



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.

