



**OFFSHORE**

ENERGY. COMMITTED.

# ANNUAL REPORT 2018

## 3 GOVERNANCE

### 3.3 REPORT OF THE SUPERVISORY BOARD

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#### Message from the Chairman of the Supervisory Board

Dear reader,

I am pleased to present you this Report of the Supervisory Board which describes its activities during 2018.

The Company has concluded the last legacy issues. On July 26, 2018, the Company signed a Leniency Agreement with the Brazilian Authorities (CGU and AGU) and Petrobras. This agreement enables SBM Offshore and Petrobras to normalize business relations in respect of tenders, with SBM Offshore now being able to effectively compete for new business in Brazil with immediate effect. Furthermore, on September 1, 2018 SBM Offshore signed an agreement with the MPF in order to settle on the alleged improper sales practices before 2012. The required approval of this agreement by the Fifth Chamber was granted in December 2018. A joint request to the court to formally close the Improbability lawsuit filed by the MPF in 2017 has been made. SBM Offshore also reached a final settlement of its Yme insurance claim. For the financial details in relation to the closure of these legacy issues, I refer to note 4.3.1 Financial Highlights.

2018 has also been a positive year for the Company from a commercial perspective. SBM Offshore has been awarded the contracts for ExxonMobil's second Liza FPSO offshore in Guyana. Following FEED and subject to requisite government approvals, project sanction and an authorisation to proceed with the next phase, SBM Offshore will construct, install, lease and operate the FPSO for a period up to two years, after which the FPSO ownership will transfer to ExxonMobil. This second Liza FPSO is based on the Company's Fast4Ward™ program which enables it to transform the business by reducing cycle time to energy deliver, de-risking of projects and improving quality and safety for its clients. Fast4Ward™, as a product offering, is maturing in the market. On the basis of increased client interest and better demand visibility, the Company has committed to build its second Fast4Ward™ hull.

The Supervisory Board supports the increasing focus of the Company with respect to the preparation for and the potential impact of the energy transition as well as the approach of the Company to integrate sustainability in its strategy and operations.

For further details about the activities of the Supervisory Board and its committees, I refer to the next sections of this chapter.

Floris Deckers  
Chairman of the Supervisory Board

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#### THE SUPERVISORY BOARD

##### Composition

Your Supervisory Board has seen a number of changes in 2018. Both Frans Cremers and Lynda Armstrong stepped down after the Annual General Meeting of April 11, 2018 after having served for eight and four years respectively. The Supervisory Board has elected Floris Deckers as its Chairman of the Supervisory Board. Francis Gugen was re-appointed for a third term (two years) ending at the 2020 AGM. When deciding on the proposal to re-appoint Francis Gugen, the Supervisory Board has taken into account his past performance and it was concluded to be important to retain the experience Francis Gugen brings as Chairman of the Audit and Finance Committee. The Supervisory Board welcomed Roeland Baan and Bernard Bajolet who were newly appointed at the 2018 AGM. In accordance with best practice 2.2.2 of the Corporate Governance Code, for all (re-)appointments the profile and competency matrix for the Supervisory Board have been closely observed.

##### Independence

All Supervisory Board members are independent from the Company within the meaning of best practice provisions 2.1.7 to 2.1.9 inclusive of the Dutch Corporate Governance Code with the exception of Sietze Hepkema, who was a Management Board member of SBM Offshore until his appointment as Supervisory Board member in April 2015. None of the Supervisory Board members serve on the Management Board of a Dutch listed company.

##### Meetings

The Supervisory Board held ten meetings in 2018, of which seven were scheduled. The attendance percentage of the Supervisory Board for these meetings was 96.43%. In addition, three extra meetings were held to provide updates on the discussions with the authorities in Brazil. The percentage for these meetings of 83.33%. An overview of the attendance of Supervisory Board members per meeting is found in the following table.

Members	Scheduled SB meeting	Extra SB meeting	Audit and Finance Committee	Technical and Commercial Committee	Appointment and Remuneration Committee
Floris Deckers <sup>1</sup> (Chairman)	7/7	2/3	2/2	3/3	5/5
Thomas Ehret (Vice-Chairman)	6/7	2/3	-	5/5	-
Roeland Baan <sup>1</sup>	5/5	1/2	-	3/3	3/3
Bernard Bajolet <sup>1</sup>	5/5	2/2	-	3/3	-
Francis Gugen	7/7	2/3	5/5	-	-
Sietze Hepkema	7/7	3/3	5/5	-	-
Laurence Mulliez <sup>1</sup>	6/7	3/3	3/3	4/4	-
Cheryl Richard	7/7	3/3	-	-	5/5
Frans Cremers <sup>1</sup>	2/2	1/2	-	2/2	2/2
Lynda Armstrong <sup>1</sup>	2/2	1/2	-	2/2	2/2

<sup>1</sup> Where a Supervisory Board member retired from or was appointed to the Supervisory Board, stepped down from a Committee or was appointed throughout the year, only meetings during his/her tenure were taken into account

The Management Board prepared detailed supporting documents as preparation for all meetings. The meetings are spread over two days, starting on the first day with the meetings of the Audit and Finance Committee, the Appointment and Remuneration Committee and the Technical and Commercial Committee. The Company Secretary is also the secretary of the Supervisory Board and its sub-committees. The Management Board and the Company Secretary attended all meetings of the Supervisory Board. Prior to each of the physical Supervisory Board meetings, an informal pre-board dinner was held, in most instances in the presence of the Management Board. At the end of each Supervisory Board meeting, the members of the Supervisory Board discussed the topics of the meeting in a private setting. Contacts between members of the Supervisory Board and Management Board takes place on a regular basis, also outside the regular setting.

Standard items on the agenda of Supervisory Board meetings were updates from each of the Management Board members including the following topics:

- Health, Safety, Security and Environment
- Operational performance
- Financial performance
- Updates on various topics related to compliance matters
- Risk and Opportunity reporting
- Market environment and commercial activities
- Strategic initiatives
- Stakeholder and shareholder interests
- IT, Digital and Cybersecurity

More specifically, in 2018, amongst other items, the following was discussed in the Supervisory Board meetings:

- During the scheduled meetings and in extra meetings, updates were given on the discussions with the authorities in Brazil.
- In February 2018, the Supervisory Board discussed and approved the Annual Financial Statements 2017. The Supervisory Board approved the proposal to the General Meeting of an all cash dividend distribution. In that same meeting, the Operating Plan 2018 was approved in its final form.
- In April 2018, the Supervisory Board prepared for the General Meeting.
- In the May 2018 meeting, the Supervisory Board discussed the Q1 2018 Trading update.
- In August 2018, the Half-Year Financial Statements 2018 were approved.
- In the November 2018 meeting, the Supervisory Board discussed the Q3 2018 Trading update. In this meeting, the Supervisory Board also discussed succession planning of the Management Board, senior management of the Company and the Supervisory Board.
- The Supervisory Board discusses the long-term value creation strategy, the implementation of the strategy and the principle risks associated with it on a regular basis. This was for example discussed during the August 2018 meeting and in the December 2018 meeting, in which the Long-Term Strategic Plan was discussed and approved. In this context the most significant risks have been taken into account. The Supervisory Board annually discusses the Company's Risk Appetite statement.

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- The Company Values are discussed on a regular basis. The updated Code of Conduct was part of the discussions.
- The three committees provided feedback of their meetings in the Supervisory Board meeting and made recommendations for decisions by the Supervisory Board.

#### THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has three committees. These committees have advisory powers and provide the

Supervisory Board with updates on their meetings. Due to Frans Cremers and Lynda Armstrong stepping down and the appointment of Roeland Baan and Bernard Bajolet, a number of changes to the committee composition became effective in 2018.

The composition of each committee is detailed below.

Members	Audit and Finance Committee	Technical and Commercial Committee	Appointment and Remuneration Committee	
			Appointment matters	Remuneration matters
Floris Deckers (Chairman) <sup>1</sup>		√	Chairman	√
Thomas Ehret (Vice- Chairman)		Chairman		
Roeland Baan <sup>2</sup>		√	√	√
Bernard Bajolet <sup>2</sup>		√		
Francis Gugen	Chairman			
Sietze Hepkema	√			
Laurence Mulliez <sup>3</sup>	√	√		
Cheryl Richard <sup>4</sup>			√	Chairman

<sup>1</sup> As per April 11, 2018 Chairman of Supervisory Board, member of the Technical and Commercial Committee, Chairman of the Appointment and Remuneration Committee dealing with Appointment matters and member of the Appointment and Remuneration Committee dealing with Remuneration matters

<sup>2</sup> Newly appointed as per April 11, 2018

<sup>3</sup> Member of the Audit and Finance Committee as of April 11, 2018. Member of the Technical and Commercial Committee as of October 1, 2018

<sup>4</sup> Chairman of the Appointment and Remuneration Committee for remuneration matters as per April 11, 2018

There is an open invitation to join committee meetings for those Supervisory Board members who are not a member of a specific committee. This invitation is frequently made use of.

#### Audit and Finance Committee

The Audit and Finance Committee convened five times in 2018. The attendance percentage of the Audit and Finance Committee was 100%. The Management Board, the Group Internal Audit Director, the Group Contoller and the External Auditor attended the meetings. After each Audit and Finance Committee meeting, meetings of the Audit and Finance Committee with the External Auditor outside the presence of the Management Board were held. The Chairman of the Audit and Finance Committee regularly held meetings with the CFO, and separately with SBM Offshore's Group Internal Audit Director.

Besides the standard agenda topics, such as reports on Financial Performance, Compliance, Risk, Litigation and Internal Audit activities, the following was discussed in 2018:

- Funding, covenants and liquidity

- Dividend proposal
- Review of payments to agents
- External Auditor's audit plan, management letter and board report
- Functioning of, relationship with and re-appointment of the External Auditor
- Financing Strategy
- Investor Relations
- The Group's tax structure, tax planning and transfer pricing policies
- IT and Cyber security

#### Appointment and Remuneration Committee

The Appointment and Remuneration Committee had five meetings in 2018. The attendance percentage of the Appointment and Remuneration Committee Meetings was 100%. The Appointment and Remuneration Committee consists of two parts as prescribed by the Corporate Governance Code: a part for Selection and Appointment matters and a part for Remuneration matters. During the Supervisory Board meetings, the respective Chairmen reported on the selection and appointment matters and on the remuneration matters reviewed by the Committee, on actions arising and the follow-up of

such actions. They made recommendations on those matters that require a decision from the Supervisory Board. The meetings were attended by the Management Board and the Group HR Director, except where the Appointment and Remuneration Committee chose to discuss matters in private. At various times, the members of the Appointment and Remuneration Committee met outside of formal meetings in preparation for the physical meetings.

The main subjects discussed by the Appointment and Remuneration Committee – besides the standard topics – were as mentioned below. On Management Board remuneration matters, the views of the Management Board members on their own remuneration have been noted.

### Remuneration matters

During early 2018, extensive discussions with third parties (investor road show and remuneration consultants) have been conducted on Remuneration Policy 2018. The final text of RP 2018 was approved by the 2018 AGM. Other items discussed in the meetings were:

- Determination of the relevant Short-Term and Long-Term Incentive setting and realization and Value Creation Stake award in accordance with the applicable Remuneration Policy
- Share based incentives for senior management
- Supervisory Board Remuneration

### Selection and Appointment matters

- Succession planning
- Talent Management
- Management Board and Supervisory Board (re-)appointments and Supervisory Board committee composition
- The Company's organization and rightsizing actions presented by the Management Board.
- Further details on remuneration can be found in the remuneration report (section 3.4 of the Management Report).

### Technical and Commercial Committee

The Technical and Commercial Committee met five times in 2018. The attendance percentage of the Technical and Commercial Committee meetings was 100%. The Chairman of the Technical and Commercial Committee reported to the Supervisory Board on the principal issues discussed, on actions arising and the follow-up of such actions and made

recommendations on those matters requiring a decision. The meetings were attended by the Management Board, and mostly by the Managing Director Floating Production Solutions and the Managing Director Operations. Other senior managers gave presentations on specific topics within the remit of the Technical and Commercial Committee.

The main subjects discussed by the Technical and Commercial Committee were the following:

- Health, Safety, Security and Environment performance, including health and security management
- Project delivery
- Operational performance and strategy
- Commercial prospects and the international competitive environment
- Technology and innovation developments
- Gas/FLNG and Renewables
- Progress on Fast4Ward™ project
- Risk assessment

### INDUCTION, TRAINING AND PERFORMANCE ASSESSMENT

New members of the Supervisory Board have attended induction sessions with the Management Board and senior management during which they were informed on various relevant aspects of the Company. Furthermore, members of the Supervisory Board visited the Monaco Office and a Supervisory Board meeting took place at the Schiedam Office in 2018 in order to gain greater familiarity with the SBM Offshore organization and the activities of the respective sites. Both the Management Board and the Supervisory Board spent time on training on various relevant subjects.

In August 2018, the Supervisory Board assessed the profiles and the competencies of the individual Supervisory Board members. In addition, the Supervisory Board conducted a self-assessment in Q4 2018. The Supervisory Board assessed the performance of its committees and its individual members, as well as the performance of the Management Board and its individual members during an executive session. In general, it is concluded that the Supervisory Board and its committees work well, have a balanced composition and are complementary in competences and experience and is positive about the performance of

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the Management Board. The practice introduced in 2018 to spend more time outside the meetings to further develop as a team was appreciated and will be continued. In the light of the importance of the energy transition to gas and renewables, the Company's strategy on this subject was considered to be a subject for the Supervisory Board for frequent and ongoing future discussion. In the year, as in previous years, a number of one-to-one conversations took place between the Chairman of the Supervisory Board and the CEO, as well as other Management Board members. Furthermore, there were regular contacts between the committee Chairmen and their respective counterparts in the

Management Board on various topics. As done in previous years the Management Board performed a self-assessment on its functioning by means of a survey, the results of which were discussed in a meeting.

#### Remuneration

The current remuneration of the Supervisory Board was set at the Extraordinary General Meetings of July 6, 2010 and April 15, 2015. In 2018, no changes were made to the Supervisory Board remuneration policy.

The fee level and structure for the Supervisory Board is summarized as follows:

in EUR	Fee
Chairman Supervisory Board	120,000
Vice-Chairman Supervisory Board	80,000
Member Supervisory Board	75,000
Chairman Audit and Finance Committee	10,000
Member Audit and Finance Committee	8,000
Chairman of the Appointment and Remuneration Committee dealing with Appointment matters	9,000
Chairman of the Appointment and Remuneration Committee dealing with Remuneration matters	9,000
Member of the Appointment and Remuneration Committee	8,000
Chairman Technical and Commercial Committee	10,000
Member Technical and Commercial Committee	8,000
Lump sum for each intercontinental travel	5,000

None of the Supervisory Board members receives remuneration that is dependent on the financial performance of the Company as per best practice 3.3.2 of the Code. With the exception of Sietze Hepkema, none of the Supervisory Board members have reported holding shares (or other financial instruments) in SBM Offshore N.V. The reason for his shareholdings is the (share based) remuneration he has received as Management Board member in the past.

SBM Offshore does not provide loans or advances to Supervisory Board members and there are no loans or advances outstanding. SBM Offshore does not issue guarantees (and/or sureties) to the benefit of Supervisory Board members, nor have these been issued.

The total remuneration of the members of the Supervisory Board in 2018 amounted to EUR 761 (2017: EUR 769) thousand on a gross (i.e. before tax) basis. In note 4.3.6 to the consolidated financial statements the remuneration of individual Supervisory Board members is set out.

## CONCLUSION

The Financial Statements have been audited by the external auditors, PricewaterhouseCoopers Accountants N.V. Their findings have been discussed with the Audit and Finance Committee and the Supervisory Board in the presence of the Management Board. The External Auditors have expressed an unqualified opinion on the Financial Statements.

The Supervisory Directors have signed the 2018 Financial Statements pursuant to their statutory obligations under article 2:101 (2) of the Dutch Civil Code.

The members of the Management Board have signed the 2018 Financial Statements pursuant to their statutory obligations under article 2:101(2) of the Dutch Civil Code and article 5:25c (2) (c) of the Financial Market Supervision Act.

The Supervisory Board of SBM Offshore N.V. recommends that the Annual General Meeting of Shareholders adopts the Financial Statements for the year 2018.

### Supervisory Board

Floris Deckers, Chairman  
Thomas Ehret, Vice-Chairman  
Roeland Baan  
Bernard Bajolet  
Francis Gugen  
Sietze Hepkema  
Laurence Mulliez  
Cheryl Richard

Schiphol, the Netherlands  
February 13, 2019



