



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

3.5 CORPORATE GOVERNANCE

In this chapter 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 best practice provisions in the Dutch Corporate Governance Code. This chapter describes the role of the corporate bodies, the role of the Auditor and of the Stichting Continuïteit.

On Thursday December 8, 2016 the Corporate Governance Code Monitoring Committee published the revised Dutch Corporate Governance Code (the Code). Dutch listed companies are required to report in 2018 on compliance with the revised Code in the 2017 financial year. The condition for this is that the revised Code is enshrined in Dutch law by the cabinet in 2017.

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 statutory seat in Amsterdam. The Company is listed on the Amsterdam Euronext Exchange. 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. The Supervisory Board rules and Management Board rules were lastly amended in February 2016 and are published on the Company's website www.sbmoffshore.com together with the articles of association. In 2016, there were no substantial changes in the corporate governance structure of the Company.

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. 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 Company is managed by the Management Board, under the supervision of the Supervisory 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 by the General Meeting. Further information about the appointment and dismissal of Management Board members can be found in SBM Offshore's articles of association.

The Management Board is collectively responsible for setting and implementing the mission, vision and strategy of the Company. The Management Board acts in accordance with the interests of the Company. The Management Board is responsible for the Company's objectives and strategy, the risk profile laid down in the strategy, the Company's financing, corporate responsibility and for compliance with relevant legislation. 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 Company's Strategy Plan 2017 – 2019 has been discussed with and was approved by the Supervisory Board in December 2016. The Operating Plan 2017 was formally adopted during the meeting of the Supervisory Board in February 2017. More information about the ways of working of the Management Board can be found in the

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Management Board rules, as available on the Company's website.

3.5.3 SUPERVISORY BOARD AND COMMITTEES

The Supervisory Board supervises 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 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 various groups of stakeholders of the Company. 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 by the General Meeting 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.

Except for Mr. 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 provision III.2.2 of the Dutch Corporate Governance Code. None of the Supervisory Board members are on the Management Board of a Dutch listed company in

which a member of the Management Board of the Company is a Supervisory Board member.

The Supervisory Board has three subcommittees: the Audit 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 Audit 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 SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The authorized share capital of the Company amounts 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, to address the General Meeting and to vote. At the General Meeting 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 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 lastly amended in April 2016.

On December 31, 2016 the following investors holding ordinary shares had notified an interest of 3% or more of the Company's issued share capital to the Autoriteit Financiële Markten (AFM) (whereas only notifications after July 1, 2013 are included):

Date	Investor	% of share capital
14 September 2016	JO Hambro Capital Management Limited	4.89%
26 July 2016	FIL Limited	5.19%
9 November 2015	Dimensional Fund Advisors LP	3.18%
18 November 2014	HAL Trust	15.01%
13 November 2014	Templeton Funds	3.30%
18 September 2014	Invesco Ltd.	5.93%

In 2016, SBM Offshore did not enter into transactions with persons who hold at least ten percent of the shares in the Company where there were conflicts of interest of material significance to the Company.

As per December 31, 2016, 213,471,305 (2015: 211,694,950) ordinary shares are issued. No preference shares have been issued.

Every year the 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 and
- the composition of the Supervisory Board and of the Management Board

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 can be held in Schiedam, Rotterdam, The Hague, Amsterdam, Hoofddorp, Amstelveen or Haarlemmermeer (Schiphol).

Proposals to the agenda of General Meetings can be made by persons who are entitled to attend General Meetings, solely or jointly representing shares amounting to at least 1% of the issued share capital. Proposals of persons who are entitled to attend the shareholders meetings will only be included in the agenda if such proposals are made in writing to the Management Board not later than sixty (60) days before that meeting.

The proxy voting system used at the General Meetings of SBM Offshore is provided through ABN Amro Bank N.V. and by SGG Financial Services B.V. as independent third party. The articles of association do not provide for any limitation of the

transferability of the ordinary shares and the voting rights of shareholders is not subject to any limitation.

Analysts meetings, presentations to institutional or other investors and direct discussions with investors did not take place shortly before the publication of the regular financial information.

At the General Meeting of April 6, 2016, 132,630,774 ordinary shares participated in the voting, equal to 62.51% (2015: 52.38%) of the then total outstanding share capital of 212,173,814 ordinary shares. All the proposed resolutions were approved with a majority of the votes. An Extraordinary General Meeting was held on November 30, 2016, where the appointment of Mr. Wood as Management Board Member for a first term of four years was on the agenda. At this meeting, 133,014,704 ordinary shares participated in the voting, equal to 62.31% of the then outstanding capital of 213,471,305 ordinary shares. The proposed resolution was adopted. The outcome of the voting of both meetings was posted on the Company's website on the day following the respective General Meetings.

3.5.5 ISSUE AND REPURCHASE OF SHARES

The General Meeting or the Management Board, if authorized by the General Meeting and with the approval of the Supervisory Board, may resolve to issue shares.

The General Meeting or the Management Board, subject to the approval of the Supervisory Board, shall set the price and further conditions of issue, with due observance of the provisions contained in the articles of association. Shares shall never be issued below par, except in the case as referred to in section 80, subsection 2, Book 2, of the Dutch Civil Code. At the General Meeting of April 6, 2016,

the shareholders have delegated to the Management Board for a period of eighteen months and subject to the approval of the Supervisory Board, the authority to issue ordinary shares up to 10% of the total outstanding shares at that time. In case of mergers, acquisitions or strategic cooperation this percentage is increased to 20%. In the same meeting, the shareholders have delegated the authority to the Management Board for a period of eighteen months as from April 6, 2016 and subject to the approval of the Supervisory Board to restrict or withdraw preferential rights of the shareholders in respect of ordinary shares when ordinary shares are being issued.

The Management Board may, with the authorization of the General Meeting and the Supervisory Board and without prejudice to the provisions of sections 98 and sections 98d, Book 2, Dutch Civil Code and the articles of association, cause the Company to acquire fully paid up shares in its own capital for valuable consideration. The Management Board may resolve, subject to the approval of the Supervisory Board, to dispose of shares acquired by the Company in its own capital. No pre-emption right shall exist in respect of such disposal. At the General Meeting of 2016, the shareholders have delegated the authority to the Management Board for a period of eighteen months as from April 6, 2016 and subject to approval of the Supervisory Board, to acquire up to 10% of the total outstanding shares at that time. On August 11, 2016 SBM Offshore initiated a EUR 150 million share repurchase program, predominantly for share capital reduction purposes and, to a lesser extent, for employee share programs. The repurchase program was completed in December 2016. The execution of the share repurchase program was performed in compliance with the safe harbor provisions for share repurchases. In accordance with the European Market Abuse Regulation, the Company informed the market through weekly press releases and updates on its website. More

information can be found in section 4.4 of this Annual Report.

3.5.6 AUDITORS

The external auditor of SBM Offshore is appointed by the Annual General Meeting on proposal of the Supervisory Board. During the Annual General meeting of 2014, PricewaterhouseCoopers Accountants N.V. was appointed auditor. The current appointment is reviewed every four years by the Audit Committee. The Audit Committee advises the Supervisory Board, which communicates the results of this assessment to the Annual General Meeting. The Audit Committee and the Management Board report their dealings with the external auditor to the Supervisory Board annually and discuss the auditor's independence.

The current lead auditor is Mr. M. de Ridder of PricewaterhouseCoopers Accountants N.V. He will be present at the Annual General Meeting 2017 and may be asked questions with regard to his statement on the fairness of the financial statements. The external auditor attends all meetings of the Audit Committee, as well as the meeting of the Supervisory Board at which the financial statements are approved. He receives the financial information and underlying reports of the quarterly figures and is given the opportunity to comment and respond to this information.

Based on auditor independence requirements, the lead auditor in charge of the SBM Offshore account is changed every five years. Pursuant to the Dutch Audit Profession Act (Wet op het accountantsberoep), the audit firm of a so-called public interest entity (such as a listed company) will have to be replaced if the audit firm performed the statutory audits of the Company for a period of ten consecutive years, at the latest in 2024.

Pursuant to the Audit Profession Act, the auditors are prohibited from providing the Company with services in the Netherlands other than 'audit services aimed to provide reliability concerning the information supplied by the audited client for the benefit of external users of this information and also for the benefit of the Supervisory Board, as referred to in the reports mentioned.' The Company has taken the position that no additional services may be provided by the external auditor and its global network that do not meet these requirements, unless local statutory requirements so dictate.

3.5.7 STICHTING CONTINUÏTEIT SBM OFFSHORE N.V.

In this paragraph, SBM Offshore's anti-takeover measures are described as well as the circumstances under which it is expected that these measures may be used.

A Foundation 'Stichting Continuïteit SBM Offshore' (the Foundation), has been established on March 15, 1988. In summary, the objectives of the Foundation are to represent the interests of SBM Offshore in such a way that the interests of the Company and of all parties involved in this are safeguarded, and that influences which could affect the independence, continuity and/or the identity of the Company in breach of those interests are deterred. The Foundation will perform its role, and take all actions required, at its sole discretion. In the exercise of its functions it will, however, be guided by the interests of the Company and the business enterprises connected with it, and all other stakeholders, including shareholders and employees.

The Foundation is managed by a Board, the composition of which is intended to ensure that an independent judgment may be made as to the interests of the Company. The Board consists of a number of experienced and reputable (former)

senior executives of multinational companies. To be kept informed about 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. R.P. Voogd, Chairman, former public notary, Mr. A.W. Veenman, vice-chairman, former CEO of the Nederlandse Spoorwegen, Mr. R.H. Berkvens, CEO of Damen Shipyard and Mr. B. Vree, former CEO of APM Terminals. As per December 1, 2016, Mrs. H.F.M. Defesche and Mr. J.O. van Klinken were appointed Board members. Mrs. Defesche is former Group Director Legal Affairs at Royal Imtech and former General Counsel at Stork Group. Mr. Van Klinken is currently General Counsel at Aegon. In 2016, Mr. C.J.M. van Rijn stepped down as member of the Board. In 2016, the Board amended the Foundation's articles of association.

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. In the joint opinion of the Supervisory Board, the Management Board and the Foundation

Board members, the Foundation is independent as stipulated in clause 5:71 section 1 sub c Supervision Financial Market 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. In these contracts it is stipulated that members of the Management Board may not compete with the Company. In the service agreement, between the Company and each of the members of the Management Board a change of control clause is included.

The Management Board Rules and the Code of Conduct of the Company regulate conflict of interest matters. The Supervisory Board Rules also contain 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 2016, 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.

With reference to the Remuneration Committee, no loans or guarantees have been provided to members of the Management Board. No other conflicts of Interest in relation to the members of the Management Board or the Supervisory Board were reported during the year 2016.

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 5.3.23 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. The Company is fully compliant with Best Practice II.1.8 of the Dutch Corporate Governance Code and section 2 of the Dutch Civil Code regarding mandates at other listed and large Dutch Companies. 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 March 2012 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 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.

The Company has several ethics and anti-corruption initiatives, including:

- Code of Conduct containing a section on the use of agents and commercial relations with Public Officials
- Anti-Corruption Policy and Compliance Guide
- Due diligence and third-party vetting procedures
- Rules of conduct to report suspected irregularities, including a hotline called the 'SBM Offshore Integrity Line'
- Internal Audit Anti-corruption modules for third-party audits and SBM Offshore companies
- Internal training sessions and e-learning courses
- Use of standard contracts and inclusion of anti-corruption and conflict of interest clauses in contracts
- Strengthening of internal controls, notably ICOFR / IFRS system and new finance and accounting policies

DIVERSITY

The Supervisory Board rules state that the composition of the Supervisory Board shall be such that the combined experience, expertise and independence of its members enable the Supervisory Board to best carry out the full range of its responsibilities. For SBM Offshore, the topic of diversity is of great importance, especially to have a workforce that reflects the international markets in which the Company is active. For that reason, the diversity policy of SBM Offshore is broader than gender diversity. Currently, the Supervisory Board consists of five male and three female members and covers four different nationalities. The Management Board has one French, one Swiss/French, one Dutch and one British member (all male). In succession planning, (gender) diversity is always considered. Ultimately the most qualified candidates will be nominated for appointment. In its Risk Appetite, the

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Company has established the need for nationality diversity in its workforce and its senior leadership population specifically. The HR systems support the realization of this ambition.

EXECUTIVE COMMITTEE

Since end of 2012, an Executive Committee (Excom) is in place currently comprising of the Management Board members, the Managing Directors of the Company's Regional Centers, the Managing Director for the Business Unit FPSO, the Managing Director of Operations and the Lead Executive Project Director. The Excom meets each quarter. In the meetings both strategic and operational topics are discussed. The Excom facilitates decision-making without detracting from the exercise of statutory responsibilities by the members of the Management Board and the internal Company authority matrix.

MISCELLANEOUS

SBM Offshore N.V. has a revolving credit facility 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. Under exceptional circumstances, 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 (www.sbmoffshore.com) 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.