



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

3.4.1 MANAGEMENT BOARD REMUNERATION POLICY

RP 2018 was adopted at the 2018 AGM and became effective January 1, 2018. Full details and the principles and rationale for the RP 2018 are available on SBM Offshore's website in the remuneration policy section under Corporate Governance.

The Company remunerates members of the Management Board for long-term value creation. RP 2018 is based on competitive remuneration aligned with the long-term performance of SBM Offshore. It is built on six reward principles: simplicity, flexibility, predictability, competitiveness, alignment and, most importantly, driving the right results.

Shareholder Rights' Directive and proposal for amendment to RP 2018

In December 2019, new legislation entered into force, implementing the EU Shareholder Rights' Directive (SRD II) in the Netherlands. During the AGM 2020, changes to RP 2018 were proposed to bring the policy into accordance with the new legislation. The AGM voted against the adoption of this revised policy. A new remuneration policy will be proposed during the 2021 AGM. The details of this new policy will be included in the agenda of the 2021 AGM.

This remuneration report has been drafted in accordance with SRD II as implemented in the Netherlands.

Explanation of RP 2018

SBM Offshore believes the oceans will provide the world with safe, sustainable and affordable energy for generations to come. Our mission is to share our experience to make it happen. In executing our strategy we are guided by our Core Values: Integrity, Care, Entrepreneurship and Ownership.

The underlying principles of the remuneration policy of the Management Board of SBM Offshore N.V. support the vision and ambition and aim for long-term value creation of the Company through the Value Creation Stake balanced with pay for performance through the Short-Term Incentive (STI). Sustainability is an integral part of the STI performance areas (through Health, Safety, Security and Environment).

The Company's strategy is aimed at optimizing, transformation and innovation of SBM Offshore's business processes in order to grow in size and create value. This is reflected in the STI performance areas of Profitability, Growth and HSSE (Sustainability). Through the STI performance areas, Management Board remuneration is directly linked to the success of the Company and the value delivered to shareholders.

Employment conditions and pay of the Company's employees within SBM Offshore are being taken into account when formulating the remuneration policy, for instance regarding the STI performance areas and payment dates. Employment conditions for Management Board members may differ from those applicable to employees, also because Management Board members have a service contract rather than an employment relationship. The principles of the remuneration policy are used as a guideline for employment conditions at SBM Offshore as a whole.

The four components of the remuneration package of Management Board members under RP 2018 are: (1) Base Salary, (2) STI, (3) Value Creation Stake and (4) Pension and Benefits.

3 GOVERNANCE

REMUNERATION POLICY STRUCTURE MANAGEMENT BOARD

REMUNERATION POLICY 2018		DETAILS
Base Salary	Fixed component	Level set based on both internal and external relativities
STI	Percentage of Base Salary as short term cash incentive (100% at target for CEO and 75% for other Management Board members)	Identical targets for all Management Board members (based on profitability, growth and HSSE including sustainability)
Value Creation Stake	Award of locked-in shares: 175% of Base Salary	This award is conditional upon Supervisory Board approval - Immediate vesting plus 5-year holding requirement
Pension	Pension allowance equal to 25% of Base Salary	In principle, Management Board members are responsible for their own pension arrangements
Benefits	Benefits include car allowance and health/ life insurance	Other benefits depend on individual circumstances and may include a housing allowance

1. BASE SALARY

The Base Salary is set by the Supervisory Board and is a fixed component paid in cash. Depending on internal and external developments such as market movements, the Supervisory Board may adjust Base Salary levels.

2. SHORT-TERM INCENTIVE

The STI is designed to create a rigorous pay for performance relationship and is a conditional variable component. The STI key performance indicators focus on three performance areas: (i) Profitability, (ii) Growth and (iii) HSSE¹⁷. The Supervisory Board, upon the recommendation of the A&RC determines for each of the performance measures the specific performance targets and their relative weighting in the beginning of the financial year.

STI	
PERFORMANCE MEASURES	WEIGHTING
PROFITABILITY	40 - 60%
GROWTH	20 - 40%
HSSE	15 - 25%
TOTAL	100%
DISCRETIONARY JUDGEMENT SUPERVISORY BOARD	- 10%

¹⁷ Health, Safety, Security, Environment

The three performance areas are specified as follows:

- Underlying and directional EBITDA is used as an indicator of overall short-term profitability.
- Order Intake and/or the number of FEEDs is used as an operational indicator of top line growth.
- HSSE regards Sustainability performance. This includes targets around the UN Sustainable Development Goals.

If the Supervisory Board is of the opinion that another measure would be more qualified as an indicator for profitability, growth or HSSE, it will inform the shareholders in the remuneration report. Performance measures will never be adjusted retrospectively.

Performance ranges – threshold, targeted and maximum - are set for each of the key performance indicators. The STI is set at a target level of 100% of the Base Salary for the CEO and 75% of the Base Salary for any other member of the Management Board. 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.

The Supervisory Board appreciates that transparency and accountability require a precise STI measurement. As decided in 2019, the Supervisory Board will no longer apply discretion to increase the outcome of the STI. The Supervisory Board may still adjust the outcome of the STI down by up to 10%, which adjustment will be reported on in the remuneration report.

At the end of the performance year, the performance is reviewed by the Supervisory Board and the pay-out level is determined. The performance measures, target setting, and realization are published in this remuneration report. For reasons of commercial and/or market sensitivity, these details are not published at the start of the performance period. In general, details regarding order intake will not be shared. The STI is payable in cash after the publication of the Annual Report for the performance year.

3. VALUE CREATION STAKE

The Value Creation Stake is an award of restricted shares to create direct alignment with long-term shareholder value. The awarded shares 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 175% of Base Salary. The number of shares is determined by a four-year average share price (volume-weighted). The Value Creation Stake has a variable element to the extent that the share price develops during the holding period. The Supervisory Board retains the discretion not to award the

Value Creation Stake in exceptional market or business circumstances ('underpin').

All members of the Management Board are required to build up Company stock of at least 350% of Base Salary. The value of the share ownership is determined at the date of grant.

4. PENSION AND BENEFITS

In principle, the Management Board members are responsible for their own pension arrangements and receive a pension allowance equal to 25% of their Base Salary for this purpose.

The Management Board members are entitled to additional benefits, such as a company car allowance, medical and life insurance and (dependent on the personal situation of the Management Board member) a housing allowance.

KEY ELEMENTS EMPLOYMENT AGREEMENTS

Each of the Management Board members has entered into a four-year service contract with the Company, the terms of which have been disclosed in the explanatory notice of the General Meeting of Shareholders at which the Management Board member was (re-)appointed. Next to his service contract, Bruno Chabas has an employment contract with Offshore Energy Development Corporation S.A.M., in relation to a split pay-out of his remuneration.

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 the payment of the STI and LTI (as granted under RP 2015), 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. However, the Supervisory Board has determined that upward adjustments will not be considered as part of RP 2018 based on shareholder feedback.

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 2015) 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 Corporate Governance Code. The current 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.

3 GOVERNANCE

Loans

SBM Offshore does not grant loans, advance payments or guarantees to its Management Board members.

3.4.2 EXECUTION OF THE MANAGEMENT BOARD REMUNERATION POLICY IN 2020

The Supervisory Board is responsible for ensuring that the remuneration policy is appropriately applied and aligned with the Company's objectives. The remuneration level is determined by the Supervisory Board using a comparison with Dutch and international peer companies, as well as internal pay ratios across the Company.

REFERENCE GROUP

In order to determine a competitive Base Salary level and to monitor total remuneration levels of the Management Board, a reference group of relevant companies in the industry (the 'Reference Group') has been defined. Pay levels of the Management Board members are benchmarked annually to the Reference Group. In the event a position cannot be benchmarked within the Reference Group, the Supervisory Board may benchmark a position to similar companies. In 2020, the Reference Group consisted of:¹⁸

¹⁸ Due to changes such as bankruptcy and delisting, Diamond Offshore Drilling, McDermott International and Volker Wessels are no longer part of the reference group. The reference group currently exists of 14 companies.

Arcadis	Oceaneering International	Vopak
Boskalis	Petrofac	Wood Group
Fugro	RPC Inc	
Helmerich & Payne	RPS Group	
IMI	Superior Energy Services	
Noble Corporation	Transocean	

Also in 2020, the Supervisory Board assessed the Management Board's remuneration in relation to the Reference Group's pay levels, revenue and market capitalization.

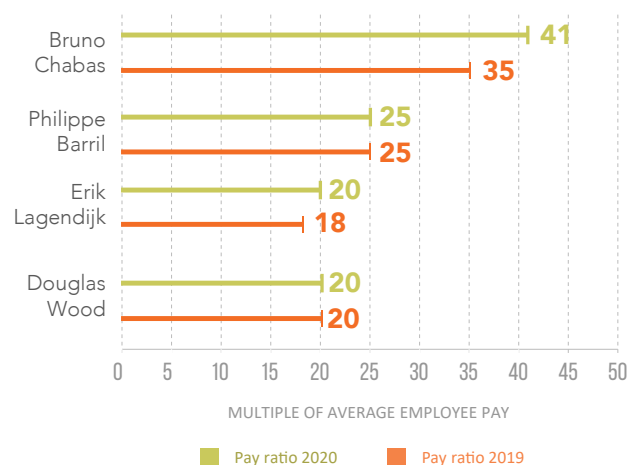
The final determination of pay levels for the Management Board also took into account various scenario analyses to assess the impact of different performance levels and share price developments on the total remuneration paid.

PAY RATIOS

The Supervisory Board also includes internal pay ratios when assessing Management Board pay levels.¹⁹ In 2020, the average total employee expenses was EUR114 thousand. The pay-ratio's of each of the Management Board members over 2020 and 2019 are displayed in the following graph.

¹⁹ The pay-ratio is calculated as the total accounting costs of remuneration for each of the Management Board members expressed as a multiple of the average overall employee benefit expenses for a given year (excluding employees working for JVs and associates).

PAY RATIO



TOTAL REMUNERATION OVERVIEW

The table below provides you with insight in the costs for SBM Offshore for Management Board reward in 2020. The table below presents an overview of the remuneration of the Management Board members who were in office in 2020.