



# Governance overview

“As a Board our goal is to promote the success of the Company for the benefit of all of our stakeholders.”

## Allen Stevens

Chairman of the Corporate Governance and Nominations Committee

Having been appointed Chairman of the Corporate Governance and Nominations Committee in 2018, this is my first report on corporate governance. I would like to begin by thanking Sir Peter Mason and Mr Robert Long on behalf of the Board for their years of dedicated and exemplary service as Senior Independent Director and Independent Director respectively. Sir Peter in his capacity as Chairman of the Corporate Governance and Nominations Committee was instrumental in establishing and maintaining Subsea 7's commitment to good corporate governance. I am honoured that the Board has entrusted me to succeed in the role of Senior Independent Director, whose function is to ensure a culture of good corporate governance and compliance. Good corporate governance underpins the delivery of our vision and our stakeholders should rest assured that Subsea 7 will continue to strive to achieve the highest standards.

2018 was a busy year for Subsea 7 from a corporate governance standpoint, including the appointments to the Board of two new independent directors, Mr David Mullen and Mr Niels Kirk. One of the key roles of the Corporate Governance and Nominations Committee is to regularly consider Board composition and succession planning in order to guide the Board towards the right balance of diversity, experience and talent needed to steer Subsea 7. Careful consideration was given to these criteria prior to the appointments of Mr Mullen and Mr Kirk (whose biographies are on page 27. Mr Kirk and Mr Mullen have contributed fresh perspectives to the Board and enhanced the Board's skills and experience.

2018 saw the acquisition of 60% of Xodus Group and 100% of Seaway Offshore Cables (previously called Siem Offshore Contractors). In recognition of the related party nature of the latter acquisition, robust corporate governance procedures were employed to ensure the Company was acting in the best interests of all of its stakeholders. These procedures involved full and transparent disclosure of interested parties, and correct management of those interests via the establishment of a sub-committee of the Board to review and challenge the industrial logic of the transaction and to negotiate the terms. Following the success of these acquisitions, management continues to work hard to integrate these businesses into the Subsea 7 Group and to maximise the benefits and opportunities associated with the acquisitions.

During 2018 the Board agreed it would be appropriate to have an external evaluation of the Board's performance in order to, amongst other things, evaluate the procedures being

implemented by the Board. The review highlighted that we have an experienced Board with the right procedures in place in terms of regular, effective meetings at both committee and Board level with well-defined targets and a blend of talent and experience that enable us to achieve our common goal of high-quality governance.

In order to ensure our governance procedures are robust the Corporate Governance and Nominations Committee keeps abreast of all relevant legislation. 2018 has seen a focus for us on the Luxembourg legislation regarding non-financial and diversity information. To this end we have a dedicated section in our Annual Report which we believe provides a comprehensive insight into Subsea 7's approach to diversity, environmental matters, social and employee matters, human rights, and anti-corruption and bribery (pages 16 – 17).






We are proud of the work being accomplished on corporate governance and we will continue to build upon and improve our governance structures to run our business for the benefit of all stakeholders.

## Governance at a glance

The areas listed below, on which we report on the pages indicated, are aligned with the Norwegian Code of Practice for Corporate Governance.

	Page
Implementation and reporting on corporate governance	34
Business	30
Equity and dividends	34
Equal treatment of shareholders and transactions with close associates	35
Shares and negotiability	35
General meetings	34
Nominations Committee	36
Board of Directors: composition and independence	31
The work of the Board of Directors	32
Risk management and internal control	33
Remuneration of the Board of Directors	37
Remuneration of executive personnel	37
Information and communications	39
Take-overs	39
Auditor	38

# Board of Directors

	<b>Kristian Siem</b> Chairman	<b>Allen Stevens</b> Senior Independent Director <sup>1</sup>	<b>Jean Cahuzac</b> Director and Chief Executive Officer
<b>Skills and experience</b>	Mr Siem brings an extensive knowledge of the offshore oil and gas services business worldwide from previous senior executive and non-executive roles combined with long-standing experience as chairman of public companies listed in the USA, UK and Norway. Mr Siem is the founder of the Siem Industries Group and has been Director and Chairman of Siem Industries since 1982. Prior to joining the Group, he held several management positions with the Fred. Olsen Group in the US and Norway. Mr Siem has previously held directorships at Kvaerner ASA and Transocean Inc. He holds a degree in Business Economics.	Mr Stevens brings to the role many years of experience in shipping, finance and management. Mr Stevens started in the shipping industry in financial planning at Sea-Land Service Inc., and subsequently served as Treasurer of McLean Industries Inc. from 1972 to 1988. Mr Stevens served as a Chairman and Director of Erie Shipbuilding from 2006 to 2009, and Chairman of Trailer Bridge Inc. from 2008 until 2012. He has also held senior executive and management positions with Great Lakes Transport Limited. He is a graduate of Harvard Law School and holds a degree in Industrial Engineering from the University of Michigan.	Mr Cahuzac has wide multi-country technical, commercial and general management experience in senior executive roles in the oil and gas services sector spanning a period of 35 years. He worked at Transocean in Houston, USA, from 2000 until April 2008 where he held the positions of Chief Operating Officer and then President. Prior to this, he worked at Schlumberger from 1979 to 2000 where he served in various positions. He holds a Master's degree in Engineering from École des Mines de St-Étienne and is a graduate of the French Petroleum Institute in Paris.
<b>Date of appointment</b>	Appointed Director and Chairman from January 2011.  Prior to the merger of Acergy S.A. and Subsea 7 Inc. in January 2011 Mr Siem was Chairman of Subsea 7 Inc. from January 2002.	Appointed a Non-Executive Independent Director from January 2011 and Senior Independent Director from May 2018.  Prior to the merger of Acergy S.A. and Subsea 7 Inc. in January 2011 Mr Stevens was Independent Director of Subsea 7 Inc. from December 2005.	Appointed a Director from May 2008 (then named Acergy S.A.) and has held the position of Chief Executive Officer since April 2008.
<b>Committee membership</b>			None
<b>Key external appointments</b>	Chairman of Siem Industries Inc. Director of Siem Offshore Inc., Siem Shipping Inc. (formerly Star Reefers Inc.) and Frupor S.A.	Vice President and director of Masterworks Development Co., LLC.	None
<b>Nationality and date of birth</b>	 1949	 1943	 1954
<b>Tenure</b>	Re-elected by shareholders on 12 April 2017 and expiring at the 2019 AGM.	Re-elected by shareholders on 12 April 2017 and expiring at the 2019 AGM.	Re-elected by shareholders on 17 April 2018 and expiring at the 2020 AGM.

**Committee key**
 Chairman

 Compensation Committee

 Corporate Governance and Nominations Committee

 Audit Committee
**Eystein Eriksrud**

Director

Mr Eriksrud brings to his role extensive legal expertise in commercial and corporate affairs combined with senior executive experience in the offshore energy and shipping industries. He was previously a partner of Norwegian law firm Wiersholm Mellbye & Bech, from 2005 to 2011. He joined Siem Industries in October 2011 and is currently Deputy Chief Executive Officer of the Siem Industries Group and holds a number of Directorships within the Siem Industries Group. He is a Candidate of Jurisprudence from the University of Oslo.

Appointed a Non-Executive Director from March 2012.



Deputy Chief Executive Officer of the Siem Industries Group.

Chairman of Siem Offshore Inc., Electromagnetic Geo-services ASA and Flensburger Schiffbau-Gesellschaft mbH. & Co. KG.

Director of various companies in the Siem Industries Group.



Re-elected by shareholders on 17 April 2018 and expiring at the 2020 AGM.

**Dod Fraser**Independent Director<sup>1</sup>

Mr Fraser brings comprehensive experience in corporate finance and investment banking both internationally and in the United States. This is supplemented by extensive knowledge of corporate governance in his current and prior appointments as audit committee member. Mr Fraser served as a Managing Director and Group Executive with Chase Manhattan Bank, now JP Morgan Chase, leading the global oil and gas group from 1995 until 2000. Until 1995 he was a General Partner of Lazard Frères & Co. Mr Fraser has been a trustee of Resources for the Future, a Washington-based environmental policy think-tank. He is a graduate of Princeton University.

Appointed a Non-Executive Independent Director from December 2009 (then named Acergy S.A.).



Director of Rayonier Inc.  
Director of Fleet Topco Limited.



Re-elected by shareholders on 12 April 2017 and expiring at the 2019 AGM.

**Niels Kirk**Independent Director<sup>1,2</sup>

Mr Kirk brings to the role over 30 years of international corporate and structured finance experience combined with extensive knowledge of the energy, power and resource sector at executive level. He worked at Citibank for over 25 years where his most recent appointment was Chairman & Managing Director of Energy & Natural Resources in Europe, the Middle East and Africa until 2018. Prior to Citibank, he worked at Banque Paribas for five years. Mr Kirk is a member of the Advisory Council of Advanced Power, which develops, acquires, owns and manages power generation and related infrastructure projects in Europe and North America. He holds an MBA in Finance and International Business from the Stern School at New York University.

Appointed a Non-Executive Independent Director from April 2018.



Co-founder and CEO of Kirk, Lovegrove and Company Ltd.



Elected by shareholders on 17 April 2018 and expiring at the 2020 AGM.

**David Mullen**Independent Director<sup>1,2</sup>

Mr Mullen brings over 30 years' experience in the oil services business. He has previously held the position of CEO at two other companies in the subsea industry, Wellstream Holdings PLC and Ocean Rig ASA. Prior to these appointments he was Senior Vice President of Global Marketing, Business Development and M&A at Transocean from 2005 to 2008. Mr Mullen also had a 23-year career at Schlumberger, including as President of Oilfield Services for North and South America. He holds a Bachelor of Arts degree in Geology and Physics from Trinity College, Dublin, and a MSc degree in Geophysics from the National University of Ireland.

Appointed a Non-Executive Independent Director from April 2018.



CEO and Director of Shelf Drilling Limited.



Elected by shareholders on 17 April 2018 and expiring at the 2020 AGM.

<sup>1</sup> As used above, 'independent' is defined by the rules and codes of corporate governance of the Oslo Børs on which Subsea 7 S.A. is listed, which the Board must satisfy, in particular the Norwegian Code of Practice for Corporate Governance. Under the terms of the Company's Articles of Incorporation, Directors may be elected for terms of up to two years and serve until their successors are elected. Under the Company's Articles of Incorporation, the Board must consist of not fewer than three Directors.

<sup>2</sup> Sir Peter Mason and Robert Long retired, and Niels Kirk and David Mullen were appointed, as Directors on 17 April 2018.

# Executive Management Team

## Jean Cahuzac

Chief Executive Officer

## John Evans

Chief Operating Officer

## Nathalie Louys

General Counsel

### Skills and experience

Jean's full biography is included under Board of Directors on page 26.

John started his career in the oil and gas engineering and contracting sector in 1986, working with Kellogg Brown & Root (KBR).

During 18 years with KBR he gained a successful record in general management, commercial and operational roles in the offshore oil and gas industry. Prior to joining Subsea 7, between 2002 and mid-2005 John was Chief Operating Officer for KBR's Defence and Infrastructure business in Europe and Africa. John has a Bachelor of Engineering degree in Mechanical Engineering from Cardiff University, is a Chartered Mechanical and Marine Engineer and a Chartered Director.

Nathalie began her legal career in 1986, working with Saint-Gobain and Eurotunnel, gaining extensive legal experience across a number of industries. In 1996 she joined Technip, based in Paris, progressing to the role of Vice President Legal – Offshore.

In 2006 Nathalie joined Subsea 7 and subsequently worked in a number of senior corporate and operational legal roles. Prior to her current appointment Nathalie was Vice President Legal – Commercial.

Nathalie has been admitted to the Paris Bar and has legal qualifications from University Paris I – Panthéon Sorbonne and Paris XI in France and the University of Kent in the UK.

### Date of appointment

Jean has been Chief Executive Officer of Subsea 7 since April 2008 and became an Executive member of the Board of Subsea 7 S.A. in May 2008.

John has been Chief Operating Officer of Subsea 7 since July 2005.

Nathalie has been General Counsel of Subsea 7 since April 2012.

### Nationality and date of birth

 1954

 1963

 1963

## Stuart Fitzgerald

### Executive Vice President Strategy and Commercial

Stuart began his career with a specialist marine engineering consultancy, progressing to Worley Engineering in Australia and Brunei.

Stuart began his career with Subsea 7 in 1998. In 2007 Stuart was appointed as head of Sales and Marketing for Norway and Denmark, and in 2009 became Vice President for Norway. In 2014 he was appointed Vice President Sales and Marketing for the Northern Hemisphere and Life of Field business. In June 2016 Stuart was appointed Vice President Strategy and Technology for the Group which he held until his current appointment.

Stuart has a Bachelor of Engineering degree in Mechanical Engineering and a Bachelor of Science degree in Applied Mathematics from Monash University in Melbourne, Australia.

Stuart was appointed Executive Vice President Strategy and Commercial in January 2018.



## Ricardo Rosa

### Chief Financial Officer

Ricardo started his career in 1977 with Price Waterhouse in London and transferred in 1981 to Rio de Janeiro. In 1983 he joined Schlumberger where he held various financial positions within the Schlumberger Group, working in Paris, Jakarta, Rio de Janeiro, Caracas, Milan and London.

In 2000 he joined Transocean as Vice President and Controller in Houston, subsequently becoming Senior Vice President for Asia Pacific and Middle East in Singapore and then for Europe and Africa, in Paris. Prior to joining Subsea 7, he was Transocean's Executive Vice President and CFO. Ricardo holds a Masters of Arts degree in Modern Languages from Oxford University and is a member of the Institute of Chartered Accountants in England and Wales.

Ricardo has been Chief Financial Officer of Subsea 7 since July 2012.



## Keith Tipson

### Executive Vice President Human Resources

Keith began his career in the engineering and construction project sectors in 1980, working with the Dowty Group. In 1988 he moved to Alstom where he held a number of roles based in Belgium, France, Switzerland and the UK, including the positions of Human Resources Director for the Industrial Equipment Division, the International Network and the Steam and Hydro segments of the ABB Alstom Power joint venture. Prior to joining Subsea 7 he held the position of Senior Vice President Human Resources, Power Sector, based in Paris. Keith has a business degree from the University of West London.

Keith has been Executive Vice President – Human Resources of Subsea 7 since November 2003.



#### Note

Roles in Subsea 7 are referred to here as the amalgamation of respective roles in the legacy entities i.e. Acergy S.A. and Subsea 7 Inc. including roles prior to or after the Combination of the two businesses in January 2011.

# 2018 Corporate Governance Report

## Regulatory compliance

This section sets out the arrangements the Board has put in place to help ensure that it fulfils its corporate governance obligations, including the application of the principles of the Norwegian Code of Practice for Corporate Governance.

### Legal and regulatory framework

Subsea 7 S.A. is a 'société anonyme' organised in the Grand Duchy of Luxembourg under the Company Law of 1915, as amended, being incorporated in Luxembourg in 1993, and acts as the holding company for all of the Group's entities.

Subsea 7 S.A.'s registered office is located at 412F, route d'Esch, L-2086 Luxembourg. The Company is registered with the Luxembourg Register of Commerce and Companies under the designation 'R.C.S. Luxembourg B 43172'. As a company incorporated in Luxembourg and with shares traded on the Oslo Børs and ADRs traded over-the-counter in the US, Subsea 7 S.A. is subject to Luxembourg laws and regulations with respect to corporate governance.

As a company listed on the Oslo Børs, where its shares are actively traded, the Company follows the Norwegian Code of Practice for Corporate Governance on a 'comply or explain' basis, where this does not contradict Luxembourg laws and regulations. The Norwegian Code of Practice for Corporate Governance is available at <http://www.nues.no/en/>.

The Group's corporate governance policies and procedures are explained below, with reference to the principles of corporate governance as set out in the sections identified in the Norwegian Code of Practice for Corporate Governance dated 17 October 2018.

### Articles of Incorporation – nature of the Group's business

As stated in its Articles of Incorporation, Subsea 7 S.A.'s business activities are as follows:

"The objects of the Company are to invest in subsidiaries which predominantly will provide subsea construction, maintenance, inspection, survey and engineering services, in particular for the offshore oil and gas and related industries. The Company may further itself provide such subsea construction, maintenance, inspection, survey and engineering services, and services ancillary to such services.

The Company may, without restriction, carry out any and all acts and do any and all things that are not prohibited by law in connection with its corporate objects and to do such things in any part of the world whether as principal, agent, contractor or otherwise. More generally, the Company may participate in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or by any other means of all shares, stocks, debentures, bonds or securities; the acquisition of patents and licences which it will administer and exploit; it may lend or borrow with or without security, provided that any monies so borrowed may only be used for the purposes of the Company, or companies which are subsidiaries of or associated with or affiliated to the Company; in general it may undertake any operations directly or indirectly connected with these objects."

The full text of the Company's Articles of Incorporation, as amended, is available on Subsea 7's website: [www.subsea7.com](http://www.subsea7.com).

### Business

The Board of Directors has set strategies and targets for the Company's business.

The Group provides all the products and services required for subsea field development, including project management, design and engineering, procurement, fabrication, survey, installation and commissioning of production facilities on the seabed and the tie-back of these facilities to fixed or floating platforms or to the shore.

Through its Life of Field business unit, the Group offers inspection, repair and maintenance, integrity management, drill rig support, production enhancement and decommissioning support services, operating under the i-Tech 7 brand.

## BOARD OF DIRECTORS

### KRISTIAN SIEM

Chairman

### ALLEN STEVENS

Senior Independent Director

### JEAN CAHUZAC

Director

### EYSTEIN ERIKSRUD

Director

### DOD FRASER

Independent Director

### NIELS KIRK

Independent Director

### DAVID MULLEN

Independent Director

Note: Sir Peter Mason and Robert Long retired as Directors on 17 April 2018.

The Group also provides services for the delivery of offshore wind farm projects and specialist heavy lifting and cable-lay services, utilising the capability of Seaway Heavy Lifting and Seaway Offshore Cables, wholly owned subsidiaries of Subsea 7, operating under the Seaway 7 brand.

Further details of the Group's business are outlined in the 'Overview' and 'Strategy' sections on pages 2 to 24.

### Board of Directors: composition and independence

As a Luxembourg incorporated entity, the Company does not have a corporate assembly.

The Board of Directors comprises seven Directors. The majority of the Directors were, during the financial year 2018, considered independent in accordance with the rules of the Oslo Børs on which Subsea 7 S.A. is listed and the independence criteria of the Norwegian Code of Practice for Corporate Governance.

Biographies of the individual Directors are detailed on pages 26 to 27.

Mr Cahuzac, the Chief Executive Officer (CEO), was first appointed to the Board of Directors in May 2008. The Board of Directors operates controls to ensure that no conflicts of interest exist with respect to his position on the Board of Directors. The charters of the permanent committees do not permit executive management to be members. Accordingly, Mr Cahuzac does not sit on any of the committees. The composition of the Company's Board of Directors and the controls to avoid conflicts of interest are in accordance with both Luxembourg company law and good corporate governance practice.

The Board of Directors endeavours to ensure that it is constituted by Directors with a varied background and with the necessary expertise, diversity and capacity to ensure that it can effectively function as a cohesive body. Prior to proposing candidates to the relevant general meeting for election to the Board of Directors, the Corporate Governance and Nominations Committee seeks to consult with the Company's major shareholders before recommending candidates to the Board of Directors.

Directors are elected by a general meeting for a term not exceeding two years and may be re-elected. Directors need not be shareholders. At a general meeting the shareholders may dismiss any Director, with or without cause, at any time notwithstanding any agreement between the Company and the Director. Such dismissal may not prejudice the claims that a Director may have for indemnification as provided for in the Articles of Incorporation or for a breach of any contract existing between him or her and the Company.

If there is a vacancy on the Board of Directors, the remaining Directors appointed at a general meeting have the right to appoint a replacement Director until the next meeting of shareholders who will be asked to confirm such appointment.

With the exception of a candidate recommended by the Board of Directors, or a Director whose term of office expires at a general meeting of the Company, no candidate may be appointed unless at least three days and no more than 22 days before the date of the relevant meeting, a written proposal, signed by a duly authorised shareholder, shall have been deposited at the registered office of the Company together with a written declaration, signed by the proposed candidate, confirming his or her wish to be appointed.

The Directors of the Board are encouraged to hold shares in the Company as the Board of Directors believes it promotes a common financial interest between the members of the Board of Directors and the shareholders of the Company. Details of the Directors' shareholdings are on page 109.

# Work of the Board of Directors

The Board of Directors adheres to a Board Charter which sets out the instructions for the Board.

The main responsibilities of the Board of Directors are:

1. Setting the values used to guide the affairs of the Group.  
This includes the Group's commitment to achieving its health and safety vision and the Group's adherence to the highest ethical standards in all of its operations worldwide.
2. Integrating environmental improvement into business plans and strategies, and seeking to embed sustainability into the Group's business processes.
3. Overseeing the Group's compliance with its statutory and regulatory obligations and ensuring that systems and processes are in place to enable these obligations to be met.
4. Setting the strategy and targets of the Group.
5. Establishing and maintaining an effective corporate structure for the Group.
6. Overseeing the Group's compliance with financial reporting and disclosure obligations.
7. Overseeing the risk management of the Group.
8. Overseeing Group communications.
9. Determining its own composition, subject to the provisions of the Company's Articles of Incorporation.
10. Ensuring the effective corporate governance of the Group.
11. Approving the remuneration package for the CEO based upon the recommendation of the Compensation Committee.
12. Setting and approving policies.

The Board of Directors' Charter is available on the Subsea 7 website: [www.subsea7.com](http://www.subsea7.com)

## 2018 MEETING ATTENDANCE

	Board	Audit Committee*	Corporate Governance and Nominations Committee*	Compensation Committee
Kristian Siem	11/12		4/4	3/3
Allen Stevens	11/12		4/4	3/3
Jean Cahuzac	12/12			
Dod Fraser	12/12	6/6		
Eystein Eriksrud	11/12	6/6		
Niels Kirk**	7/7	5/6		2/3
David Mullen**	7/7		2/4	
Sir Peter Mason KBE**	4/5		2/4	
Robert Long**	4/5	1/6		1/3

\* Additionally, a joint session of the Audit Committee and the Corporate Governance and Nominations Committee was held on 27 February 2018 at which all members of both committees were present.

\*\* Sir Peter Mason and Robert Long retired, and Niels Kirk and David Mullen were appointed, as Directors on 17 April 2018.

## Responsibilities during the year

During the year, the Board of Directors sets a plan for its work for the following year, which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and the review and monitoring of the Group's current year financial performance. In 2019, the Board of Directors is scheduled to convene on seven occasions, but the schedule is flexible to react to operational or strategic changes in the market and Group circumstances.

The Board of Directors has overall responsibility for the management of the Group and has delegated the daily management and operations of the Group to the CEO, who is appointed by and serves at the discretion of the Board of Directors. The CEO is supported by the other members of the Executive Management Team, further details of which are on page 28 to 29. The Executive Management Team has the collective duty to deliver Subsea 7's strategic, financial and other objectives, as well as to safeguard the Group's assets, organisation and reputation. The Board of Directors has internal regulations for its own operation and approves objectives for its own work, as well as the work of the Executive Management Team, with particular emphasis on clear internal allocation of responsibility and duties.



It is the duty of the Executive Management Team to provide the Board of Directors with appropriate, precise and timely information on the operations and financial performance of the Group, in order for the Board of Directors to perform its duties. The Board of Directors has established a Corporate Governance and Nominations Committee, a Compensation Committee and an Audit Committee, each of which has a charter approved by the Board of Directors. Matters are delegated to the committees as appropriate. The Directors appointed to these committees are selected based on their experience and to ensure the committees operate in an effective manner. The minutes of all committee meetings are circulated to all Directors.

The performance and expertise of the Board of Directors are monitored and reviewed annually, including an evaluation of the composition of the Board of Directors and the manner in which its members function, both individually and as a collegiate body. The evaluation of the performance of the Board of Directors during the 2018 year was conducted internally and the results of the evaluation were shared with the Corporate Governance and Nominations Committee. In line with best practice, the evaluation of the performance of the Board of Directors is conducted by an external facilitator every third year. The most recent external review was conducted during 2018 in respect of the year 2017, further details of which are on page 25; accordingly the next external review is due at the end of 2020.

## **Risk management and internal control**

The Board of Directors acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. The Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material financial misstatement or loss.

The Group adopts internal controls appropriate to its business activities and geographical spread. The key components of the Group's system of internal control are described in the Risk Management section on pages 18 to 24. The Group has in place clearly defined lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of capital expenditure. The Executive Management Team meets with other senior management on a regular basis to discuss particular issues, including key operational and commercial risks, health and safety performance, environmental factors, and legal and financial matters.

The Group has a comprehensive annual planning and management reporting process. A detailed annual budget is prepared in advance of each year and supplemented by forecasts updated during the course of the year. Financial results are reported monthly to the Executive Management Team and quarterly to the Board of Directors and compared to budget, forecasts, market consensus and prior year results.

The Board of Directors reviews reports on actual financial performance and forward-looking financial guidance.

The Board of Directors derives further assurances from the reports of the Audit Committee. The Audit Committee has been delegated responsibility to review the effectiveness of the internal financial control systems implemented by management and is assisted by the internal audit function and the external auditor where appropriate.

# Communication with stakeholders

## Implementation and reporting on corporate governance

Subsea 7 S.A. acknowledges the division of roles between shareholders, the Board of Directors and the Executive Management Team. The Group further ensures good governance is adopted by holding regular Board of Directors' meetings, which the Executive Management Team attends and at which strategic, operational and financial matters are presented.

The Group's vision is:

To lead the way in the delivery of offshore projects and services for the energy industry.

The Group's Values focus on: Safety, Integrity, Sustainability, Innovation, Performance and Collaboration.

In pursuit of the six Values, the Group has an Ethics Policy Statement and a Code of Conduct which reflect its commitment to clients, shareholders, employees and other stakeholders to conduct business legally and with integrity and honesty. The Ethics Policy Statement and the Code of Conduct were approved by the Board of Directors and were issued to all Directors, officers and employees and are subject to periodic review and updating.

## General meetings

The Articles of Incorporation provide that the Annual General Meeting (AGM) shall be held within six months from the end of the financial year and in 2019 it will be held on 17 April. The notice of meeting and agenda documents for the AGM are posted on the Group's website at least 21 days prior to the meeting and shareholders receive the information at least 21 days prior to the meeting by mail. Documentation from previous AGMs is available on the Subsea 7 website: [www.subsea7.com](http://www.subsea7.com).

All shareholders that are registered with the Norwegian Central Securities Depository System receive a written notice of the AGM. The Company will set a record date as close as practicable to the date of the AGM, taking into account the differing deadlines for ADR and common share proxies. Subject to the procedures described in the Articles of Incorporation, all shareholders holding individually or collectively at least 10% of the issued shares have the right to submit proposals or draft resolutions. All shareholders on the register as at the record date will be eligible to attend in person, or vote by proxy, at the AGM.

Proxy forms are available and may be submitted by eligible shareholders which allow separate voting instructions to be given for each proposed resolution to one of the representatives indicated on the proxy form and also allow a person to be nominated to vote on behalf of shareholders as their proxy. There will be a separate vote for each candidate nominated for election to the Board of Directors. Details will be provided in the resolutions and supporting information distributed to the shareholders ahead of the AGM.

Under Luxembourg law, there are minimum quorum requirements for EGMs but no minimum quorum requirement for AGMs. Decisions will be validly made at the AGM regardless of the number of shares represented if approval is obtained from the majority of the votes of those shareholders that are present or represented.

The Articles of Incorporation of the Company stipulate that the AGM will be chaired by the Chairman of the Board of Directors. However, the Board of Directors ordinarily delegates authority to the Company Secretary to chair the AGM. If a majority of the shareholders request an alternative independent chairman, one will be appointed.

At the AGM, the shareholders, inter alia, elect members of the Board of Directors for nominated terms of appointment, approve the Company's Annual Accounts, the Group's Annual Report and Consolidated Financial Statements, discharge the Directors from their duties for the financial year and approve the statutory auditor's appointment. In accordance with Luxembourg law and the Company's Articles of Incorporation the Chairman of the Board is elected by the Board of Directors based on its insight into who has the most suitable level of understanding of the Company to carry out the duties of the Chairman.

## Equity and dividends

### Shareholders' equity

Total shareholders' equity at 31 December 2018 was \$5.68 billion (2017: \$5.89 billion) which the Board of Directors believes is satisfactory given the Group's strategy, objectives and risk profile.

### Dividend policy

It is Subsea 7's objective to give its shareholders an attractive return on their invested capital. The return is to be achieved through a combination of dividend payments, share repurchases and an increase in the value of the Company's shares over time through disciplined investment in value-adding growth opportunities. The Board of Directors each year, after evaluating the Company's financial position and re-investment opportunities, may decide to recommend that shareholders approve at the AGM an appropriate dividend. This dividend will normally be paid in the month following its approval at the AGM.

### Equity mandates

At the extraordinary general meeting held on 27 November 2014, the Board of Directors' authority to approve the purchase of the Company's shares up to a maximum of 33,216,706 common shares (representing 10% of the issued common shares following the cancellation of 19,626,664 common shares authorised at the 27 November 2014 extraordinary general meeting) was granted until 26 November 2019. This authority is subject to certain purchase price conditions and is conditional on such purchases being made in open market transactions through the Oslo Børs, subject to certain limitations. The Board of Directors was also granted authority for a period ending on 26 May 2020 to cancel shares repurchased under such authorisation and to reduce the issued share capital through such cancellations. An extraordinary general meeting will be held on 17 April of this year at which it will be proposed that the shareholders approve the renewal of these authorities.

An extraordinary general meeting was held on 17 April 2018 at which the Company's shareholders approved the restatement of the authorised share capital at \$900,000,000 with any authorised but unissued common shares lapsing on 16 May 2021. Additionally, the Board of Directors was authorised to issue new shares within the authorised unissued share capital. The Board of Directors was authorised to waive, suppress or limit existing shareholders' preferential subscription rights up to a maximum of 32,736,711 common shares (representing 10% of the issued common shares as at 17 April 2018). These authorisations were granted for a period of three years, expiring on 16 May 2021, to reduce inter alia the administrative burden of convening an extraordinary general meeting annually.

### Equal treatment of shareholders and transactions with close associates

#### One class of shares

The Company has one class of shares which are listed on the Oslo Børs. Each share carries equal rights including an equal voting right at annual or extraordinary general meetings of shareholders of the Company. No shares carry any special control rights. The Articles of Incorporation contain no restrictions on voting rights.

#### Share issues

The Board of Directors is authorised to suppress the pre-emptive rights of shareholders under certain circumstances and within the limits set forth previously. This is to allow flexibility to deal with matters deemed to be in the best interest of the Company.

In the event of the Board of Directors resolving to issue new shares and waive the pre-emptive rights of existing shareholders, the Board of Directors intends to comply with the recommendation of the Norwegian Code of Practice for Corporate Governance that the justification for such waiver is noted in the Stock Exchange announcement relating to such a share issue.

#### Related party transactions

Any transactions between the Group and members of the Board of Directors, executive management or close associates are detailed in Note 33 'Related party transactions' to the Consolidated Financial Statements.

The Board of Directors will, from time to time, determine the necessity of obtaining third-party valuations on transactions with related parties. Under Luxembourg law, Directors may not vote on transactions in which they are directly or indirectly financially interested.

The Group's Code of Conduct requires any Director or employee to declare if they hold any direct or indirect financial interest in any transaction entered into by the Group.

#### Freely negotiable shares

Subsea 7 S.A.'s shares are traded as common shares on the Oslo Børs and as ADRs over-the-counter in the US.

All shares are freely negotiable. The Articles of Incorporation contain no form of restriction on the negotiability of shares in the Company.

# Corporate Governance and Nominations Committee

## Committee members

### Allen Stevens

Committee Chairman

### Kristian Siem

### David Mullen

The Board of Directors has established a Corporate Governance and Nominations Committee. The composition of this Committee is for the Board of Directors to determine in accordance with the Company's Articles of Incorporation. The Board of Directors believes that the Committee, comprising certain members of the Board of Directors, the majority of whom are independent of the Company's main shareholders, has the most suitable level of understanding of the Company to carry out the duties of the Committee.

The Corporate Governance and Nominations Committee's main responsibilities are:

1. Actively seeking and evaluating individuals qualified to become Directors of the Company and nominating candidates to the Board of Directors.
2. Periodically reviewing the composition and duties of the Company's permanent committees and recommending any changes to the Board of Directors.
3. Periodically reviewing the compensation of Directors and making any recommendations to the Board of Directors.
4. Annually reviewing the duties and performance of the Chairman of the Board and recommending to the Board of Directors a Director for election by the Board of Directors to the position of Chairman of the Board.
5. Annually reviewing the Company's corporate governance guidelines, procedures and policies for the Board of Directors and recommending to the Board of Directors any changes and/or additions thereto that they believe are desirable and/or required. These governance guidelines include the following:
  - How the Board of Directors is selected and compensated (for example, the size of the Board, Directors' compensation, qualifications, independence, retirement and conflicts of interests).
  - How the Board of Directors functions (for example, procedures for Board meetings, agendas, committee structure and format and distribution of Board materials).
  - How the Board of Directors interacts with shareholders and management (for example, selection and evaluation of the CEO, succession planning, communications with shareholders and access to management).
6. Overseeing the annual evaluation of the Board of Directors' performance.
7. Overseeing all aspects of Subsea 7's compliance and ethics programme. This will include a regular review of the structure of the compliance function, the scope of its activities and the effective implementation of the programme (including procedures for employees to raise concerns about breaches of the Code of Conduct and for such concerns to be investigated and remediated).
8. Annually reviewing the Committee's own performance.

The Corporate Governance and Nominations Committee Charter is available on the Subsea 7 website: [www.subsea7.com](http://www.subsea7.com).

# Compensation Committee

## Committee members

### Kristian Siem

Committee Chairman

### Allen Stevens

### Niels Kirk

The Compensation Committee has been established by the Board of Directors to assist in developing a fair compensation programme for executive officers and to ensure compliance with legal requirements as to executive officer compensation. The Compensation Committee's main responsibilities are:

1. Reviewing annually and approving the compensation paid to executive officers of the Company with the exception of the CEO where the Compensation Committee may make a recommendation to the Board of Directors.
2. Establishing annually performance objectives for the Company's CEO and annually reviewing the CEO's performance against objectives and setting the CEO's compensation based on its evaluation.
3. Overseeing the Company's Benefit Plans in accordance with the objectives of the Company established by the Board of Directors.
4. Reviewing executive compensation plans and making recommendations to the Board of Directors on the adoption of new plans or programmes.
5. Recommending to the Board of Directors the terms of any contractual agreements and any other similar arrangements that may be entered into with executive officers of the Company and of its subsidiaries.
6. Approving appointments of the CEO, the CEO's direct reports and certain other appointments.
7. Preparing the report on executive compensation to be included in the Company's Annual Report and Consolidated Financial Statements.
8. Annually reviewing the Compensation Committee's own performance.

The Compensation Committee Charter is available on the Subsea 7 website: [www.subsea7.com](http://www.subsea7.com).

## Remuneration of the Board of Directors

The Company's Non-Executive Directors receive remuneration in accordance with their individual roles and committee membership. The Company's Executive Director and CEO's remuneration is detailed in Note 33 'Related party transactions' to the Consolidated Financial Statements. The Directors are encouraged to own shares in the Company but no longer participate in any incentive or share option schemes, with the exception of Mr Cahuzac in his capacity as CEO and as Executive Director. The remuneration of the Board of Directors is approved at the

AGM annually as part of the Annual Report and Consolidated Financial Statements and is disclosed in Note 33 'Related party transactions' to the Consolidated Financial Statements.

Directors are not permitted to undertake specific assignments for the Group unless these have been disclosed to and approved in advance by the full Board of Directors.

## Remuneration of the Executive Management

The Group's remuneration policy is set by the Compensation Committee. The policy is designed to provide remuneration packages which will help to attract, retain and motivate senior management to achieve the Group's strategic objectives and to enhance shareholder value. The Compensation Committee benchmarks executive remuneration against comparable companies and seeks to ensure that the Group offers rewards and incentives which are competitive with those offered by the Group's peers. The Compensation Committee also seeks to ensure that the remuneration policy is applied consistently across the Group and that remuneration is fair and transparent, whilst encouraging high performance.

Remuneration comprises base salary, bonus, share-based payments, benefits and pension. In benchmarking elements of remuneration against Subsea 7's peers, the Compensation Committee may from time to time take advice from external consultants. Performance-related remuneration schemes define limits in respect of the absolute awards available. These are defined within the scheme arrangements and set out limits regarding the total award in a given year and, in specific instances, the total award available to certain individuals.

## Chief Executive Officer remuneration

The remuneration package of the CEO was determined by the Board of Directors on the recommendation of the Compensation Committee. The compensation of the CEO is reported in Note 33 'Related party transactions' to the Consolidated Financial Statements.

## Executive Management Team remuneration

The remuneration package of the other five members of the Executive Management Team was determined by the Compensation Committee and is shown in aggregate in Note 33 'Related party transactions' to the Consolidated Financial Statements.

## Share ownership of Executive Management Team

Details of share options held and other interests in the share capital of the Company by the Executive Management Team are shown in Note 33 'Related party transactions' to the Consolidated Financial Statements.

## Long-term incentive arrangements

The Group currently operates a single long-term incentive arrangement, the 2018 Long-term Incentive Plan ("2018 LTIP"), to reward and incentivise key management. There are also former schemes which are now closed to share awards. Full details of the 2018 LTIP are set out in Note 34 'Share-based payments' to the Consolidated Financial Statements.

# Audit Committee

## Committee members

### **Dod Fraser**

Committee Chairman

### **Eystein Eriksrud**

### **Niels Kirk**

The Audit Committee is responsible for ensuring that the Group has an independent and effective external and internal audit process. The Audit Committee supports the Board of Directors in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintain appropriate relationships with the external auditor. The Chairman of the Audit Committee meets the independence requirements under Luxembourg law.

The Audit Committee's main responsibilities include:

1. Monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity.
2. Monitoring the effectiveness of the Company's and the Group's internal quality controls, internal audit function, financial controls framework and, where applicable, risk management systems.
3. Monitoring the statutory audit of the Company's Annual Accounts and the Consolidated Financial Statements of the Group, in particular its performance, taking into account any findings and conclusions by the competent authority.
4. Reviewing the quarterly, half-yearly and annual financial statements of the Group before their approval by the Board of Directors.
5. Informing the Board of Directors of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and the role of the committee in that process
6. Reviewing and monitoring the independence of the external auditor, in particular with respect to the appropriateness of the provision of additional non-audit services to the Company and the Group and putting in place procedures and making recommendations with respect to the selection and the appointment of the external auditor.
7. Reviewing the report from the external auditor on key matters arising from the Group statutory audit and the Company statutory audit.
8. Dealing with complaints received directly or via management, including information received confidentially and anonymously, in relation to accounting, financial reporting, internal controls and external audit issues.
9. Reviewing the disclosure of transactions involving related parties.
10. Annually reviewing the Audit Committee's own performance.

The Audit Committee Charter is available on the Subsea 7 website: [www.subsea7.com](http://www.subsea7.com).

The terms of reference of the Audit Committee, as set out in the Audit Committee Charter, satisfy the requirements of applicable law and are in accordance with the Articles of Incorporation.

The Chairman of the Audit Committee is Dod Fraser, whose biography can be found on page 27. The Board of Directors has determined that Mr Fraser is the Audit Committee's financial expert and competent in accounting and audit practice with recent and relevant financial experience. The Audit Committee's Charter requires that the Audit Committee shall consist of not less than three Directors. The Audit Committee meets at least four times a year and its meetings are attended by representatives of the external auditor and by the head of the internal audit function.

## Auditor

The external auditor meets the Audit Committee annually regarding the planning and preparation of the audit of the Group's Consolidated Financial Statements and the Company's Annual Accounts.

The Audit Committee members hold separate discussions with the external auditor during the year without the Executive Management Team being present. The scope, resources and level of fees proposed by the external auditor in relation to the Group's audit and related activities are approved by the Audit Committee.

The Audit Committee recognises that it is occasionally in the interest of the Group to engage its external auditor to undertake certain other non-audit assignments. Fees paid to the external auditor for audit and non-audit services are reported in the Consolidated Financial Statements of the Group, which are in turn approved at the AGM. The Audit Committee also requests the external auditor to confirm annually in writing that the external auditor is independent.

## Take-overs

Subsea 7 S.A.'s Board of Directors endorses the principles concerning equal treatment of all shareholders. In the event of a take-over bid, it is obliged to act in accordance with the requirements of Luxembourg law and in accordance with the applicable principles for good corporate governance.

The Company has been notified of the following significant shareholders who control 5% or more of the voting rights of the Company:

	%(a)
Siem Industries Inc.	21.3%
Folketrygdfondet	8.7%

(a) Information is correct as at 31 December 2018.

## Information and communications

Subsea 7 S.A.'s Board of Directors concurs with the principles of equal treatment of all shareholders and the Group is committed to reporting financial results and other information on an accurate and timely basis. The Group provides information to the market through quarterly and annual reports, investor and analyst presentations which are available to the media and by making operational and financial information available on Subsea 7's website. Announcements are released through notification to the company disclosure systems of the Oslo Børs and the Luxembourg Commission de Surveillance du Secteur Financier and simultaneously on the Subsea 7 website. As a listed company, the Company complies with the relevant regulations regarding disclosure. Information is only provided in English.

The Company complies in all material respects with the Oslo Børs' Code of Practice for IR, which is available at [www.oslobors.no/](http://www.oslobors.no/).

## DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the Consolidated Financial Statements for the year ended 31 December 2018 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group taken as a whole. We also confirm that, to the best of our knowledge, the 2018 Annual Report, Consolidated Financial Statements and Unconsolidated Financial Statements include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.

By Order of the Board of Directors of Subsea 7 S.A.

**Kristian Siem**  
Chairman

**Jean Cahuzac**  
CEO and Director