

## Audit Committee Charter

<b>5</b>	<b>23.May.17</b>	<b>Mark Foley VP Group Financial Controller</b>	<b>Dod Fraser Chairman of the Audit Committee</b>
Revision	Revision Date	Document Owner	Document Approver

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### AMENDMENTS

<b>Revision</b>	<b>Revision Date</b>	<b>Section</b>	<b>Description of Amendment</b>
1	10.Feb.11	All	New Document issued for use.
2	14.Nov.13	All	Document slightly updated and reformatted.
3	16.Jan.14	All	Document slightly updated and reformatted.
4	29.Jul.14	2	Membership requirements aligned with the Company's by-laws
5	23.May.17	All	Document updated to reflect changes in Luxembourg law

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## **1. INTRODUCTION**

The Audit Committee is appointed by the Board of Directors to assist the Board of Directors in (1) overseeing the integrity of the financial statements, (2) compliance with legal and regulatory requirements, (3) the independence, qualifications, performance and compensation of Subsea 7's external auditors and (4) the performance of Subsea 7's Internal Audit function.

## **2. MEMBERSHIP**

The Audit Committee shall consist of no fewer than three members.

Members of the Audit Committee shall be appointed by the Board of Directors on the recommendation of the Corporate Governance and Nomination Committee. Audit Committee members may be replaced only by the Board of Directors.

The Board of Directors may appoint non-executive Directors as well as persons who are not Directors to the Audit Committee.

The Audit Committee shall include at least one member who shall have competence in accounting and/or auditing.

The members of the Audit Committee as a whole shall have competence relevant to the sector in which Subsea 7 operates.

The majority of the members of the Audit Committee shall be independent from Subsea 7. The Chairman of the Audit Committee shall be appointed by the members of the Audit Committee and shall be independent from Subsea 7.

Where all members of the Audit Committee are members of the Board of Directors of Subsea 7, the Audit Committee shall be exempted from the independence requirements provided for in the preceding paragraph.

## **3. MEETINGS**

The Audit Committee shall meet as often as it determines in order to meet its responsibilities.

The quorum for meetings shall be two members.

Minutes shall be taken of all meetings of the Audit Committee which shall accurately document decisions taken and shall be a conclusive record of the meetings.

## **4. AUTHORITY**

The role of the Audit Committee is to prepare matters for final decision by the Board of Directors as a whole. Material information that comes to the attention of the Audit Committee should also be communicated to the other members of the full Board of Directors.

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The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide appropriate funding as determined by the Audit Committee as necessary for any such advisor or consultant.

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, provided that decisions of such subcommittees shall be presented to the full Committee at its next scheduled meeting.

The Audit Committee may invite the CEO to attend all or part of its meetings.

## **5. DUTIES**

### **5.1 WITH REGARD TO EXTERNAL AUDIT**

The Audit Committee shall:

1. Be responsible for the procedure of selection and recommend the appointment of the external auditor to the Board of Directors and approve the fees of the external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Subsea 7 and any questions of resignation or dismissal of the external auditor;
2. Rotate or retender the external audit engagement when the incumbent external auditor's maximum tenure of 10 years is reached from the first year of engagement;
3. Ensure that any external audit engagement tendering process was conducted in a fair, transparent and non-discriminatory manner;
4. Ensure the rotation of the key external audit partner responsible for carrying out the statutory audit, no later than seven years from the date of their appointment;
5. Obtain regular updates from its current auditor on their independence;
6. Oversee the work of Subsea 7's external auditor and approve the scope of the audit and ensure co-ordination if more than one external audit firm is involved;
7. Oversee the resolution of any disagreements between management and Subsea 7's external auditor;
8. Approve, in advance, all non-audit services provided by Subsea 7's external auditor that are not prohibited by law and enforce the ban on the prohibited non-audit services;
9. Review the external auditor's non-audit fees on an annual basis and comply with the policy set out in Attachment A in relation to external auditor's non-audit services and fees;

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10. Discuss with the external auditor the matters required to be discussed under applicable auditing standards relating to the conduct of the audit, including any problems or difficulties encountered in the course of the audit work and management's response, any restrictions on the scope of activities or access to requested information and any significant disagreements with management;
11. Inform the Board of Directors of the outcome of the external audit and the resulting contribution of the external audit to the integrity of financial reporting and what the role of the Audit Committee was in that process;
12. Obtain regular updates from its current auditor on its independence; and
13. Set hiring policies for employees or former employees of the external auditor.

## **5.2 WITH REGARD TO FINANCIAL DISCLOSURES**

The Audit Committee shall:

1. Review the quarterly, half yearly and annual financial disclosures with management and the external auditor before their approval by the Board of Directors, or the Chairman of the Board of Directors, acting on its behalf and submit recommendations or proposals to ensure the financial disclosures' integrity. The review will focus particularly on:
  - all critical accounting policies and practices;
  - all alternative treatments of financial information within generally accepted accounting principles, ramifications of the use of alternative treatments, and the treatment preferred by the external auditor;
  - other written communications between management and the external auditor, such as any management letter or schedule of unadjusted differences;
  - accounting policies and practices and recommend any changes to the Board of Directors;
  - major judgement areas;
  - significant adjustments resulting from the annual audit;
  - compliance with all disclosure requirements and duties;
  - compliance with accounting standards;
  - compliance with legal requirements;
  - disclosure of transactions involving related parties; and
  - earnings press releases, as well as financial information and earnings guidance to analysts and rating agencies.

## **5.3 WITH REGARD TO SUBSEA 7'S INTERNAL AUDIT**

The Audit Committee shall:

1. Oversee all aspects of the work of Subsea 7's Internal Audit function. This will include the review and approval of the scope of Internal Audit's activities, their annual audit plan, their report findings and management responses resulting from their work;
2. Ensure coordination between the internal and external auditor;

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3. Review with management and Subsea 7's Internal Audit Director the activities, staffing, structure and competence of the Internal Audit function;
4. Review the financial controls framework on an annual basis;
5. Approve the budget and staffing of the Internal Audit function; and
6. Concur with the appointment and remuneration of the Internal Audit Director.

#### **5.4 WITH REGARD TO LEGAL AND COMPLIANCE**

The Audit Committee shall:

1. Review litigation involving claims by shareholders of wrongdoing by or against directors, officers, or external auditor of Subsea 7;
2. Establish procedures for the receipt, retention and treatment of complaints received by Subsea 7 regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
3. Review on an annual basis the procedures for the treatment of complaints (whistle blowing hotline) unless an exceptional item arises which requires immediate disclosure to the Audit Committee; and
4. Review the findings of any examinations by regulatory agencies that may have a significant financial impact.

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## **5.5 OTHER RESPONSIBILITIES**

The Audit Committee shall:

1. Annually review the Audit Committee's own performance;
2. Prepare and approve any required Audit Committee report included with Subsea 7's notice of the annual meeting; and
3. The Audit Committee shall make regular reports to the Board of Directors regarding its performance of the aforementioned duties.

## **6. CHARTER**

This Charter may be amended by the Board of Directors at any time.



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## **ATTACHMENT A POLICY FOR AUDITOR NON-AUDIT SERVICES AND FEES**

### **BASIC PRINCIPLE**

Subsea 7 S.A. is committed to ensuring that the financial statements of the Group, the Company and its subsidiaries have an effective, independent and objective annual audit by its external auditor.

The provision of non-audit services policy provides guidance on the types of work that it is acceptable for the external auditor to undertake, and to provide clarity on the process to be followed for approval. The policy seeks to define services that the external auditor may not undertake under any circumstances.

Subject to the delegations set out below all non-audit services provided by the external auditor are subject to prior approval by the Audit Committee. Approval will only be given on the basis that the service will not compromise independence and/or objectivity and is either a natural extension of the audit or there are overriding business or efficiency reasons making the external auditors most suited to provide the services.

This policy will be reviewed on an annual basis by the Audit Committee.

### **EXCLUDED SERVICES**

Certain services (excluded services) are not permitted. These are services which have the potential to impair the external auditor's independence and/or objectivity typically if they were to result in work which would be subject to audit by the external auditor. These services include:

- Tax planning where there is a potential threat that their objectivity as the company's auditor could be affected if the advice involves a significant degree of judgement and has a material effect on the financial statements
- Any service of a managerial nature that would create systems, processes or management judgements on which the financial statements are based or rely. A non-exhaustive list of examples includes:
  - bookkeeping and other services relating to accounting records and corporate financial statements
  - financial information systems design and implementation
  - valuation that has a material effect on the financial statements
  - tax services involving tax structures or products that depend for their effectiveness on a particular accounting treatment
  - executive recruiting and human resource services
  - actuarial services
  - management functions including secondments to management positions that include decision making
  - management of, or significant involvement in, internal audit services

The Audit Committee Chairman should be consulted before any assignment is agreed if there is any doubt whether it would fall into one of these categories.

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## **APPROVAL POLICY**

The Audit Committee will approve in advance annually the following:

- An annual budget for tax compliance services
- Delegated authority to the Chief Financial Officer for engagements, other than excluded services, that do not cumulatively exceed \$100,000 within a financial year.

All other services rendered by the external auditor are subject to advance approval by the Audit Committee.

Where the fee for an individual assignment exceeds the threshold, or where the cumulative spend exceeds \$100,000 within a financial year, the Audit Committee needs to approve the appointment in advance of the work commencing. Where urgent matters arise, the Audit Committee has delegated its authority to the Chairman of the Audit Committee between meetings. Such pre-approval should be ratified at the next meeting of the Audit Committee.

Irrespective of the financial threshold above, if there is any doubt as to whether the external auditor have a conflict of interest, approval by the Audit Committee is required.

## **REPORTING AND INDEPENDENCE**

The external auditor will be responsible for maintaining detailed records of all non-audit services undertaken and for ensuring they do not undertake any excluded services. The external auditor will be responsible for advising the Chief Financial Officer if a request for them to undertake non-audit work will result in the limits set by the Audit Committee being exceeded.

The external auditor will provide the Audit Committee with a breakdown of all non-audit services provided and associated monetary amounts at each Audit Committee meeting as a standing agenda item.

## **SUBSEA 7 INTERNAL PROCESS**

All approved non-audit fees for services provided by the external auditor must be processed using a Purchase Order. In addition the Group Financial Controller should be informed by email of the proposed fees and need for the work prior to the Purchase Order being raised.