



**OFFSHORE**

ENERGY. COMMITTED.



# ANNUAL REPORT 2019

## 3 GOVERNANCE

### 3.3 REPORT OF THE SUPERVISORY BOARD

---

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

Dear reader,

In 2019 the Management Board, as well as the Supervisory Board, were able to fully focus on the future again. The Company will do so by providing a combination of a robust technology portfolio, project management, engineering and operations expertise capabilities to our customers and supporting them in the energy transition.

In 2019, the Company was awarded contracts for FPSO *Liza Unity* and FPSO *Prosperity* by ExxonMobil in Guyana. The next phase of the FPSO *Prosperity* project remains subject to government approvals, project sanction and authorization. Contracts were also signed with Petrobras for the 22.5 years lease and operation of FPSO *Sepetiba* (formerly known as Mero 2), which was followed by the divestment of a 35.5% interest in the special purpose companies related to the lease and operation of FPSO *Sepetiba* to long-standing business partners. We are glad that the ability to conduct new business with Petrobras has been restored. In addition, the Supervisory Board supports the Management Board's selective approach towards market opportunities and discipline in project execution.

In 2019, the Company announced an increased dividend and share buyback so that shareholders could also benefit from the increased ability of the Company to generate cash. The Company also optimized a project loan by aligning the loan maturity with the remaining charter contract duration. In addition, the Company completed the transaction regarding the sale to SBM Offshore of Constellation's equity ownership in the lease and operating companies related to five Brazilian FPSOs. These initiatives add to the creation of value to our shareholders.

After twelve years, I will retire from the Supervisory Board after the 2020 Annual General Meeting. Although the Company has experienced severe difficulties in this period, I look back with pleasure and find it extraordinary that both the Management Board and the Supervisory Board have continued to operate as a solid team in those circumstances.

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

---

#### THE SUPERVISORY BOARD

##### Composition

In 2019, Laurence Mulliez, Cheryl Richard and Sietze Hepkema were re-appointed as member of the Supervisory Board for a second term of four years, until the 2023 Annual General Meeting. Both Floris Deckers and Thomas Ehret will retire after the 2020 Annual General Meeting after twelve years of service. In accordance with best practice 2.2.2 of the Corporate Governance Code, for all (re-)appointments the profile and competency matrix, as well as the diversity policy for the Supervisory Board, was closely observed and their performance had been taken into consideration.

##### Independence

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, 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. Sietze Hepkema will qualify as independent as of April 16, 2020. None of the Supervisory Board members serve on the Management Board of a Dutch listed company.

##### Meetings

In 2019 the Supervisory Board held seven scheduled meetings including a two-day session in December that focussed on the strategic direction of the Company. Despite the geographic diversity, the attendance percentage of the Supervisory Board for these meetings was 98.21%.



Members	SB meeting	Audit and Finance Committee	Technical and Commercial Committee	Appointment and Remuneration Committee
Floris Deckers (Chairman)	7/7	-	5/5	5/5
Thomas Ehret (Vice-Chairman)	7/7	-	5/5	-
Roeland Baan	6/7	-	5/5	5/5
Bernard Bajolet	7/7	-	5/5	-
Francis Gugen	7/7	5/5	-	-
Sietze Hepkema	7/7	5/5	-	-
Laurence Mulliez	7/7	5/5	5/5	-
Cheryl Richard	7/7	-	-	5/5

The Management Board prepared detailed supporting documents as preparation for all meetings. The physical 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 Management Board and the Company Secretary (who is also the secretary of the Supervisory Board and its sub-committees) attended all meetings of the Supervisory Board. Prior to each of the physical Supervisory Board meetings, an informal pre-board dinner was held in the presence of the Management Board. At the end of Supervisory Board meetings, the members of the Supervisory Board discussed governance matters outside the presence of the Management Board members. Contacts between members of the Supervisory Board and Management Board take place on a regular basis, also outside the regular setting.

Standard items on the agenda of the Supervisory Board meetings were updates from each of the Management Board members on, amongst other topics, the Company's commercial activities/projects and the market environment, Health, Safety, Security and Environment, the operational performance, the financial performance, investor relations, governance, compliance, risk management and internal controls. In February 2019, the Supervisory Board approved

the 2018 Annual Financial Statements and the proposal to the General Meeting of Shareholders of an all cash dividend distribution and an EUR 175 million share repurchase program. In the same meeting, the Operating Plan 2019 was approved in its final form. On various occasions during the year, the strategy, progress of implementation thereof, as well as the risks related to its realization, were discussed. In December 2019 the Long-Term Strategic Plan was approved. The Supervisory Board annually discusses the Company's Risk Appetite statement.

The Supervisory Board also discussed the succession planning of the Management Board, Supervisory Board and senior management of the Company at various occasions. The remuneration of the Management Board, Supervisory Board and senior management of the Company was discussed on a regular basis and took into consideration stakeholder feedback.

## 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 and provide recommendations for decision by the Supervisory Board. 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)		√	Chairman	√
Thomas Ehret (Vice-Chairman)		Chairman		
Roeland Baan		√	√	√
Bernard Bajolet		√		
Francis Gugen	Chairman			
Sietze Hepkema	√			
Laurence Mulliez	√	√		
Cheryl Richard			√	Chairman

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 2019. The attendance percentage of the Audit and Finance Committee meetings was 100%. The Chairman of the Audit and Finance Committee reported to the Supervisory Board

### 3 GOVERNANCE

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 Management Board, the Group Internal Audit Director, the Group Controller 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 management and internal controls and Internal Audit activities, the following was discussed in 2019: funding and liquidity, dividend proposal and share repurchase proposal, share cancellation, review of payments to agents, the external auditor's audit plan and engagement letter, the external auditor's management letter and board report, functioning of and relationship with 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 scheduled meetings in 2019. The attendance rate 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 in preparation of the scheduled 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

The main remuneration items discussed in the meetings were:

- Determination of the relevant Short-Term Incentive target setting and realization, Long-Term Incentive realization and Value Creation Stake award in accordance with the applicable Remuneration Policy.
- Share based incentive.
- The implementation of the EU Shareholder's Rights Directive in the Netherlands.
- Further details on remuneration can be found in the remuneration report (section 3.4).

#### Selection and Appointment matters

- Succession planning
- Talent Management
- Management Board and Supervisory Board (re-)appointments
- The SBM Offshore organizational structure

#### Technical and Commercial Committee

The Technical and Commercial Committee held five scheduled meetings in 2019. The attendance rate of the Technical and Commercial Committee for these meetings was 100%. In addition, a number of calls were held to provide information on and to discuss, amongst other topics, commercial prospects. 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, the Managing Director Operations and the Managing Director Global Resources & Services. 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), operational performance and strategy, project resourcing and execution, sales-, marketing- and tender activities, client relationships, competitive environment, technology and innovation developments, and risk assessment.

#### INDUCTION, TRAINING AND PERFORMANCE ASSESSMENT

Following appointment to the Supervisory Board, new members receive a comprehensive induction tailored to their needs. This includes sessions with members of the Management Board and senior management on which they are informed on all relevant aspects of the Company.

In December 2019, the Supervisory Board visited the Monaco office in order to gain further familiarity with the

SBM Offshore organization and its activities on site. Furthermore, members of the Supervisory Board attended seminars organised for SBM Offshore senior management, including the annual mid-year Strategy Seminar. Both the Management Board and the Supervisory Board spent time on training on various relevant subjects.

To assess its effectiveness, the Supervisory Board carried out a performance evaluation with an external advisor of its committees and its individual members, as well as the performance of the Management Board and its individual members. In a separate meeting without the Management Board being present, the Supervisory Board discussed the results of the performance assessment. As a result of the assessment, the Supervisory Board and the Management Board have fruitfully engaged on how to continue to discuss structurally the strategy of the Company. Some practical suggestions on the organization of the Supervisory Board meeting were made and will be implemented. Overall, it was concluded that both the Supervisory Board and the Management Board function properly and effectively. The Chairman of the Supervisory Board frequently meets with the CEO and other Management Board members outside the meetings. There were regular contacts between the committee Chairmen and their respective counterparts in the Management Board on various topics. The Management Board has evaluated its own functioning as a whole and that of the individual Management Board members on various occasions.

## CONCLUSION

The Financial Statements have been audited by the external auditor, 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 Auditor have expressed an unqualified opinion on the Financial Statements.

The members of the Supervisory Board have signed the 2019 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 2019 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 2019.

### 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 12, 2020

