



**OFFSHORE**

ENERGY. COMMITTED.



# ANNUAL REPORT 2019

## 3 GOVERNANCE

### 3.5 CORPORATE GOVERNANCE

In this section, the broad outline of SBM Offshore's corporate governance structure is explained, partly by reference to the principles mentioned in the Dutch Corporate Governance Code. This chapter indicates to what extent SBM Offshore applies the principles and best practice provisions in the Dutch Corporate Governance Code. This chapter describes the role of the corporate bodies, the role of the external auditor and of the Stichting Continuïteit SBM Offshore.

#### 3.5.1 CORPORATE GOVERNANCE STRUCTURE

SBM Offshore N.V. is a limited liability company ('Naamloze Vennootschap') incorporated under the laws of the Netherlands with its corporate seat in Amsterdam. The Company is listed on Euronext Amsterdam. The Company has a two-tier board consisting of a Supervisory Board and a Management Board. Each board has its specific roles and tasks regulated by laws, the articles of association, the Corporate Governance Code, the Supervisory Board rules and Management Board rules. Further to the implementation of the revised Corporate Governance Code, the Supervisory Board rules and Management Board rules were amended in August 2017. The Management Board rules and Supervisory Board rules were last amended in November 2019 by adding the Related Party Transaction Policy as an annex. Both sets of rules are published on the Company's website, together with the articles of association.

SBM Offshore complies with all applicable principles and best practice provisions of the Dutch Corporate Governance Code, the full text of which can be found on [www.mccg.nl](http://www.mccg.nl). The details on compliance with the Dutch Corporate Governance Code can be found on SBM Offshore's corporate website under 'Rules governing the Supervisory Board'.

#### 3.5.2 MANAGEMENT BOARD

The Management Board currently consists of four members: the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief Governance and Compliance Officer. The members of the Management Board are appointed and can be suspended or dismissed at the General Meeting of Shareholders. Further information about the appointment and dismissal of Management Board members can be found in SBM Offshore's articles of association.

The Management Board manages the Company and is responsible for the continuity of the Company and its business. The Management Board establishes a position on

the relevance of long-term value creation and strategy for the Company and its business and takes into account the relevant stakeholders' interests. In fulfilling its responsibilities, the Management Board is guided by the interests of the Company and its business.

Each year, the Management Board presents to the Supervisory Board the strategy of the Company, the Operational Plan and the financial objectives that allow quantification and progress measurement of the strategy implementation.

The Management Board is responsible for determining the Company's risk profile and policy, which are designed to realize the Company's objectives, to assess and manage the Company's risks and to ensure that sound internal risk management and control systems are in place. The Management Board monitors the operation of the internal risk management and control systems and carries out a systematic assessment of their design and effectiveness at least once a year. This monitoring covers all material control measures relating to strategic, operational, financial, compliance and reporting risks. Amongst other considerations, attention is given to observed weaknesses, instances of misconduct and irregularities and indications from whistle blowers. A regular risk report is provided to the Supervisory Board.

The Management Board adopted corporate core values for the Company that contribute to a culture focused on long-term value creation. These values are Integrity, Care, Entrepreneurship and Ownership and are regularly discussed with the Supervisory Board. The Management Board encourages behavior that is in keeping with the values and propagates these values through leading by example. The Management Board is responsible for the incorporation and maintenance of the values.

More information about the ways of working of the Management Board can be found in the Management Board rules, available on the Company's website.

#### 3.5.3 SUPERVISORY BOARD AND COMMITTEES

The Supervisory Board supervises the policies, the management of the Company and its businesses, the effectiveness and the integrity of the internal control and risk management systems and procedures implemented by the Management Board, as well as the general conduct of affairs of the Company and its businesses. The Supervisory Board also supervises the activities of the Management Board for creating a culture aimed at long-term value creation for the Company and its businesses. Furthermore the Supervisory Board assists the Management Board with

advice in accordance with the Dutch Corporate Governance Code, the articles of association and the Supervisory Board rules. In the performance of its duties, the Supervisory Board is guided by the interests of the Company's various groups of stakeholders. In addition, certain (material) decisions of the Management Board, as stipulated in the Dutch Civil Code, articles of association or the Supervisory Board and Management Board rules, require the Supervisory Board's prior approval.

The Supervisory Board currently consists of eight members. Members of the Supervisory Board are appointed at the General Meeting of Shareholders following nomination by the Supervisory Board. Further information about the appointment and dismissal of Supervisory Board members can be found in SBM Offshore's articles of association.

A Supervisory Board member is appointed for a period of four years and may then be re-appointed once for another four-year period. A Supervisory Board member may subsequently be re-appointed again for a third period of two years, which may be extended by at most two years.

The Supervisory Board has three subcommittees: the Audit and Finance Committee, the Appointment and Remuneration Committee and the Technical and Commercial Committee. The Appointment and Remuneration Committee is a joint committee with two separate chairpersons and two separate tasks: the selection and appointment preparation of Management Board and Supervisory Board members and the preparation of decision-making regarding remuneration matters. SBM Offshore has an internal audit department with direct reporting to the Supervisory Board through the Audit and Finance Committee. More information about the ways of working of the Supervisory Board and its committees can be found in the Supervisory Board and Committee rules, as available on the Company's website. The Supervisory Board has drawn up a retirement schedule for its members, which is also available on the Company's website.

### 3.5.4 SHARES AND THE GENERAL MEETING OF SHAREHOLDERS

The authorized share capital of the Company amounts to EUR 200 million and is divided into 400,000,000 ordinary shares with a nominal value of EUR 0.25 and 400,000,000 protective preference shares, also with a nominal value of EUR 0.25. The preference shares can be issued as a protective measure, as explained below in the section on the Stichting Continuïteit SBM Offshore.

With reference to the articles of association, all shareholders are entitled to attend the General Meeting of Shareholders, to address the General Meeting of

Shareholders and to vote. At the General Meeting of Shareholders, each Ordinary Share with a nominal value of EUR 0.25 each shall confer the right to cast one (1) vote. Each protective preference share with a nominal value of EUR 0.25 each shall confer the right to cast one (1) vote, when issued. None of the protective preference shares have been issued to date. Unless otherwise required by law or the articles of association of the Company, all resolutions shall be adopted by an absolute majority of votes. The General Meeting of Shareholders may adopt a resolution to amend the articles of association of the Company by an absolute majority of votes cast, but solely upon the proposal of the Management Board, subject to the approval of the Supervisory Board. The articles of association are reviewed on a regular basis and were last amended in April 2016.

As per December 31, 2019, 198,671,305 (2018: 205,671,305) ordinary shares are issued. No preference shares have been issued.

Every year the Annual General Meeting is held within six months after the start of a new calendar year. The agenda for this meeting generally includes the following standard items:

- The report of the Management Board concerning the Company's affairs and the management as conducted during the previous financial year
- The report of the Supervisory Board and its committees
- The adoption of the Company's Financial Statements, the allocation of profits and the approval of the dividend
- the discharge of the Management Board and of the Supervisory Board
- Corporate Governance
- The delegation of authority to issue shares and to restrict or exclude pre-emptive rights
- The delegation of authority to purchase own shares
- The composition of the Supervisory Board and of the Management Board
- From 2020, the Remuneration Report for an advisory vote

In addition, certain specific topics may be added to the agenda by the Supervisory Board.

An Extraordinary General Meeting can be held whenever the Management Board and/or the Supervisory Board shall deem this necessary. The General Meetings of Shareholders can be held in Schiedam, Rotterdam, The Hague, Amsterdam, Hoofddorp, Amstelveen or Haarlemmermeer (Schiphol).

Proposals to the agenda of General Meetings of Shareholders can be made by persons who are entitled to