Moving forward to 2019, another very challenging year, the aim is to maintain the GMS standard and replicate the success obtained in 2018 by carrying forward the same strategy.



Continuous Improvement Initiatives and Sharing Best Practice

Transition Project – ISO 9001:2008 to 9001:2015

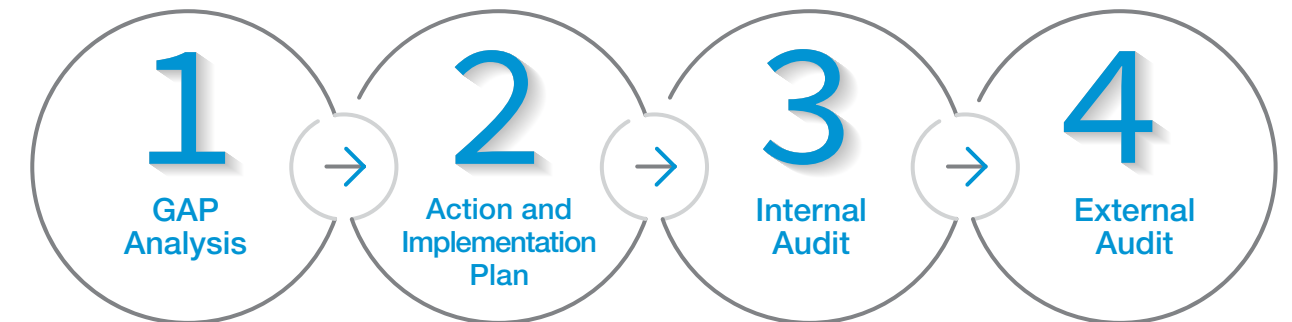
ISO 9001 is a standard that sets out the requirements for a quality management system. It helps GMS to be more efficient and to improve its client satisfaction. The 2015 edition has now replaced the 2008 version and companies were given a timeline in which to transition their systems. GMS decided to undertake the transition and in 2018 the GMS Business Management System (BMS) was successfully certified in line with the new ISO 9001:2015 revision.

The new standard was released with significant changes. The most noticeable change is its new structure as the new ISO 9001:2015 Standard follows the same overall structure as other management standards, thus making it easier for implementation and maintenance for companies using multiple management systems. This change was found to be particularly helpful within our company, as GMS implements and maintains systems that overlap with each other such as:

- OHSAS 18001 (Occupational Health and Safety Management System),
- ISO 14001 (Environmental Management System),
- International Safety Management (ISM) Code,
- The International Ship and Port Facility Security (ISPS) Code
- API Spec Q1 (Specification for Quality Management System Requirements for Manufacturing Organizations for the Petroleum and Natural Gas Industry).



To achieve a successful transition from the old Standard to the new Standard required an in-depth project plan to be prepared and executed. The plan was structured and executed in the following way:



1. GAP Analysis

The project began with an initial GAP analysis being commenced. The gap analysis required a full review of the current system to be carried out against the clauses of the new 2015 Standard. While comparing the differences with the old and new system it was found that GMS already complied with some of the requirements thanks to the recent implementation of a similar quality standard - API Q1 management system.

However, the GAP analysis still resulted in 110 actions being identified and a plan, with instructions on how to address and/or comply with the updated requirements, was developed.

2. Action and Implementation Plan

The action plan, along with the action owners and required action close-out timelines, were rolled out with the intent for them to be executed in Q1 and Q2 of 2018. This was to align with the full recertification audit which was planned for later in the year.

Some of the main changes executed in the system were:

- **Documentation:** The BMS contains 116 procedures, but the new ISO 9001 affected 17 of them. All those procedures were required to be both reviewed, revised and updated.
- **Processes/Activities:** Some of the activities, such as the Management Review Meetings, in the BMS were restructured. Others, such as the Supply Chain Process, were partially reconstructed from the ground up.
- **Process Map:** This transition gave us the opportunity to map all the procedures in the company, whilst at the same time creating a graphical link between each other for the purpose of making the management of documentation easier.

3. Internal Audit

The implementation plan could not be deemed completed without a follow-up evaluation of the level of compliance with the new standard. In Q3 and Q4 2018 several departments were audited as part of the Internal Audit program. The departments audited were: Supply Chain, Marine Operations, HSE, MENA & GMSA Operations, Crewing and Learning & Development.

Although several areas were identified for improvement, in general, the results were satisfactory. More positive was the fact that out of all the findings, the majority were Observations and Opportunity for Improvement rather than Non-conformities.

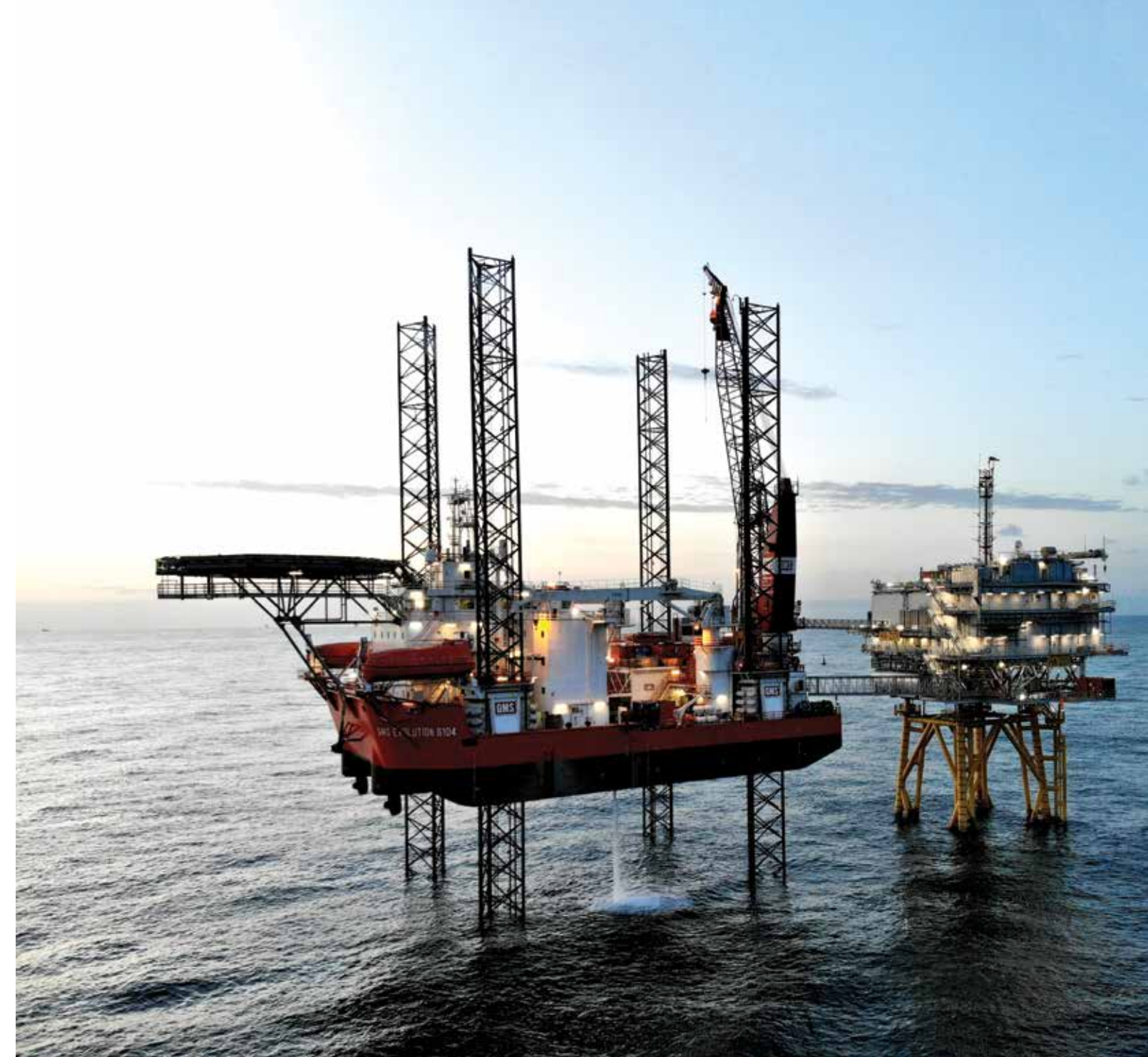
4. External Audit

Having changed our accreditation certification body also in 2018, GMS went through the required certification audit firstly in our NWE office followed by an audit in our MENA/Corporate office. Based on the results of the audit, our accreditation audit team determined that the management system was effectively implemented and maintained as per defined requirements and was deemed capable to achieve expected outputs.

Highlights of the new system

A major addition to ISO 9001:2015 is the focus on risk-based thinking within the context of the organization. It means focusing primarily on the analysis of the inherent risks that the company is exposed to, while finding ways of providing assurance that the risk is managed within a defined acceptable level. The risk-based process was approached by Senior Management by determining the external and internal issues that are relevant to GMS, i.e. the relevant issues, both inside and out, that have an impact in GMS and its ability to achieve the objectives and the KPIs, and the “interested parties” which are internal (such as employees, owners, Board of Directors, etc.) and external (such as clients, creditors, suppliers, competitors) that are influenced or exposed to that risk.

The new standard also puts a greater emphasis on leadership engagement. This is demonstrated by Senior Management as they have become more engaged and available via the Quarterly Management Meetings and ensured that employees were given the responsibility and authority to enable them to carry out their roles in relation to the quality management system. Also, Senior Management have led by example by avoiding cutting corners in our Operations, especially during these difficult times within the tight industry environment in which we have found ourselves operating over the last few years.



Gulf Marine Services

Our assets are engaged in a wide range of services throughout the total lifecycle of offshore oil, gas and renewable energy activities.

Our major services include:

- Enhanced oil recovery
- Diving support activities
- Drilling support, completions and testing
- Platform construction, hookup and commissioning
- Platform restoration and maintenance
- Well abandonment and decommissioning
- Well intervention and workover
- Wind turbine installation and maintenance
- Accommodation barges

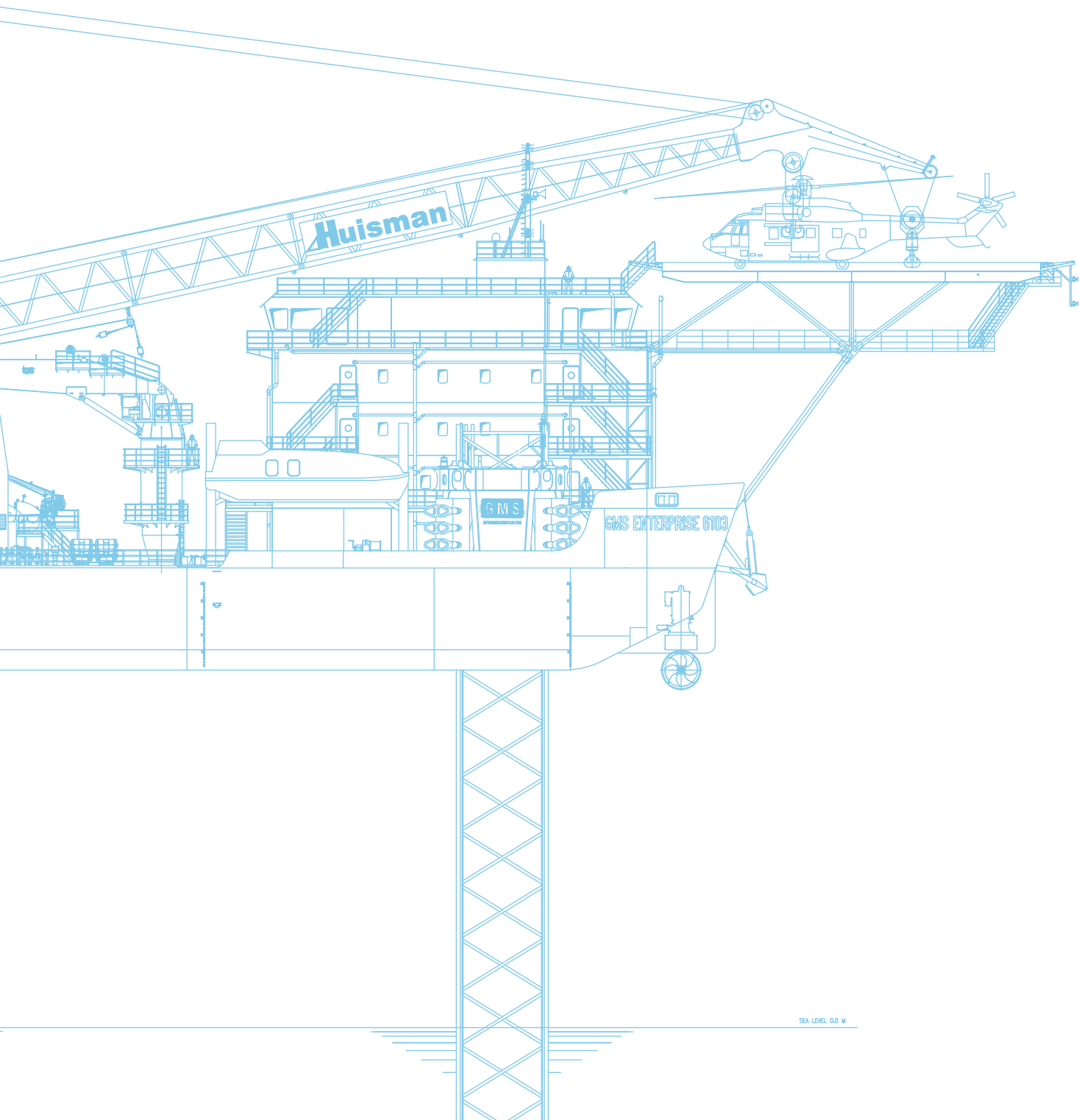
Vessels

K-Class – Kamikaze, Kawawa, Kelo, Kikuyu, Kudeta, Naashi

S-Class – GMS Shamal, GMS Scirocco, GMS Sharqi

E-Class – GMS Endeavour, GMS Endurance, GMS Enterprise, GMS Evolution

P-Class – Pepper



Gulf Marine Services

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