



**OFFSHORE**

ENERGY. COMMITTED.

# ANNUAL REPORT 2018

the business and interests of the Company, the Chairman of the Supervisory Board, CEO and the CGCO are invited to attend the Foundation Board meetings.

The Board of the Foundation consists of: Mr. A.W. Veenman, Chairman, former CEO of the Nederlandse Spoorwegen, Mr. B. Vree, Vice-Chairman, former CEO of APM Terminals, Mr. R.H. Berkvens, CEO of Damen Shipyard, Mrs. H.F.M. Defesche, former Company Secretary & Group Legal Counsel of Bosal Nederland B.V. and Mr. J.O. van Klinken, General Counsel & member of the Management Board at Aegon N.V.

The Management Board, with the approval of the Supervisory Board, has granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital, carrying voting rights, equal to one half of the voting rights carried by the ordinary shares outstanding immediately prior to the exercise of the option, enabling it effectively to perform its functions as it, at its sole discretion and responsibility, as it deems useful or desirable.

The option agreement between SBM Offshore and the Foundation was lastly amended and restated in 2011, to reflect a waiver by the Company of its put option and the alignment of the nominal value of the protective preference shares with the nominal value of ordinary shares by reducing the nominal value of EUR 1 to EUR 0.25 and the related increase in the number of protective preference shares as per the amended articles of association of the Company. The Foundation is independent as stipulated in article 5:71 (1) (c) Financial Market Supervision Act.

### **3.5.8 OTHER REGULATORY MATTERS**

#### **CONFLICTS OF INTEREST**

The members of the Management Board have a services contract with SBM Offshore N.V. These contracts stipulate that members of the Management Board may not compete with the Company. A change of control clause is included in the service agreement between the Company and each of the members of the Management Board.

The Management Board Rules and the Code of Conduct of the Company regulate matters of conflict of interest. The Supervisory Board Rules also contain a regulation based on the Dutch Corporate

Governance Code that deals with reporting of conflict of interest of the Chairman and members of the Supervisory Board. Decisions to enter into transactions in which there are conflicts of interest with Management Board members that are of material significance to the Company and/or to the relevant Management Board members require the approval of the Supervisory Board. In 2018, there were no such transactions.

The Company's Code of Conduct does not permit employees and directors to accept gifts of value for themselves or their relatives, to provide advantages to third parties to the detriment of the Company or to take advantage of business opportunities to which SBM Offshore is entitled.

No loans or guarantees have been provided to members of the Management Board. The Company is compliant with best practice 2.7.3 to 2.7.4 of the Dutch Corporate Governance Code as no conflicts of interest in relation to the members of the Management Board or the Supervisory Board were reported during the year 2018.

#### **REGULATIONS CONCERNING OWNERSHIP OF AND TRANSACTIONS IN SHARES**

In addition to the Company's Insider Trading Rules, the Supervisory Board and Management Board rules contain a provision with regard to the ownership of and transactions in shares in the Company and in shares of Dutch listed companies other than SBM Offshore N.V. This provision stipulates that Supervisory Board and Management Board members will not trade in Company shares or other shares issued by entities other than the Company on the basis of share price sensitive information if this information has been obtained in the course of managing the Company's business.

For information about the shares (or other financial instruments) held in SBM Offshore N.V. by members of the Management Board, reference is made to note 4.3.23 to the consolidated financial statements.

#### **MANDATES WITH THIRD PARTIES**

Reference is made to the overview of the Management Board and Supervisory Board members in section 3.1 and 3.2 of this report in which their material mandates outside SBM Offshore are listed. Management Board and Supervisory Board members shall inform the Supervisory Board before accepting

### 3 GOVERNANCE

positions outside the Company. Positions may not be accepted without the Supervisory Boards' prior approval. The position can not be in conflict with the Company's interest. Mandates are discussed annually in the Supervisory Board meeting. The Company is fully compliant with best practice 2.4.2 of the Dutch Corporate Governance Code. Members of the Management Board may also be appointed to the statutory board of the Company's operational entities.

#### CODE OF CONDUCT AND REPORTING OF ALLEGED IRREGULARITIES

The Company has a Code of Conduct, which was updated in April 2018 and is posted on the Company's website. The Company also has a procedure allowing employees to report alleged irregularities with respect to the Code of Conduct without jeopardizing their employment position. A free-phone and web-based reporting facility (the SBM Offshore Integrity Line) is in place, which employees can use – anonymously if they wish – in their own language. The facility is operated by an external provider, People Intouch. For more details on SBM Offshore's compliance program reference is made to section 3.8.

#### DIVERSITY

The Company's diversity policy for the Supervisory Board and the Management Board is published on the Company website. The diversity policy addresses the aspects that have been identified as relevant for the Company when composing the Supervisory Board and the Management Board and selecting persons for (re-)appointment, namely nationality / cultural background, age, gender and (work) experience. The target is to have a minimum of 30% women and a minimum of 30% men on each of the Management Board and Supervisory Board. The members of the Supervisory Board have a diverse mix of knowledge, skills and expertise, in line with the required profile (see also Schedule 2 of the Supervisory Board Rules). Currently 25% of the Supervisory Board members are female and 100% of the Management Board is male. Two of the six members that complete the Executive Committee are female. The nationality /cultural background is diverse as each of the Management Board and Supervisory Board covers four nationalities. Two additional nationalities are represented in the Executive Committee.

In succession planning, the relevant diversity aspects are taken into consideration. Ultimately the most qualified candidate will be nominated for appointment. To reach the diversity targets for future (potential) internal candidates for the Management Board, the relevant diversity aspect shall be considered and taken into account for recruitment, talent management, appointment to roles, retention of employees, succession planning, training and development. The relevant diversity aspects will also be considered in case of (re-)appointments of Supervisory Board members.

#### EXECUTIVE COMMITTEE

Since the end of 2012, an Executive Committee is in place. The Executive Committee facilitates decision-making without detracting from the exercise of statutory responsibilities by the members of the Management Board and the internal company authority matrix. Currently the Executive Committee is comprised of the Management Board members, the Managing Directors of Floating Production Solutions, Global Resources & Services, Operations and China/Singapore, as well as the Group HR Director and the Chief Strategy Officer. The Executive Committee meets on a monthly basis. In the meetings both strategic and operational topics are discussed.

#### MISCELLANEOUS

SBM Offshore N.V. has a revolving credit facility agreement under which the agreement of the participating banks must be obtained in the event of a change in control of the Company after a public take-over bid has been made. Certain vessel charter contracts contain clauses to the effect that the prior consent of the client is required in case of a change of control or merger or where the company resulting from such change of control or merger would have a lower financial rating or where such change of control or merger would affect the proper execution of the contract. In addition, local bidding rules and regulations (e.g. in Brazil for Petrobras) may require client approval for changes in control.

#### FURTHER INFORMATION

The Investor Relations and the Corporate Governance sections of the Company website provide extensive information including the articles of association, the Company Code of Conduct, the Supervisory Board and Committee rules and the Management Board rules. The website also contains

the contact details of the Investor Relations department and of the Company Secretary for questions regarding corporate governance matters.

## 3.6 SHAREHOLDER INFORMATION

### LISTING

SBM Offshore has been listed on Euronext Amsterdam since 1965. The market capitalization as at year-end 2018 was US\$ 3.0 billion. The majority of the Company's shareholders are institutional long-term investors.

### FINANCIAL DISCLOSURES

SBM Offshore publishes audited full-year earnings results and unaudited half-year earnings results, which include financials, within sixty days after the close of the reporting period. For the first and third quarters, SBM Offshore publishes a trading update, which includes important Company news and financial highlights. The Company conducts a conference call and webcast for all earnings releases and a conference call only for all trading updates during which the Management team presents the results and answers questions. All earnings-related information, including press releases, presentations and conference call details are available on the SBM Offshore website. Please see the Financial Calendar of 2019 at the end of this section for details of the timing of publication of financial disclosures for the remainder of 2019.

In 2018, the Company expanded its 'Directional' reporting. In addition to the Directional income statement, reported since 2013, a Directional balance sheet and cash flow statement are also disclosed in section 4.3.2 Operating Segments and Directional Reporting of the Consolidated Financial Statements. Expanding Directional reporting aims to increase transparency in relation to SBM Offshore's cash flow generating capacity and to facilitate investor and analyst review and financial modeling. Furthermore, it also reflects how Management monitors and assesses financial performance of the Company. Directional reporting is reported as an integral component of the Company audited Consolidated Financial Statements under the section 4.3.2 Operating Segments and Directional Reporting. As such, Directional accounts are audited by the Company's external auditor.

### DIVIDEND POLICY & CAPITAL ALLOCATION

The Company's policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of the underlying cash flow position and of 'Directional net income', where a target payout ratio of between 25% and 35% of 'Directional net income' will also be considered.

On May 4, 2018, SBM Offshore paid a cash dividend of US\$ 0.25 or EUR 0.2019 per share in relation to the 2017 results, 64% of underlying Directional net income, after adjustment for non-recurring exceptional items concerning compliance-related settlements.

In line with the Company's dividend policy and further taking into account the specific circumstances relating to 2018, including the nature of the non-recurring items, the Company proposes a dividend of US\$ 0.37 per share in respect of 2018, to be declared at the AGM on April 10, 2019. This represents a circa 50% increase per share compared to last year and represents a pay-out of circa 25% of Directional 2018 net result. The proposed ex-dividend date is April 12, 2019. The dividend is payable within 30 days following the AGM and will be calculated in US dollars, but payable in euros. The conversion into euros will be effected on the basis of the exchange rate on April 10, 2019. Given the Company's cash position, the dividend will be fully paid in cash.

The Company reviews its dividend policy on a regular basis. The Company plans to simplify the policy by focusing purely on cash flow and removing the additional reference to Directional net income in the policy. This results in the new policy as follows: "*The Company's policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position*". The proposed change to the dividend policy will be presented for discussion at the AGM on April 10, 2019.

Regarding capital allocation, the Company prioritizes payment of the dividend, followed by the financing of growth, with the option thereafter to repurchase shares, depending on residual financial capacity and cash flow outlook.