



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

3.4 REMUNERATION REPORT

This report consists of two parts. The first part 3.4.1, describes the remuneration policy for the Management Board. The second part 3.4.2 provides

insight into the actual remuneration paid and awarded to the Management Board members over 2018. Details on the fee structure for the Supervisory Board members are set out in section 3.3 Report of the Supervisory Board.

Letter from the Chairman of the Appointment and Remuneration Committee dealing with Remuneration Matters

Dear reader,

Over the past few years, SBM Offshore has been fine-tuning its strategy, processes and technical abilities to take advantage of future market opportunities. Due to this foresight, the Company has been able to capture the opportunities in 2018 and is well positioned for the future.

Activity levels in Turnkey are growing, which bodes well for the pipeline of future opportunities. SBM Offshore is a leader in meeting lower cost requirements of the oil and gas services sector and is able to capitalize on evolving market opportunities. For example, in 2018, a second Fast4Ward™ hull was committed. 2018 also marks the end of the YME insurance claim and of the legacy issues in Brazil. The Management Board has well positioned the Company for the future.

A new Management Board Remuneration Policy ('RP 2018') was adopted by the 2018 Annual General Meeting of Shareholders. The new Policy became effective as of January 1, 2018. Key objectives of the new Remuneration Policy include alignment with shareholders, simplicity and transparency. The remuneration structure has been modified in the following manner:

- The Short-Term Incentive was simplified and the maximum payout was reduced.
- SBM Offshore also introduced the Value Creation Stake consisting of restricted shares. The Long-Term Incentive moved from a grant expressed as a percentage of a share pool to a percentage of salary while also reducing the maximum grant potential.

SBM Offshore's activities are linked to the global oil and gas industry. Consequently, its remuneration policies and practices must be competitive with both European and U.S. practices. This is reflected in the new Reference Group as part of RP 2018.

The Supervisory Board remains committed to relevant and clear remuneration in line with best practices. I look forward to discussing the remuneration policy, actual remuneration as well as any other questions arising from this report, at the Annual General Meeting on April 10, 2019.

Cheryl Richard

Chairman of the Appointment and Remuneration Committee dealing with Remuneration Matters

3.4.1 MANAGEMENT BOARD REMUNERATION POLICY

The Company aims at remunerating members of the Management Board for long-term value creation. A remuneration policy is in place that contributes to competitive and aligned remuneration with the long-term performance of SBM Offshore. The current version of the remuneration policy (called RP 2018) has been effective as per January 1, 2018, after approval by the 2018 Annual General Meeting. Full details on the principles and rationale for the RP 2018 are available on SBM Offshore's website in the Remuneration Policy section under Corporate Governance.

The RP 2018 consists of four components: (1) Base Salary, (2) Short-Term Incentive, (3) Value Creation Stake and (4) Pension and Benefits. These components are explained hereafter.

REMUNERATION POLICY STRUCTURE MANAGEMENT BOARD

	CEO	CFO	COO	CGCO
BASE SALARY (in EUR 1,000)	800	450	551	450
VALUE CREATION STAKE (% of base salary)	175%	175%	175%	175%
STI TARGET (% of base salary)	100%	75%	75%	75%
TOTAL TARGET REMUNERATION (in EUR 1,000)	3,000	1,575	1,929	1,575

3 GOVERNANCE

1. BASE SALARY

The Management Board's Base Salary is a fixed component paid in cash. The Base Salary levels as set may be adjusted each year within reason, depending on market movements and remuneration adjustments of senior management.

In order to determine a competitive Base Salary level, the Supervisory Board uses the reference group of

Current Reference Group¹

■ Amec Foster	■ IMI	■ RPS Group
■ Arcadis	■ McDermott International	■ Superior Energy Services
■ Boskalis	■ Noble Corporation	■ Transocean
■ Diamond Offshore Drilling	■ Oceaneering International	■ Volker Wessels
■ Ensco	■ Petrofac	■ Vopak
■ Fugro	■ Rowan Companies	■ Wood Group
■ Helmerich & Payne	■ RPC	

¹ Please note that in 2018 WS Atkins plc has been acquired by SNC Lavalin and is therefore no longer part of the Reference Group

2. SHORT-TERM INCENTIVE

The Short-Term Incentive (STI) is a conditional variable component of the Management Board's remuneration, paid in cash to create rigorous pay-for-performance relation. The performance measures are focused on three key performance areas: (i) Profitability, (ii) Growth and (iii) Health, Safety, Social and Environment.

STI	
PERFORMANCE MEASURES	WEIGHTING
PROFITABILITY	40 - 60%
GROWTH	20 - 40%
HSSE	15 - 25%
TOTAL	100%
DISCRETIONARY JUDGEMENT SUPERVISORY BOARD	+/- 10%

The Supervisory Board, at the recommendation of the Appointment and Remuneration Committee

relevant companies in the industry (hereafter the Reference Group) to determine base salary levels and to monitor total remuneration levels of the Management Board. Base Salaries of the Management Board members and the Reference Group are reviewed annually. In the event any position cannot be benchmarked within the Reference Group, the Supervisory Board may benchmark a position to similar companies.

(hereafter A&RC), determines the specific performance targets for each of the performance measures in the beginning of the performance year. For each performance indicator, a scenario analysis is performed to determine a threshold, target and maximum level, considering market and investor expectations, as well as the economic environment. At the end of the performance year, the performance is reviewed by the Supervisory Board and the pay-out level is determined. Both the details and the results regarding the performance measures are published in the Remuneration Report following the performance period. As such, the performance indicators applicable in 2018 are mentioned in section 3.4.2 of this report.

The STI is payable in cash after the publication of the annual financial results for the performance year. The STI is set at a target level of 100% of the base salary for the CEO and 75% of the base salary for each of the other Management Board members. The threshold pay-out is at 0.5 times target and maximum pay-out will not exceed 1.5 times target. A linear pay-out line applies between threshold and maximum. Below threshold, the pay-out is zero.

3. VALUE CREATION STAKE

The Value Creation Stake is a fixed component paid in restricted shares to create direct alignment with long-term shareholder value. It is an annual award of shares that must be held for at least five years. After

retirement or termination, the shares cannot be sold for the duration of two years.

The gross annual grant value for each of the Management Board members is 1.75 times base salary. The number of shares is determined by a four-year average share price (volume-weighted). The Supervisory Board retains the discretion not to award the Value Creation Stake in exceptional market or business circumstances.

All members of the Management Board are required to build up Company stock of at least 3.5 times their gross base salary. The value of the share ownership is determined at the date of grant.

4. PENSION AND BENEFITS

The Management Board members are responsible to create their own pension arrangements. In order to facilitate the Management Board members, they receive a pension allowance equal to 25% of their Base Salary.

The Management Board members are entitled to a defined set of emoluments and benefits. A general benefit in this area is the provision of a company car allowance. Other benefits depend on the personal situation of the relevant Management Board members and may include medical and life insurance and a housing allowance.

KEY ELEMENTS EMPLOYMENT AGREEMENTS

Each of the Management Board members has entered into a, in principle four year, service contract with the Company, the terms of which have been disclosed in the explanatory notice for the General Meeting of Shareholders at which the Management Board member was appointed.

Adjustment of remuneration and claw-back

The service contracts with the Management Board members contain an adjustment clause giving discretionary authority to the Supervisory Board to adjust upwards or downwards the payment of the STI and LTI (as granted under RP 15), if a lack of adjustment would produce an unfair or unintended result as a consequence of extraordinary circumstances during the period in which the performance criteria have been, or should have been, achieved. In addition, a claw-back provision is included in the services contracts enabling the Company to recover the Value Creation Stake, STI

and/ or LTI (as granted under RP 15) on account of incorrect financial data.

Severance Arrangements

The Supervisory Board will determine the appropriate severance payment for Management Board members in accordance with the relevant service contracts and Dutch Corporate Governance Code. The current Dutch Corporate Governance Code provides that the severance payment will not exceed a sum equivalent to one times annual base salary. This also applies in a situation of a change in control.

Loans

SBM Offshore does not provide loans or advances to Management Board members and does not issue guarantees to the benefit of Management Board members.



3 GOVERNANCE

3.4.2 MANAGEMENT BOARD REMUNERATION IN 2018

The actual remuneration for 2018²⁰ is set out hereafter in five sections, namely 1. Base Salary, 2. Short-Term Incentive, 3. Value Creation Stake, 4. Long-Term

²⁰ SBM Offshore pays remuneration and benefits to the Management Board members in euros. For that reason, this report only mentions euros. Further information regarding the Management Board members' remuneration can be found in note 4.3.6 to the consolidated annual financial statements.

Incentive and 5. Pension and Benefits. After these sections more insight is provided into the pay ratio of the Management Board members against the rest of the organization. The actual remuneration for 2018 is combined in the table Remuneration of the Management Board by member.

In line with SBM Offshore's overall financial reporting, the remuneration elements described there are set out in US\$.

Remuneration of the Management Board by member

	Bruno Chabas		Douglas Wood		Philippe Barril		Erik Lagendijk		Total	
in thousands of EUR ¹	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Base salary	800	747	450	440	551	514	450	382	2,251	2,083
STI	1,165	1,489	491	642	601	803	491	597	2,748	3,532
LTI	1,470	1,665	836	709	740	1,004	712	833	3,758	4,210
Value Creation Stake ²	1,508	0	848	0	1,038	0	848	0	4,244	0
Pensions	245	245	113	110	138	138	113	102	608	595
Other	165	284	39	41	146	147	38	37	389	510
Total Remuneration	5,353	4,431	2,778	1,942	3,215	2,606	2,652	1,951	13,997	10,930
in thousands of US\$	6,321	5,005	3,281	2,193	3,796	2,944	3,132	2,204	16,530	12,347

¹ Peter van Rossum retired as Management Board member during the extraordinary meeting of shareholders of November 30, 2016 and his contract ended at the Annual General Meeting of April 13, 2017. His total remuneration in 2018 amounts to EUR 19k.

² In 2018 a Value Creation Stake was granted under the new remuneration policy. Under the previous policy, RP 2015, the LTI is paid out after a three-year vesting period. This explains why both long term incentive plans are visible in the 2018 and 2019 Remuneration Reports.

1. BASE SALARY

With the new RP 2018, Base Salary levels were updated in 2018. The 2018 and 2017 Base Salary levels are included in the table at the beginning of section 3.4.2.

2. SHORT-TERM INCENTIVE

For 2018, the Supervisory Board set the following performance indicators for the STI.

- Underlying and directional EBITDA (weight: 50%)
- Order Intake (weight: 15%)
- Number of FEEDs (weight: 15%)
- Total Recordable Injury Frequency Rate (weight: 8%)
- Fleet Process Safety Management (weight: 10%)
- Sustainability (weight: 2%)

With regard to the STI performance indicators, the Supervisory Board, at recommendation of the A&RC, assessed the delivered results for each performance indicator. Realization levels per target ranged between 0% and maximum. The Supervisory Board applied a discretionary increase of the STI with 10%, considering the successful settlement of the YME case and the end of the legacy issues in Brazil. This resulted in an overall score for the STI of 146% for the CEO and 109% for the other Management Board

Members. In summary, the Supervisory Board regards the performance under the Company indicators robust.

3. VALUE CREATION STAKE

After the adoption of the RP 2018, the Value Creation Stake for 2018 was granted to the Management Board. The gross annual grant value for each of the Management Board members is 1.75 times base salary. The number of shares was based on the four-year average share price (volume weighted) of EUR 12.34. The monetary value of the granted Value Creation Stake is included in the table at the top of this section. The number of shares vested under the Value Creation Stake can be found in the consolidated financial statements (see note 4.3.6 Employee Benefit Expenses).

4. LONG-TERM INCENTIVE UNDER REMUNERATION POLICY 2015 (RP 2015)

Before the RP 2018 became effective, the RP 2015 applied, which included a Long-Term Incentive (LTI) scheme. Further details on the LTI, as granted under Remuneration Policy 2015, are available for review in the 2014 Annual General Meeting section on SBM Offshore's website and in the Remuneration Report 2017. Currently, only one LTI program is

outstanding: LTI 2017-2019 granted in 2017. The LTI program granted in 2016 ended in 2018 and has therefore been determined.

LTI 2016-2018

The 2016-2018 LTI grant contained two Performance Indicators: Directional Underlying Earnings Per Share (relative weighting 60%) and Relative TSR (relative weighting 40%).

With regard to these performance indicators, the Supervisory Board, upon the recommendation of the A&RC, assessed the delivered results and has concluded that the results related to both the directional underlying EPS and to Relative TSR were realized close to maximum.

The pay-out details can be found in the table at the top of this section. The actual shareholdings of the Management Board members per the end of 2018, in which only common unconditional shares are taken into account, can be found at the end of this section in the Overview Share-Based Incentives. This overview also includes the number of conditionally granted and/or vested shares in the last few years. At the time of reporting, Bruno Chabas and Philippe Barril met the share ownership requirement which is set at an equivalent of 350% of base salary. Erik Lagendijk and Douglas Wood are still in the process of building up their share ownership requirement.

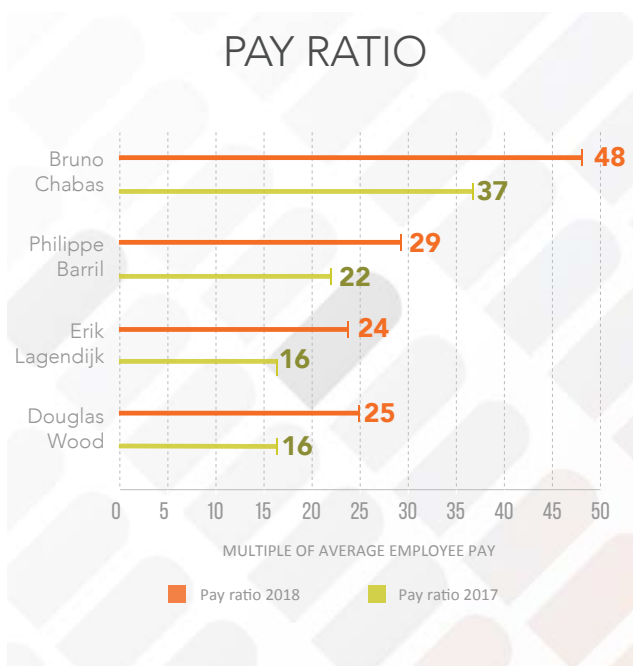
5. PENSIONS AND BENEFITS

Management Board members receive a pension allowance equal to 25% of their base salary for pension purposes. Since these payments are not made to a qualifying pension fund, but to the individuals, the Management Board members are individually responsible for investment of the contribution received and SBM Offshore withholds wage tax on these amounts. In addition to the above a supplementary pension arrangement is in place for the CEO. This arrangement is a defined contribution scheme and its costs are included in the table at the beginning of section 3.4.2.

The Management Board members received several allowances in 2017. This includes a car allowance which is received by all and a housing allowance for Bruno Chabas and Philippe Barril. The value of these elements is displayed in the table 'Remuneration of the Management Board by member', at the top of this section.

6. PAY RATIOS

In order to better understand the current internal pay relativities within the organization and to support future decisions on remuneration levels, the Supervisory Board reviewed several internal pay-ratios in 2018. The Supervisory Board decided that the chosen pay-ratio should be both relevant and reliable. As a result, the Supervisory Board, based on the recommendation made by the A&RC, determined the pay-ratio as the total remuneration for each of the Management Board members expressed as a multiple of the average overall employee benefit expenses (as derived from the tables in section 4.3.6 from our financial statements). The following graph displays the pay-ratios of each of the Management Board members over 2018 and 2017.



3 GOVERNANCE

OVERVIEW SHARE-BASED INCENTIVES

The following table represents the movements during 2018 of all unvested shares (the total number of vested shares held by (former) Management Board members are reported in note 4.3.23 Equity Attributable to Shareholders to the consolidated financial statements). Unvested LTI shares in the

columns Outstanding at the beginning and/or end of the year, are reported at the Target LTI numbers. The actual vesting hereof in the year are shown for the actual number as per the outcome of the performance criteria as per the Remuneration Policy. As at December 31, 2018 the following share-based incentives are outstanding:

Share-based Incentives ¹	Outstanding at the beginning of 2018	Granted	Vested	Outstanding at the end of 2018	Status at the end of 2018	Vesting date	End of blocking period	Fair value of share at the grant date – €	Fair value of the TSR component – €
Bruno Chabas – CEO									
2014 STI Matching Shares	32,777	-	32,777	-	conditional	2018		9.76	
2015 LTI	83,878	-	125,817	-	conditional	2018	2020	11.51	14.78
2016 LTI	84,678	-	-	84,678	conditional	2019	2021	11.91	19.92
2017 LTI	80,817	-	-	80,817	conditional	2020	2022	14.31	19.62
	282,150	-	158,594	165,495					
Erik Legendijk – CGCO									
2015 LTI	55,919	-	69,899	-	conditional	2018	2020	11.51	11.31
2016 LTI	56,452	-	-	56,452	conditional	2019	2021	11.91	15.50
2017 LTI	53,878	-	-	53,878	conditional	2020	2022	14.31	15.54
	166,249	-	69,899	110,330					
Philippe Barril – COO									
Restricted shares ²	50,000	-	50,000	-	conditional	2018	2020	10.50	
2015 LTI	55,919	-	69,899	-	conditional	2018	2020	11.51	11.31
2016 LTI	56,452	-	-	56,452	conditional	2019	2021	11.91	15.50
2017 LTI	53,878	-	-	53,878	conditional	2020	2022	14.31	15.54
	216,249	-	119,899	110,330					
Douglas Wood – CFO									
Restricted shares ³	30,000	-	-	30,000	conditional	2019	2021	12.71	
2016 LTI	42,339	-	-	42,339	conditional	2019	2021	11.91	15.50
2017 LTI	53,878	-	-	53,878	conditional	2020	2022	14.31	15.54
	126,217	-	-	126,217					
Peter van Rossum – Former CFO									
2014 STI Matching Shares	15,134	-	11,561	-	conditional	2018		9.76	
2015 LTI	55,919	-	53,298	-	conditional	2018	2020	11.51	11.31
2016 LTI	56,452	-	-	56,452	conditional	2019	2021	11.91	15.50
2017 LTI	5,238	-	-	5,238	conditional	2020	2022	14.31	15.54
	132,743	-	64,859	61,690					

1 The Value Creation Stake is not included in this table, since all shares do vest immediately

2 These shares were awarded to Philippe Barril as compensation for the loss of share-based payments at his former employer, and have been reported to the AGM in April 2015 in Agenda item 11

3 These shares were awarded to Douglas Wood as compensation for the loss of variable remuneration entitlements and other benefits in his previous employment, and have been reported to the EGM on 30 November 2016 in Agenda item 1

The following shares or other financial instruments are held by SBM Offshore N.V. by members of the Management Board.

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2018	Total shares at 31 December 2017
Bruno Chabas	354,561	439,027	793,588	574,685
Philippe Barril	165,047	-	165,047	-
Erik Lagendijk	69,351	-	69,351	-
Douglas Wood	33,924	-	33,924	-
Total	622,883	439,027	1,061,910	574,685

