GOVERNANCE

BOARD OF MANAGEMENT

Name **Mark R.F. Heine** (1973)
Function Chief Executive Officer, Director Marine division (as of May 2019: Chief Executive Officer)
Nationality Dutch
Employed by Fugro Since 2000. Joined Fugro's former Executive Committee in 2013 and appointed to the Board of Management in 2015. Appointed CEO in October 2018.
Current term Until AGM 2019

Background
Mark Heine joined Fugro in 2000 and served as geodesist on various onshore and offshore survey projects, amongst others, as managing director, regional manager Europe-Africa and Director of the Survey division. He holds a MSc in Geodetic Engineering from Delft University of Technology. Mark is member of the Board of Directors of marine contractors associations IMCA and IRO.

Name **Paul A.H. Verhagen** (1966)
Function Chief Financial Officer
Nationality Dutch
Employed by Fugro Since 2014. Appointed to Board of Management per January 2014, appointed Chief Financial Officer in May 2014.
Current term Until AGM 2022

Background
Paul Verhagen worked for Philips for 23 years in various financial management positions in the Netherlands, Hong Kong, USA, China and Taiwan. He has been active in various global CFO positions since 2005, lastly as Executive Vice President and Chief Financial Officer of Philips Lighting. Paul holds an MSc in Business Administration from the Catholic University Brabant in Tilburg, and a post graduate chartered controlling degree from the University in Maastricht.

Name **Brice M.R. Bouffard** (1970)
Function Director Land division (as of May 2019: Chief Development Officer)
Nationality French
Employed by Fugro Since 2016. Appointed to Board of Management in 2016.
Current term Until AGM 2020

Background
Before joining Fugro, Brice Bouffard worked at several oil field services companies, where he held a range of technical, IT and commercial positions in various countries. He most recently worked at Weatherford and Spectraseis. Brice spent the first 13 years of his career at Schlumberger. He holds a master degree in maritime engineering from École Nationale Supérieure de Techniques Avancées Paris and a masters degree in geophysics from IFP School (Paris).

Company secretary **Wouter G.M. Mulders** (1955)

Fugro Voyager working on a geotechnical investigation at the site of Kriegers Flak wind farm, Denmark.

RISK MANAGEMENT

Doing business inherently involves taking risk and therefore risk management is an essential element of Fugro's culture, corporate governance, strategy development, and operational and financial management. On a daily basis risks are managed by employees as part of their overall role and responsibilities. Fugro is willing to take risks, provided that it is sufficiently equipped to successfully manage them, and it operates within the boundaries of its expertise and as set by senior management. These boundaries ensure that the actions of a single individual (whether knowingly or unintentionally) will not result in disproportionate risk for the entire company.

Fugro's risk management is aimed at supporting long-term sustainable value creation. It is designed to provide reasonable assurance that objectives are met by integrating management control into daily operations, ensuring compliance with legal requirements and safeguarding the integrity of the company's financial reporting and its related disclosures. Fugro's risk management framework is in line with the Dutch Corporate Governance code.

Risk appetite and sensitivity

Risk appetite refers to the amount of risk, on a broad level, an entity is willing to accept in pursuit of value. The risk boundaries are driven by the company's culture, corporate governance, its expertise and strategic risk assessments. This is detailed in Fugro's values, Code of Conduct, policies and procedures and authorisation schedules.
The company's risk management aims to identify, assess and manage risks in accordance with its risk appetite in the different categories.

Risk appetite and key risks

Risk category	Key risks	Key risk appetite	Page	Fugro's approach
Strategic	■ Market exposure ■ Innovation ■ Employees	High High Low	60	For strategic risks, acceptable risk levels vary depending on the subject at hand, where expected rewards have to justify the risk. Generally the appetite is between above average to high.
Operational	■ Project management ■ QHSSE management ■ Cyber security	Moderate Low Low	61	Operational risks are handled with a moderate risk appetite. However, all risks related to QHSSE and cyber security are subject to low risk appetite.
Financial	■ Credit risk ■ Currency exchange rate	Low Low	62	Financial risk appetite is low, with the intent to limit financial risks and maintain long-term solvency and stay well within bank covenants.
Compliance	■ Legal compliance ■ Intellectual property	Low Low	63	Compliance is subject to a low risk appetite as Fugro strives for the highest level of compliance with legal and regulatory requirements and strives to not infringe on third party IP.

Fugro's Seawatch Lidar bouy for measuring wind profiles and waves.

Sensitivity analysis	Change	Impact	On	Assumption (based on 2018 financials excluding exceptional items)
Revenue (volume)	+ 1%	EUR 9 million	EBITDA	Flat net revenue own services
Revenue (price)	+ 1%	EUR 16 million	EBITDA	No change to cost base
Operating expenses	+ 1%	EUR (16) million	EBITDA	No change to revenue
Vessel utilisation	+ 1%	EUR 4 million	EBITDA	Equal contract terms
Days of revenue outstanding	+ 1%	EUR 4 million	Working capital	All other conditions remaining equal
Euro versus US dollar	+ 10%	EUR 5 million	Net profit	Stable revenue and margin in USD
Euro versus British pound	+ 10%	EUR (1) million	Net profit	Stable revenue and margin in GBP
Interest rate	+ 100 bp	EUR (2) million	Net profit	Net debt year-end 2017
Net debt	+ 100 million	EUR (3) million	Net profit	Stable interest rates

Risk management framework

Fugro is aware of the risks it can be confronted with and has a risk management framework in place to identify and manage risks and internal controls.

Control environment

The first level of the control environment consists of Fugro's employees who perform the day to day activities in the business operations, and their management.
They undertake these activities in accordance with the applicable authorisation matrix, which is updated regularly by the Board of Management. They have the obligation to obtain an appropriate level of understanding regarding their roles and responsibilities and carry them out correctly and completely. Every employee is expected to comply with internal procedures and applicable laws and regulations.

The second level consists of the company's support functions such as QHSSE, financial control, procurement, IT, tax, human resources, insurance, treasury and legal. These functions carry out various risk management and compliance activities to support and/or monitor the first level controls.

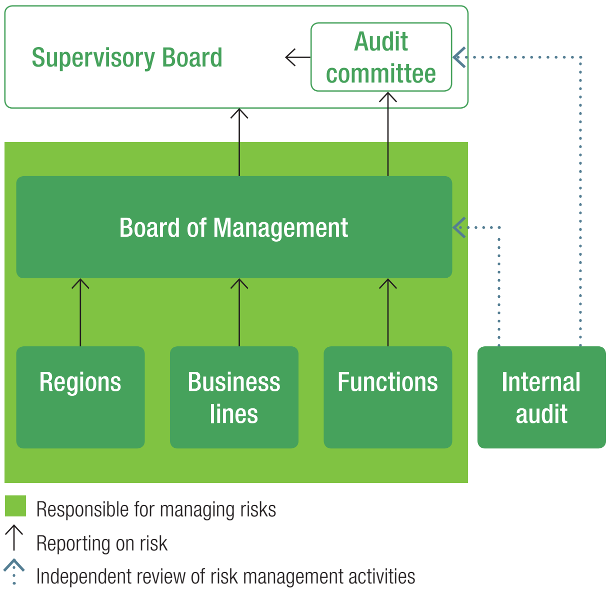
The third and final level consists of the independent internal audit department which reports to the line management, the Board of Management and the audit committee on the structure, existence and effect of the risk management and internal control systems.

Responsibilities

Fugro's risk management governance is based on a delegated accountability across the regions, business lines and global functions, so that risks and opportunities are the responsibility of those best placed to manage them. Risks that can and should be managed by the regions, business lines and global functions, remain subject to their own risk management processes within the boundaries set by the Board of Management. Management with delegated authority (e.g., regional management, country management, business line management, etc.) is expected to perform annual risk assessments. The identified risks and (when applicable) mitigating measures are documented, assigned to an appropriate owner, and monitored. The risks are communicated with all relevant employees and significant risks are reported to the Board of Management.

The Board of Management holds ultimate responsibility for risk management within the company and determines the risk appetite for the company. Internal audit supports the Board of Management in monitoring implementation of the risk management framework. On an annual basis the Board of Management performs a comprehensive assessment (assessing strategic, operational, financial and compliance risks) to determine the top risks. The identified risks are assigned to owners within the Board of Management, who have ultimate responsibility to manage these.

Risk governance



The Board of Management reports to the audit committee on the risk management processes (assessments, response and monitoring). The audit committee and the Board of Management receive independent information on risk management activities from the internal audit department. The audit committee reports their observations and findings to the Supervisory Board.

This structured risk management process allows Fugro to take risks in a controlled manner. Constant monitoring of markets and the operating and financial results is intrinsic to its way of working due to the generally short-term nature of its assignments. Clarity and transparency are essential for assessing and evaluating risks. These are fundamental characteristics of the company's culture. All management is bound by clear restrictions regarding representation and decision-making.

Strategic risk

Fugro's strategy 'Path to Profitable Growth' has associated risks, for which the company has risk management measures in place. Apart from the key strategic risks, Fugro also recognises strategic risks related to its digital transformation, utilisation of its asset base and the ongoing consolidation and transformation of its organisational structure. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

Market exposure Description	Risk appetite: High Risk direction	Mitigation
A high proportion of Fugro's activities, around 60%, is related to the oil and gas industry and as such Fugro is significantly exposed to the volatility of the oil price and the related impact on oil companies' investment and operational budgets.	The market for oil and gas services is expected to improve the coming years as new investments are needed to satisfy the still growing demand for oil and gas. When viewed over decades, the increasing commitment by countries, companies and citizens to reduce carbon emissions to mitigate climate change poses a serious risk.	To a degree this is mitigated by Fugro's balanced exposure across the oil and gas field life cycle and strong market positions. Additionally, Fugro is strategically targeting non-oil and gas markets such as infrastructure, power, rail, telecom cable routing, offshore wind, and new growth markets such as fresh water sourcing and in coastal and flood protection, to be less dependent on the oil and gas services market. These markets run in different economic cycles than the oil and gas markets and offer good opportunities for Fugro.

Innovation Description	Risk appetite: High Risk direction	Mitigation
Focus on value-driven innovation and developing new technologies enables Fugro to provide differentiating integrated solutions. Innovation is a key enabler of Fugro's strategic priorities, even in the current challenging market circumstances. There is a risk that investments relating to research and development will not deliver new technologies and market opportunities or that, irrespective of Fugro's efforts to protect its intellectual property, competitors develop similar or better solutions, thereby negatively impacting Fugro's competitive edge.	It is expected that this risk will increase. There is an increasing need for innovation in order to remain competitive. With the ever-increasing pace of technological advancement and digitalisation, the lifespan of innovative competitive advantages is decreasing.	By continuing to invest, even during the recent downturn and by working closely with clients and understanding their needs, Fugro is able to effectively invest in research and development resources that are relevant to clients. Furthermore, working with universities, technology institutes and other high tech companies gives Fugro the opportunity to leverage third party technology and research and development, resulting in increased effectiveness.

Employees Description	Risk appetite: Low Risk direction	Mitigation
Not being able to recruit or retain qualified personnel is a risk that can impact both current and future operations and results. Especially given the recent restructurings in line with the decline of the oil and gas market, there is a risk that certain capabilities cannot be maintained at the desired level.	It is expected that this risk will increase. As Fugro expect to grow and is evolving towards providing more high-end services as part of its strategy, with our people as a key enabler, the shortage of employees with the right capabilities continues to grow.	Fugro acknowledges the value of its employees and considers them a key enabler for the execution of the new strategy. This is demonstrated by providing opportunities to its employees, through training, leadership and expertise development, career opportunities, and by focusing on attracting young people and healthy retention levels. In 2018 an integrated employee management system was implemented and a global career framework was introduced, providing employees with a better understanding of the possibilities to advance within the group, both on the technology and managerial ladder.

Operational risk

Being a project organisation, the main operational risks are related to projects. Apart from the key operational risks presented below, Fugro recognises operational risks related to capacity management in its asset heavy activities, and the possibility of natural disasters. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

Project management **Description**	Risk appetite: Moderate **Risk direction**	**Mitigation**
Good project management is essential for satisfactory execution, especially as contract size and the complexity of projects are increasing. Downtime related to adverse weather or vessel or equipment breakdown or availability of assets can significantly impact project performance. Lack of management or control, due to time, knowledge or resource constraints, can cause unnecessary delays and serious damage to a project and Fugro's reputation, and may result in (financial) penalties.	It is expected that this risk will increase. There is a trend showing increasing project complexity and size and because of the growth of the industry a growing risk of not enough resources and expertise to manage the projects appropriately.	Projects and contracts with a value or risk exceeding a specified amount must be approved in accordance with the applicable authorisation matrix, which is updated regularly by the Board of Management. A proper risk assessment also ensures that a sufficiently qualified manager is selected to manage these projects, reducing the risk that unnecessary costs are incurred. Fugro is strongly focused on further improving its efficiency, amongst others by a relentless focus on delivery excellence, for example by implementing a global equipment pool and process standardisation by centralising project management development and the appointment of a global director of project management.

QHSSE management **Description**	Risk appetite: Low **Risk direction**	**Mitigation**
Fugro recognises that the industries in which it works expose employees to health, safety and security risks and is therefore committed to preventing these from turning into incidents.	It is expected that this risk will remain the same. Strong QHSSE management has been very relevant for Fugro, as its employees have always worked in harsh environments, and this is not expected to change. In the current oil and gas market, price pressure and new staff coming in makes it at times more challenging to maintain high levels of QHSSE management. Fugro has identified this challenge and has programs in place to address this.	Fugro has a group wide QHSSE strategy and related standards, policies and practices where all levels are expected to actively motivate, influence and guide individual and collective behaviour. This is fueled by the belief that all incidents are preventable. Every employee and contractor is expected to abide by HSSE management systems including its Golden Rules of HSSE. All Fugro's activities are executed under OHSAS18001 or similar certified management systems. Employees receive regular safety training and Fugro is continuously reviewing potential areas of improvement, and ensuring thorough evaluations of all incidents.

Cyber security **Description**	Risk appetite: Low **Risk direction**	**Mitigation**
Fugro relies on a range of IT systems (hardware, software and network connections) to manage its business, support operations and deliver many of its advanced technological solutions. Fugro develops proprietary hardware and software to support its specialist services. Consequently, malfunctioning of Fugro's IT systems, due to an outside attack (e.g. phishing, malware) or other internal system instabilities, may result in a delay of projects or a negative impact on Fugro's reputation.	The increase in IT dependency, combined with an increase in cyber threats, underpin the expectation that this risk will be increasing in the next few years.	Fugro has a dedicated global IT security team and a solid security IT infrastructure which consists of advanced spam and internet filters, firewalls, policy-based access to the internet and tooling to monitor network and cloud usage. Fugro's IT systems are constantly monitored and controlled for contamination by viruses, malware or malicious content. The team operates independently from IT staff in the country organisations. In 2018 Fugro has taken several actions to improved cyber security resilience, including an independent penetration test on key systems and services, implementation of multi-factor authentication for account access and DMARC (digital signing) on all fugro.com email. There has not been any major security incident in 2018.

Financial risk

Fugro has to fund its operations, which is done with a mix of own capital and external capital (bank facilities, convertible bonds), and holds bank balances and receivables in different locations and currencies. Apart from the key financial risks presented below, Fugro also recognises financial risks related to financing and interest rates. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

Credit risk **Description**	Risk appetite: Low **Risk direction**	**Mitigation**
Fugro has credit exposure to accounts receivable with customers. A default by counterparties can have a material adverse effect on operating results. Also, aging debtors have a negative impact on the available working capital, exposing Fugro to the risk of increased cost of capital.	It is expected that this risk will remain stable. Because of Fugro's diverse client base, there is always a risk that a client pays late, or goes bankrupt.	Fugro continues to focus on timely collections of outstanding debt in order to minimise this risk. In addition, relevant staff is being trained on proper working capital management, client acceptance reviews and an overall awareness on the impact of this topic.

Currency risk **Description**	Risk appetite: Low **Risk direction**	**Mitigation**
Fugro is exposed to fluctuations in exchange rates, which can impact equity, debt, revenue and profitability. The currency movements at group level can be substantial, in particular related to equity and debt. Fugro holds cash balances in local currencies in certain countries where it is difficult to transfer cash abroad or to convert it to USD or EUR at short notice. These local trapped cash balances expose Fugro to risk of devaluations against the euro. In Angola an amount of EUR 26 million is in Angolan Kwanza's which is subject to currency risk at year end 2018.	It is expected that this risk will remain the same. Given the global presence of Fugro, there will always be currency exposure, and a change in fluctuations between currencies is not expected.	As most of the company's revenue in local currencies is used for local payments, the effect of currency movements on operational activities at a local level is reduced. The group treasurer focuses on improving transparency regarding the various currency exposures and provides advice on how to mitigate these. Fugro strives to match revenue with costs and assets with liabilities in each applicable currency or in USD and hence makes use of natural hedges. The usage of forward exchange contracts is limited. Through standardisation and centralisation and improved treasury management systems Fugro will be able to monitor and mitigate its transactional currency risks and the group treasurer is monitoring all foreign exchange contracts and, together with group control, their significance for the assessment of assets, liabilities, and the financial situation and results.

Compliance risk

Fugro is a multinational company, trading globally with subsidiaries and branches in various countries. Apart from the key compliance risks presented below, Fugro also recognises compliance risks related to agents, tax, insurance, and claims and disputes. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

Legal compliance	Risk appetite: Low	
Description	**Risk direction**	**Mitigation**
Fugro's global presence exposes the company to regional and local law and regulation, as well as changing and challenging political and economic environments. This can impact the realisation of business opportunities. Other risks may include non-compliance with Fugro's Code of Conduct such as its anti-bribery provisions.	It is expected that this risk will increase. Especially in the Western world, there is a drive to implement increasingly detailed and more complex regulations and regulatory standards covering an ever broader scope of a company's activities.	The Code of Conduct directs Fugro's employees, subcontractors and business partners to conduct business ethically, comply with the law, and maintain Fugro's reputation. Continuous efforts are made to inform employees, suppliers and business partners about the Code of Conduct. In 2018 this was further enforced through multi language e-learning courses and active monitoring of agents and joint venture partners.

Intellectual property	Risk appetite: Low	
Description	**Risk direction**	**Mitigation**
Fugro uses high-performance equipment, technologies, software and business processes, and develops a significant part of this in-house. There is a risk that Fugro unintentionally infringes the intellectual property (IP) of others in this process, which could result in material financial claims, high license fees or even prohibition of applying certain technologies or methods. On 8 May 2018, Magseis Fairfield filed an amended complaint against Seabed Geosolutions, in which Magseis Fairfield accuses the company of infringing on several US patents held by Magseis Fairfield. Although Seabed claims invalidity and non-infringement there is a risk that the claims will be awarded.	It is expected that this risk will increase. With the focus on innovation and the increasing utilisation of innovative solutions (both by Fugro and its competitors), there is an increase in competitive use of IP.	In order to mitigate this risk there is a corporate department managing Fugro's IP by increasing awareness within Fugro, and by assisting the company's research and development centers with the prevention of unintentional IP infringements.

Financial reporting

Fugro operates in many different parts of the world, sometimes differing in accounting policies and local reporting requirements. This exposes Fugro to the risk of reporting figures that are not in line with the group's IFRS framework, which may lead to a (material) impact on the reported figures. To mitigate this risk a financial handbook and an accounting manual, containing detailed guidelines for the financial reporting, is available for the senior management and the controllers of all reporting entities. Every 6 months all managers and controllers of reporting entities and the responsible division director sign a detailed statement regarding the financial reporting and internal control.

The business plans of every reporting entity are translated into forecasts. Deviations from the forecast are reviewed on a monthly basis. Any unforeseen circumstances that arise, or any substantial deviation from the forecasts, must be reported immediately to the responsible management. The monthly reports submitted by the operational management include an analysis of the achievements versus the approved plans and a forecast for the coming periods including actions to address any shortfall.

Detecting possible defects in tunnel structure by infrared thermography, Hunghom Cross Harbour Tunnel, Hongkong.

Fugro has implemented internal control self-assessments (ICS) at most of its financial shared service centres. The first implementation was at the FSSC in the Netherlands, which is the largest FSSC within the group. These self-assessments are aimed at increasing awareness of Fugro's overall internal control framework. They are focused on financial reporting, consistency in the use of standards and the effectiveness of controls, ultimately leading to an enhanced control environment.

Fugro is implementing a groupwide IT system to optimise the way Fugro works in business development, project management and operations, procurement, and finance across the company. These key business processes are in the process of being standardised based on best practices and will be supported by a global cloud-based tool. In 2018 part of the system (the finance components) were implemented in several entities, and further fit-gap analyses were and will be performed to intensify roll out activities in 2019. A second proof of concept for the full solution will be rolled out in another operating company in 2019 in order to further prepare for a global implementation of the fully integrated solution.

Internal audit

The internal audit department assists the company with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In 2018, 19 reviews took place including 2 project focused reviews. The internal audit department is independently accountable to the audit committee of the Supervisory Board and participates and reports in each audit committee meeting (5 times per year). Additionally, the head of internal audit has direct access to the chairman of the audit committee and CEO and they meet at least twice per year.

External audit

The financial statements of Fugro are audited annually by external auditors, who are not part of the internal controls of the company, but do contribute to the internal control framework. These audits take place on the basis of Dutch law. As a matter of principle, the external auditor does not act in an advisory capacity, however, on an exceptional basis and when allowed by the respective independence requirements, this is permitted. In the majority of cases when advisory services are required, Fugro selects firms that are not selected to carry out component audits.
The performance of the external auditor is evaluated annually by the audit committee, assisted by the Board of Management. The audit committee advises the Supervisory Board on their proposal to the annual general meeting regarding (re)appointment of the external auditor.
For specific information on the external audit we refer to the independent auditor's report on page 181.

Audit committee

The audit committee comprises three members of the Supervisory Board and, based on the risk appetite of the company, it ensures an independent monitoring of the risk management process from the perspective of its supervisory role. The committee focuses on the quality of the internal and external reporting, the effectiveness of the internal audits and the functioning of the external auditor. See 'Supervisory Board report – Supervisory Board committees' for further information on the audit committee. The terms of reference of the audit committee (included in the terms of reference of the Supervisory Board) are posted on Fugro's website.

CORPORATE GOVERNANCE

Dutch corporate governance code

The Dutch corporate governance code contains principles and best practices on the governance of listed companies and their accountability to their shareholders on this topic. Fugro has complied with this code since it was first introduced in 2013, with few deviations. In December 2016 a revised version of the code was published (the 'Code'). The Code was designated as the new corporate governance code by Decree on 7 September 2017 and entered into force as from the financial year 2017.

In the Code, a central role is given to long-term value creation and culture is introduced as a component of effective corporate governance.

Compliance with the Code in 2018

Fugro applies the principles and best practices of the Code, except for the following and for the reasons set out below. A full overview ('comply or explain'-report) of Fugro's compliance with the Code in 2018 is posted on Fugro's website, as are the rules governing the internal proceedings of the Board of Management and of the Supervisory Board (including its three committees).

Principle 4.4

Maintaining its role as independent service provider is crucial for Fugro (see 'Protective measures' on page 67 for further explanation). One of the ways to safeguard this independence is share certification. Although the Code provides that the certification structure is not meant as a protective measure, Fugro has chosen, in the interest of its clients to also view the certification structure as part of its protective measures. When carrying out assignments Fugro often receives or can have access to extremely confidential information. Fugro can only perform its assignments if it can safeguard the confidential nature of such information towards its clients. Furthermore, it is strategically extremely important for Fugro that it is able to maintain its position as an independent service provider and to deter influences in conflict with these interests which might affect the independent position or the continuity and identity of Fugro and its group companies.

The second reason for the certification structure is the prevention of possible harmful effects as a result of absenteeism in the shareholders' meetings of Fugro. Fugro considers it not to be in the interest of its stakeholders in general that through absenteeism an accidental majority can, based only on its own interest, force through its opinion. Preventing this, ties in with this Principle 4.4.

Best practice provision 4.4.1

In accordance with this provision, the Board of Stichting Administratiekantoor Fugro ('Foundation Trust Office') enjoys the confidence of the holders of certificates and operates independently of Fugro. One deviation from this provision is that the administration terms and conditions of the Foundation Trust Office do not stipulate in what cases and subject to what conditions holders of certificates may request the Foundation Trust Office to convene a meeting of holders of certificates. However, see the explanation on best practice provision 4.4.2. At this moment, Fugro does not intend to change this.

Best practice provision 4.4.2

According to this provision the meeting of holders of certificates may make recommendations to the Board of the Foundation Trust Office for the appointment of a member to the Board. It depends on whether or not a meeting of holders of certificates is held in which the holders of certificates can make such recommendations. The Board has decided that holders of certificates representing at least 15% of the issued share capital in the form of certificates of shares may request that a meeting of holders of certificates is convened in order to make recommendations concerning persons to be appointed as a member of the Board of the Foundation Trust Office. At this moment, Fugro does not intend to change this.

Best practice provision 4.4.5

According to this provision the Foundation Trust Office, in exercising its voting rights, should be guided 'primarily by the interests of the holders of certificates, taking the interests of the company and its affiliated enterprise into account'. The articles of association and the administration terms and conditions of the Foundation Trust Office provide that if the Foundation Trust Office exercises its voting rights, it will do this in such a manner that the interests of Fugro and the enterprise affiliated therewith and all those concerned therewith are observed and complied with as far as shall be possible (article 2 of the articles of association and article 4 of the administration terms and conditions of the Foundation Trust Office). The interests of some stakeholders need not necessarily at all times run parallel with that of other stakeholders. For example, some will have a short-term focus whilst others have a long-term focus. It is up to the

Diver inspecting offshore structure.

Board of the Foundation Trust Office to, after balancing the interests, come to a well-considered decision on the exercise of the voting rights. In addition, when considering the exercise of the voting rights the Board in any case takes into consideration the (Dutch) law as well as the articles of association and the administration terms and conditions of the Foundation Trust Office. The Board can (also) opt, for reasons of its own, to not exercise the voting rights on the shares held by the Foundation Trust Office. At this moment, Fugro does not intend to change this.

Best practice provision 4.4.8

Based on the provisions of section 2:118a Dutch Civil Code and article 18.2 of the administration terms and conditions, the Foundation Trust Office will provide a proxy to any holder of certificates of shares who so requests, to exercise the voting rights on the (underlying) shares corresponding to the certificates held by the holder in a shareholders' meeting of Fugro. Holders of certificates of shares can (also) choose to have themselves represented in the shareholders' meeting by a written proxy, whether or not including a voting instruction. In specific situations the Foundation Trust Office may solely limit, exclude or revoke a proxy. See page 67 for more details. This is necessary when Fugro's continuity, independence, identity or development is at stake. Therefore the deviation of this provision of the Code relates to the fact that proxies to vote are not issued without any limitation and in all circumstances. This deviation is of course the consequence of the fact that the structure of share certification is also meant as a protective measure. At this moment, Fugro does not intend to change this.

Corporate information

Capital structure

The authorised capital of Fugro amounts to EUR 16,000,000 and is divided into:

- 140,000,000 ordinary shares, with a nominal value of EUR 0.05.
- 160,000,000 cumulative protective preference shares, with a nominal value of EUR 0.05.
- 10,000,000 cumulative financing preference shares, with a nominal value of EUR 0.05 each, which can be sub-divided into two series of 5,000,000 cumulative financing preference shares.
- 10,000,000 cumulative convertible financing preference shares, with a nominal value of EUR 0.05 each, which can be sub-divided into two series of 5,000,000 cumulative convertible financing preference shares.

On 31 December 2018 the issued capital amounted to EUR 4,228,626.25 divided into 84,572,525 ordinary shares. No preference shares have been issued. All the ordinary shares have equal voting rights (one share, one vote). There are no restrictions on the voting rights of the company's ordinary shares and preference shares (if issued). As of 31 December 2018 almost all (83,603,050 = 98.85%) issued ordinary shares are exchanged for certificates of shares. See page 67 for more information on certificates of shares.

Restrictions to transfer of shares/exchange of certificates

The Board of Management's approval is required for each transfer of preference shares. The approval has to be requested in writing stating the name of the intended acquirer of the shares in question.

Ordinary shares may be transferred only to natural persons. Notwithstanding the provisions of the preceding sentence, the transfer of ordinary shares shall not be possible if and insofar as the acquirer, either alone or under a mutual collaboration scheme jointly with one or more others, natural persons and/or legal entities, either directly or – otherwise than as a holder of certificates of shares issued with the cooperation of Fugro – indirectly:

- is the holder of ordinary shares to a nominal amount of one per cent or more of the total capital of Fugro issued in the form of ordinary shares (as of 31 December 2018 one percent equals 845,726 shares).
- through such transfer would acquire more than one per cent of the total capital of Fugro issued in the form of ordinary shares.

Exchange of certificates of shares for the (underlying) ordinary shares is only possible in accordance with the above-mentioned.

The restrictions to the transfer of ordinary shares stated above are not applicable to:

- the transfer of ordinary shares to Fugro itself or to a subsidiary of Fugro.
- the transfer or issue of ordinary shares to, or the exercise of a right to subscribe for ordinary shares by, a trust office or to another legal person, if in respect of such a trust office or other legal person the Board of Management with the approval of the Supervisory Board has by an irrevocable resolution wholly or partially lifted the restrictions limiting the transfer or issue of ordinary shares, to which lifting of restrictions conditions may be attached; in respect of another legal person as referred to above, such restrictions may be lifted only to the extent that such may be required to permit that legal person to avail itself of the facility of the participation exemption, as at present provided for in section 13 of the Corporation Tax Act 1969.
- the transfer of ordinary shares acquired by Fugro itself or the issue by Fugro of ordinary shares, if such a transfer or issue takes place within the framework of either a collaborative arrangement with or the acquisition of another enterprise, or a legal merger, or the acquisition of a participating interest or the expansion thereof, in respect of which the Board of Management with the approval of the Supervisory Board by an irrevocable resolution has wholly or partially lifted the restrictions limiting the transfer or issue of ordinary shares, to which lifting of restrictions conditions may be attached.
- the transfer or transmission of ordinary shares to shareholders who on 31 March 1992 were recorded as shareholders in the shareholders' register of Fugro, if in respect of such a transfer or transmission the Board of Management, with the approval of the Supervisory Board, by an irrevocable resolution wholly or partially lifted the restrictions limiting the transfer of ordinary shares, to which lifting of restrictions conditions may be attached.
- the transfer or transmission of ordinary shares to group companies of legal person-shareholders who on 31 March 1992 were recorded as shareholders in the shareholders' register of Fugro, if in respect of such a transfer or transmission the Board of Management, with the approval of the Supervisory Board, by an irrevocable resolution wholly or partially lifted the restrictions limiting the transfer of ordinary shares, to which lifting of restrictions conditions may be attached.

Protective measures

When carrying out assignments Fugro receives or can have access to clients' extremely confidential information. For this reason it is essential for Fugro that Fugro can safeguard its position as independent service provider.

The main point of Fugro's protection against a hostile takeover depends on the one hand on certification of the ordinary shares and, on the other hand, on the possibility of Fugro to issue cumulative protective preference shares. In addition to this, protective preference shares may also be issued by two of Fugro subsidiaries, Fugro Consultants International N.V. and Fugro Financial International N.V., to 'Stichting Continuïteit Fugro' (see 'Foundation Continuity Fugro').

The aim of the protective measures is to safeguard the interests of Fugro and of its group companies and of all parties concerned in the best possible way, including Fugro's position as an independent service provider and to deter influences in conflict with these interests which might affect the independent position or the continuity and identity of Fugro and its group companies.

Foundation Trust Office

Only (non-voting) certificates of shares are listed and traded on Euronext Amsterdam. These exchangeable certificates are issued by Foundation Trust Office and the Board of the Foundation exercises the voting rights on the underlying shares in such a manner that the interests of Fugro and the enterprise affiliated therewith and all those concerned therewith are observed and complied with as far as shall be possible. The Board of the Foundation operates completely independent from Fugro. For the report to holders of certificates with respect to the year 2018 and for the composition of the Board see pages 188-190.

Holders of certificates (and their authorised proxies):

- may, after timely written notification, attend and speak at shareholders' meetings.
- are entitled to request from Foundation Trust Office a proxy to exercise the right to vote for the shares that underlie their certificates. The Foundation may solely limit, exclude or revoke a proxy if:
  - a public offer has been announced or made on the (certificates of) shares of Fugro or if a justifiable expectation prevails that such an offer shall be made, without agreement hereon having been reached with Fugro.
  - a holder of certificates or a number of holders of certificates, in accordance with an agreement between and among them to co-operate, together or not, with subsidiaries, acquire at least 25% of the issued capital of Fugro, or have said amount of issued capital acquired.
  - in the opinion of Foundation Trust Office, the exercise of voting rights by a holder of certificates constitutes a real conflict of interest with those of Fugro and the enterprise affiliated therewith.
- may as long as they are natural persons, exchange their certificates of ordinary shares up to a maximum of 1% of the issued share capital in Fugro per shareholder.

Generally speaking a certificate holder's notification to attend a shareholders' meeting will be treated as a request to Foundation Trust Office to grant a proxy to vote for the (underlying) shares corresponding to their certificates.

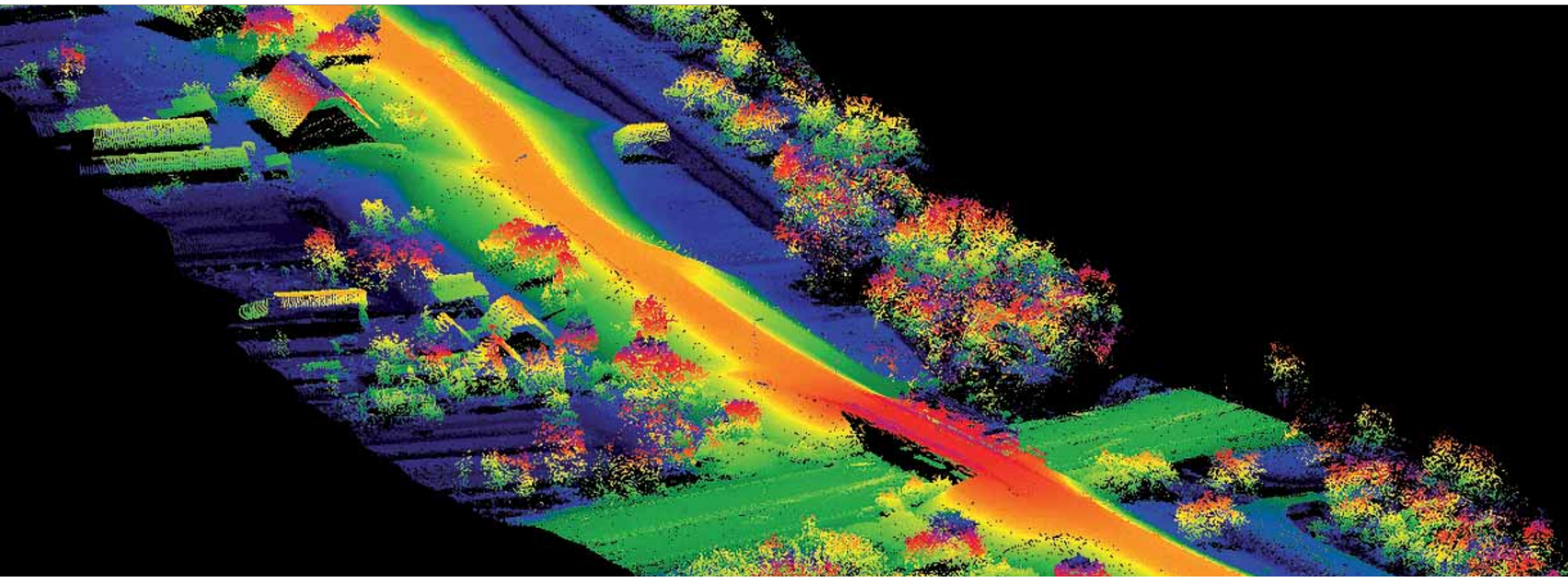
Foundation Protective Preference Shares Fugro

The objects of Stichting Beschermingspreferente aandelen Fugro ('Foundation Protective Preference Shares') are to attend to Fugro's interests and of Fugro's businesses as well as the businesses of the entities that form part of the group, in such way that Fugro's interests and the interests of the relevant businesses as well as the interests of all parties involved, are safeguarded to the extent possible, and that Fugro and the relevant businesses are defended to the extent possible against factors that could negatively affect the independence and/or continuity and/or identity of Fugro and the relevant businesses, as well as all activities which are incidental to or which may be conducive to any of the foregoing.

The Foundation aims to achieve its objects independently from Fugro, by acquiring protective preference shares and by exercising the rights attached to such shares. Fugro has entered into a call option agreement with the Foundation pursuant to which the Foundation was granted the right to acquire cumulative protective preference shares in Fugro's share capital, each share with a nominal value of EUR 0.05, up to an amount to be determined by the Foundation and up to a maximum equal to 100% minus 1 share of the aggregate nominal value of ordinary shares and preference financing shares in Fugro that are held by third parties at the time the right to acquire protective preference shares is exercised by the Foundation. By entering into the option agreement, the Foundation is in a position to achieve its objects – i.e. safeguarding Fugro and its businesses – autonomously, independently and effectively should the occasion occur. The Board of Foundation Protective Preference Shares operates completely independently from Fugro; for the composition of the Board see page 188.

Foundation Continuity Fugro

The objects of Stichting Continuïteit Fugro ('Foundation Continuity') are similar to those of Foundation Protective Preference Shares. Foundation Continuity has entered into call option agreements with Fugro Consultants International N.V. ('FCI') and Fugro Financial International N.V. ('FFI') (both registered in Curaçao) pursuant to which the Foundation was granted the right to acquire preference shares B in each of FCI and FFI up to a maximum equal to 105% of the nominal value of the then issued capital of the relevant company (in a form other than cumulative preference shares B), not including any shares that company holds in its own capital. The grant of these call options has been approved by the AGM in 1999. Foundation Continuity, at the level of FCI and FFI, basically has similar features as a Dutch Protective Preference Shares Foundation and under circumstances may acquire a veto right on important decisions relating to the Fugro businesses operating under FCI and FFI. The Board of the Foundation operates completely independent of Fugro but Board member A is appointed by the Board of Management of Fugro with the approval of the Supervisory Board of Fugro. For the composition of the Board, see page 188.



Laser point cloud of levee.

The protective measures described above shall be put up, especially in a takeover situation, when this is in the interest of Fugro to protect its independence and also in defining Fugro's position in relation to that of the raider and the raider's plans. It creates the possibility, when necessary, to look for alternatives. The protective measures will not be put up to protect the Board of Management's own position. Due to the uncertainty regarding the situations with which Fugro could be confronted, the use of protective measures in circumstances other than those described above cannot be discounted.

Stock option and share plans (long-term incentive)

Currently Fugro has the following long-term incentive plans:

i) Unconditional options, approved by the AGM in 2008.
ii) Conditional performance options and performance shares, approved by the AGM in 2014.
iii) Conditional performance shares (adjustment of the plan under ii) above), approved by the AGM in 2017.

Until 2014, only unconditional options were granted to members of the Board of Management and to a large number of employees. This changed after amendment of the remuneration policy for the Board of Management in 2014.

With effect from 2014, unconditional options were no longer granted to members of the Board of Management. Instead, conditional performance options and performance shares were granted to members of the Board of Management and senior management. From 2017 onwards, only conditional performance shares are granted to members of the Board of Management and senior management. Unconditional options are still granted to a large number of other employees.

Furthermore, with effect from 2017, these unconditional options and conditional performance shares are no longer granted at the end of the year but the grant date has been shifted to the open period immediately following the publication of the annual results. The first grant under this revised timetable was on 1 March 2018. The vesting date has also been shifted to match the new grant date, but this is not applicable to unconditional options that were granted in the period 2012 – 2016. These option series still vest at year end, three 3 years after the option grant date.

The vesting period of the options and performance shares is three years. The term of the options is six years and the term of the performance shares is five years (vesting period is followed by a lock-up of 2 years).

Unconditional options are in principle not subject to any vesting conditions, except continuous employment of the holder by Fugro or one of its subsidiaries. The usual terms and conditions are applicable including exceptions in connection with retirement, long-term disability, death and change of control.

The vesting conditions of the performance options (last grant in 2016) and the performance shares are not only subject to continuous employment of the holder by Fugro or one of its subsidiaries, but also to performance testing. Vested performance shares have a holding (lock-up) period of two years and may be partly sold only to meet tax requirements at vesting ("sell to cover"). The usual terms and conditions are applicable including exceptions in connection with redundancy, termination of the employment without cause, prorated vesting, retirement, long-term disability, death and change of control.

Options and performance shares are granted in such a way that at any moment the maximum number of outstanding options and performance shares will not exceed the mandate of 7.5% of the issued ordinary share capital (including treasury shares but excluding the conversion rights under the outstanding convertible bonds). It is Fugro's policy to repurchase own shares to cover the options and performance shares granted in order to avoid the issue of new shares when options are exercised and performance shares vest.

The table below gives an overview of the series unconditional options, performance options and performance shares that are currently outstanding and of the vesting and the expiration dates.

Unconditional options	Exercise price (EUR)	Vesting date	Expiration date
Series 31/12/2013	43.32	31/12/16	31/12/2019
Series 31/12/2014	17.26	31/12/17	31/12/2020
Series 31/12/2015	15.06	31/12/18	31/12/2021
Series 31/12/2016	14.55	31/12/19	31/12/2022
Series 01/03/2018	12.20	05/03/21*	04/03/2024*

Performance options	Exercise price (EUR)	Vesting date*	Expiration date*
Series 31/12/2014	17.26	not vested	n/a
Series 31/12/2015	15.06	will not vest	n/a
Series 31/12/2016	14.55	06/03/20	06/03/2023

Performance shares	Exercise price (EUR)	Vesting date*	End of lock-up*
Series 31/12/2014	n/a	not vested	n/a
Series 31/12/2015	n/a	will not vest	n/a
Series 31/12/2016	n/a	06/03/20	06/03/2022
Series 01/03/2018	n/a	05/03/21	04/03/2023

* Based on anticipated publication dates of annual results in 2020 and onwards.
See pages 132 to 137 for further information on option and share plans.

General meeting of shareholders

General meetings are convened by the Board of Management or the Supervisory Board. Meetings can also be convened by shareholders who, individually or jointly, represent at least 10% of the issued share capital if authorised by the relevant Dutch court.

The powers of the general meeting are stipulated in legislation and in the articles of association of Fugro and can be stated concisely as follows: approval of decisions that would entail a significant change to the identity or character of Fugro or its business; appointment and dismissal of members of the Board of Management and of the Supervisory Board; adoption of the remuneration policy of the Board of Management; approval of option and share plans for the Board of Management; approval of the remuneration of the Supervisory Board; adoption of the annual financial statements; discharge of members of the Board of Management and of the Supervisory Board; approval of the profit appropriation in accordance with article 36 paragraph 7 of the articles of association; authorisation to repurchase or cancellation of shares, to issue shares (or to grant rights to subscribe for shares) and to restrict or exclude pre-emptive rights in respect of shares; and approval of decisions to amend the articles of association or to dissolve Fugro.

The AGM is held within six months of the end of the financial year (often at the end of April or the beginning of May) in order to discuss the management report and the financial statements, any appointments of members of the Board of Management and of the Supervisory Board and any of the other topics mentioned above. Extraordinary general meetings (EGM) are convened as often as the Supervisory Board or the Board of Management deems this necessary.

The shareholders' meeting is chaired by the chairman of the Supervisory Board. The Supervisory Board and the Board of Management provide the shareholders' meeting with all the information requested, unless there is a very good reason why providing the information would not be in the interests of Fugro.

Shareholders who, individually or jointly, represent at least 3% of the issued share capital may request to the Board of Management that items be placed on the agenda.
Such requests need to be received in writing not later than 60 days prior to the meeting date.

HSSE inspection on board the Fugro Searcher.

Board of Management and Supervisory Board

Fugro N.V. is a public limited liability company under Dutch law. Fugro is also an international holding company. It has a two-tier board structure, consisting of a Board of Management and an independent Supervisory Board. Each board has its specific role and task regulated by laws, the articles of association, the Code and the rules of both boards.

The Board of Management is responsible for the continuity, the goals, objectives, long-term value creation strategy, policies and results of Fugro. The Supervisory Board supervises the policies, management and the general affairs of Fugro, including the relations with shareholders. The Supervisory Board assists the Board of Management with advice on general policies related to Fugro and the business connected with it. In fulfilling its responsibilities, the Supervisory Board is guided by the interests of Fugro and its stakeholders.

Members of the Board of Management and of the Supervisory Board are appointed (and, if necessary, dismissed) by the general meeting for a maximum period of four years. The Supervisory Board determines the number of members of the Board of Management (currently three) after consultation with the Board of Management. The Supervisory Board consists of such number of members as shall be set by the Supervisory Board (currently six). Board of Management members may be reappointed. In case of an appointment or reappointment of Supervisory Board members, the Supervisory Board profile should be observed. A Supervisory Board member may be reappointed once for a second period of four years, and subsequently reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the Supervisory Board.

For every appointment to the Supervisory Board and the Board of Management, the Supervisory Board is entitled to make a (binding) nomination. The general meeting can overrule a binding nomination by a resolution adopted by an absolute majority of the votes cast, provided such majority represents more than one-third of the issued share capital. If this part of the share capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of the resolution to cancel the binding nature of the nomination, a new meeting may be convened at which the resolution may be passed by an absolute majority of votes, irrespective of the part of the capital represented at such meeting. On a non-binding nomination, the general meeting decides on the appointment with an absolute majority of votes.

The Supervisory Board appoints one of the members of the Board of Management as chairman (CEO) and determines, in consultation with the Board of Management, the division of tasks. The Supervisory Board appoints one of its members as chairman and one as vice-chairman. The chairman of the Supervisory Board is assisted in his role by the company secretary. The Supervisory Board has established three committees from amongst its members: an audit committee, a nomination committee and a remuneration committee. The function of the committees is to assist the Supervisory Board and to prepare the decision-making.

Crew on top of helideck, Fugro Aquarius, Brazil.

The general meeting can dismiss or suspend members of the Board of Management and the Supervisory Board. Such a decision, other than proposed by the Supervisory Board, requires at least two-third of the votes, representing at least half of the issued share capital. With regard to the overruling of the binding nature of decisions to suspend or dismiss members of the Board of Management or Supervisory Board, convening a second meeting pursuant to section 2:120, subsection 3, Dutch Civil Code is not permitted. The Supervisory Board may at any time suspend a member of the Board of Management.

During 2018, the members of the Board of Management and the Supervisory Board have not been involved in transactions involving conflicts of interest for Board of Management or Supervisory Board members which were of material significance to Fugro and/or to members of the Board of Management or the Supervisory Board. Such transactions have not been reported by members of the Board of Management or the Supervisory Board.

Further information on the Board of Management and the Supervisory Board included in the rules governing the internal proceedings of both boards, can be found on the website.

The Board of Management regularly, and at least annually, evaluates its own and the individual members' performance. The Supervisory Board regularly, and at least annually, evaluates the performance of the Board of Management and the members individually. The Supervisory Board discusses the conclusions of this evaluation, also in relation to the succession of directors. The evaluation takes place without the Board of Management being present. The Supervisory Board regularly, and at least annually, evaluates its own and the individual members' performance without any Board of Management member being present. The performance of the various committees is evaluated as well.

Diversity Board of Management and Supervisory Board

Fugro values diversity and inclusion in all areas of its organisation. Starting at the top, in 2017, Fugro defined diversity policies for the composition of the Supervisory Board and Board of Management. Reference is made to the diversity policy for the Board of Management and the Supervisory Board, and to the Supervisory Board rules (which contain the profile of the Supervisory Board), both of which are available on Fugro's website. Increased diversity on both boards will mean a wider range of skills for better oversight and governance. It will also better reflect the diversity of Fugro's employees and client base.

In these policies, and based on the nature and complexity of the Fugro business, the markets in which Fugro operates, and the diversity of the client base and employees, Fugro identified the diversity aspects of gender, nationality, location of residence, cultural background and qualifications (education and experience) as being most relevant for Fugro and its business. For both boards, these diversity aspects are considered when filling vacancies.

On the basis of these diversity aspects, targets have been set to achieve diversity on both boards. In line with applicable Dutch legislation, the Supervisory Board has set the following gender diversity target for both the Supervisory Board and Board of Management: at least 30% of both boards shall consist of female members and at least 30% of male members.

The Supervisory Board comprises four male (67%) and two female members (33%). With this percentage, the gender diversity target for the Supervisory Board has been achieved according to the composition profile. This profile sets out: the size of the Supervisory Board, the desired expertise, experience and background represented in the Supervisory Board, the desired diversity among the members and the desired independence of the members. The Supervisory Board is of the opinion that its current composition meets the profile and therefore also the desired diversity regarding these aspects.

The Board of Management currently consists of three members. As all members are male, the diversity target regarding gender has not been met. In the past few years, two new members have been appointed: Brice Bouffard, appointed by the AGM in April 2016, and Øystein Løseth, appointed by the EGM in December 2017 (and who stepped down for personal reasons on 1 October 2018). In both cases, the Supervisory Board expressly included female candidates in the search. However, the female candidates did not meet the requirements of the profile, were not interested in the job or retracted their candidacy.

However, when a vacancy in the Board of Management arises, the Supervisory Board will continue to put the gender diversity target high on the list of criteria, besides other relevant criteria for the specific vacancy. In the longer run, gender diversity at the top should also come from a more balanced composition in terms of gender at the other layers in the organisation. Therefore, the company pays specific attention to women in its management development programmes to ensure the rise of women to senior management positions. In addition, external recruitment agencies are specifically instructed to identify and submit capable female candidates for senior management positions. Finally, the company will give preference to women in the case of equal suitability. Nonetheless, it will take time before these measures take effect to achieve the target on gender diversity at the executive level.

See pages 56 and 82 – 83 for more information about the gender, nationality and the qualifications (education and professional experience) of the members of the Board of Management and the Supervisory Board.

Amendment of articles of association

A resolution to amend the articles of association of Fugro may be passed only on a proposal thereto of the Board of Management with the prior approval of the Supervisory Board and by a majority of at least two-thirds of the votes cast at a general meeting, representing at least half of the issued share capital. If this proportion of the share capital is not represented at the meeting, a second meeting may be convened at which the resolution may be passed by a majority of at least two-thirds of the votes cast, irrespective of the proportion of the capital represented at such meeting.

Insofar as a resolution to amend the articles of association brings about a change in the rights vested in the holders of protective preference shares or the holders of financing preference shares or the holders of convertible financing preference shares (currently no such preference shares are issued), such a resolution shall require the approval of the meeting of holders of protective preference shares or the meeting of holders of financing preference shares or the meeting of the holders of convertible financing preference shares, as the case may be. Fugro's articles of association were last amended on 19 December 2017 and are posted on the website.

Authorisation Board of Management regarding shares

Fugro regularly proposes to its shareholders to authorise the Board of Management to grant or issue (rights to acquire) shares and to repurchase own shares. On 26 April 2018 the AGM authorised the Board of Management for a period of 18 months as from 26 April 2018 until 22 November 2019, subject to the approval of the Supervisory Board, to:

- cause Fugro to repurchase (certificates of) its shares in its own capital, up to a maximum of 10% of the issued capital at the date of acquisition, provided that Fugro will hold no more (certificates of) shares in stock than at maximum 10% of the issued capital, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the shares and not higher than 10% above the average of the closing price of the certificates of the shares on Euronext Amsterdam for the five business days preceding the date on which the repurchase is made.
- resolve on the issue of – and/or on the granting of rights to acquire ordinary shares and/or all sorts of financing preference shares in which the authorised capital of Fugro is divided at the date of the relevant resolution.
- limit or exclude pre-emption rights in relation to any issue or grant of (rights to acquire) ordinary shares and all sorts of financing preference shares in which the authorised capital of Fugro is divided at the date of the relevant resolution.

The above-mentioned authorisation of the Board of Management with respect to the issue of ordinary shares and financing preference shares and/or the granting of rights to acquire ordinary shares and financing preference shares is limited to a number of ordinary shares and financing preference shares amounting to 10% of the issued capital at the time of issue and, in addition, a maximum of 10% of the issued capital of Fugro at the time of the issue in connection with or on the occasion of a merger, takeover or strategic partnership.

The Board of Management may resolve, with the approval of the Supervisory Board, to dispose of shares acquired by Fugro in its own capital.

Key agreements containing change of control provisions

Fugro differentiates the following categories of agreements as referred to in the Decree on Article 10 of the EU Takeover Directive:

- Fugro, directly and indirectly, has entered into syndicate revolving credit facilities (RCF). See for further details note 5.47.1 of the financial statements. The RCF agreements stipulate that in the event of a change of control of Fugro, the loans/amounts outstanding under these arrangements are immediately due.
- Fugro has entered into a sale and lease back agreement regarding the geotechnical vessels Fugro Scout and Fugro Voyager. The documentation contains change of control clauses which could result, depending on various circumstances, in damages to be paid by Fugro.
- In October 2016, Fugro has issued EUR 190 million in subordinated convertible bonds and in October 2017 Fugro N.V. has issued EUR 100 million in subordinated convertible bonds. For further details see note 5.47.2 of the financial statements. Both agreements contain a change of control clause which gives the holder of each bond the right to require Fugro to redeem that bond.
- Agreement between Fugro Nederland B.V. and CGG SA regarding Seabed Geosolutions B.V., a subsidiary of Fugro with significant non-controlling interest.
  This agreement contains a change of control clause with respect to the situation that a third party, other than an affiliate of Fugro or CGG acquires direct or indirect control over i) the affairs of Fugro or CGG; ii) more than 30% of the voting rights in the capital of Fugro or CGG; or iii) on the appointment or dismissal of the majority of the managing directors or a board of directors of Fugro or CGG. In such a case the other party may terminate the agreement. Some other joint venture agreements Fugro and Fugro subsidiaries have entered into also contain change of control clauses, which agreements are in itself not considered key agreements within the meaning of the Decree on Article 10 of the EU Takeover Directive, but jointly they are considered significant.
- Fugro and Fugro subsidiaries have entered into various important agreements that contain clauses that in the event of a change of control the other party has the right to terminate the agreement. These agreements are in itself not considered key agreements within the meaning of the Decree on Article 10 of the Takeover Directive, but jointly they are considered significant.
- Long-term incentive plans with respect to unconditional options and conditional performance options and shares. The terms and conditions of the unconditional options stipulate that in the event of a restructuring of the share capital of Fugro or a merger of Fugro with any other legal entity, the option holder is entitled for every option to such securities, cash or other property as to which a shareholder of Fugro is entitled per share immediately prior to the restructuring or merger, unless the option period is shortened by Fugro. In the event of a restructuring of its share capital or merger with another company, Fugro may shorten the option period so as to terminate immediately prior to the time at which the restructuring or merger is effectuated. In the event that a public offer is considered hostile and such offer is declared unconditional, all options become immediately exercisable. The terms and conditions of the conditional performance options and shares contain more or less similar change of control clauses.

Termination of management service agreements resulting from public bid

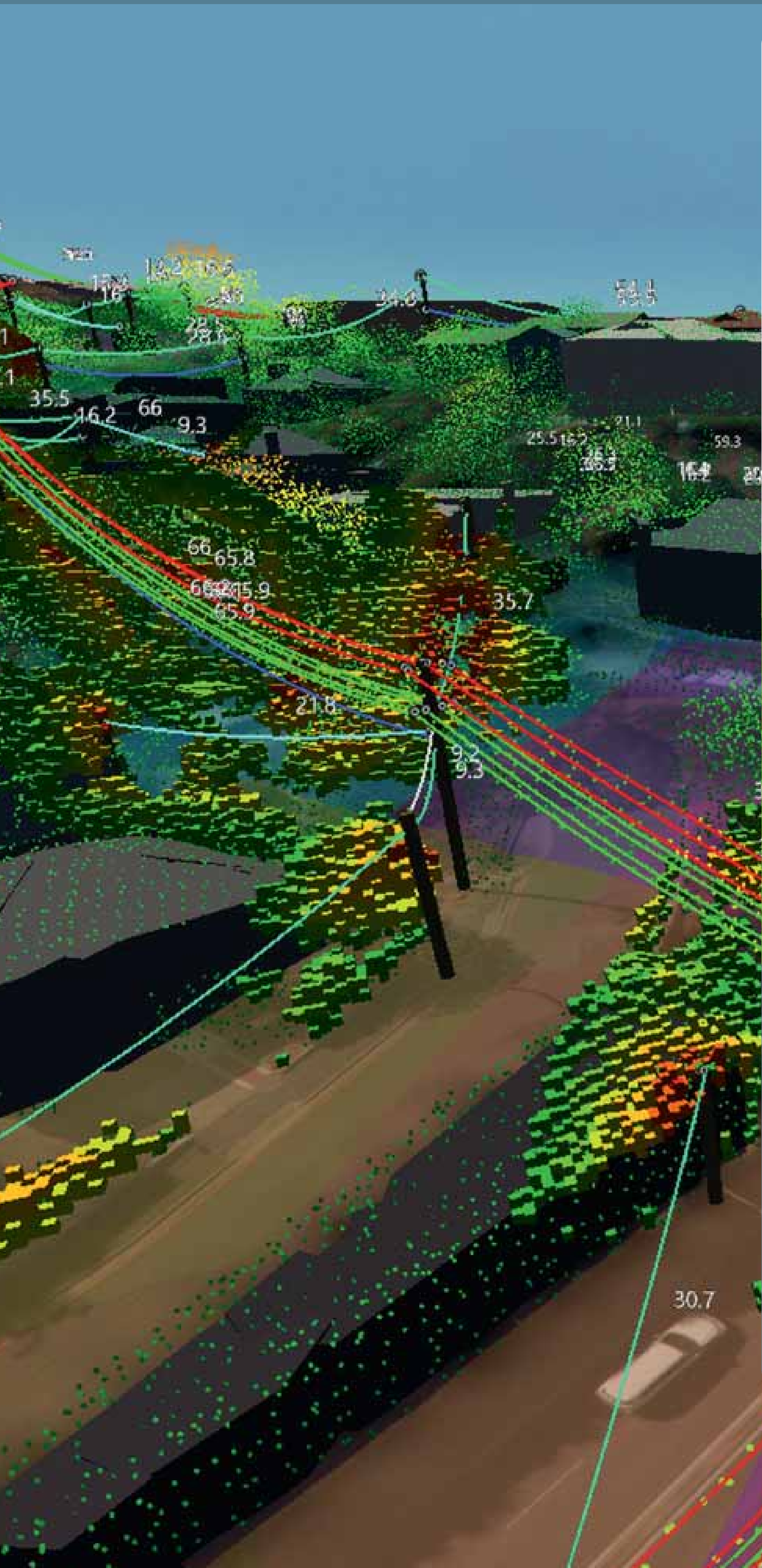
Fugro has not entered into any agreements with members of the Board of Management that provide for a specific severance payment on termination of the services agreement as a result of a public bid within the meaning of section 5:70 or 5:74 of the Dutch Act on Financial Supervision. The agreements with the members of the Board of Management do – in accordance with the Code – provide for a general severance payment amounting to a maximum of one year's fixed base salary which in principle is applicable in the event of termination or annulment of the agreement unless this is for cause. This severance payment is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to an important reorganisation or to a major change of policy. This severance payment is in addition to a three months' notice period for both parties.

Corporate governance statement

This is a statement concerning corporate governance as referred to in section 2a of the decree on additional requirements for board reports (Besluit inhoud bestuursverslag) effective as of 1 January 2018 (the 'Decree'). The information required to be included in this corporate governance statement as described in sections 3, 3a and 3b of the Decree and in best practice provision 2.1.6 of the Code can be found in the following chapters, sections and pages of this annual report 2018 and are deemed to be included and repeated in this statement:

- The information concerning compliance with the Code, as required by section 3 of the Decree, can be found in 'Corporate governance'.
- The information regarding Fugro's diversity policy for the Supervisory and Management Boards as required by section 3a sub d of the Decree and best practice provision 2.1.6 of the Code, can be found in 'Corporate governance'.
- The information concerning Fugro's main features of the internal risk management and control systems relating to the financial reporting process, as required by section 3a sub a of the Decree, can be found in 'Risk management'.
- The information regarding the functioning of Fugro's general meeting, and the authority and rights of Fugro's shareholders and holders of certificates of shares, as required by section 3a sub b of the Decree, can be found in 'Corporate governance'.
- The information regarding the composition and functioning of Fugro's Board of Management, the Supervisory Board and its committees, as required by section 3a sub c of the Decree, can be found in the relevant sections of 'Corporate governance' and 'Supervisory Board report'.
- The information concerning the disclosure of the information required by the Decree on Article 10 EU Takeover Directive, as required by section 3b of the Decree, can be found in 'Corporate governance' and 'Fugro on the capital markets'.

Advanced analytics



To enhance the understanding and risk management of its 200,000-kilometre power distribution network, servicing more than 800,000 homes and businesses in Australia, Essential Energy has been using Fugro's Roames technology since 2014. Every pole, every wire, everything within the proximity of the network has been digitally scanned, uploaded to the cloud, and analysed using artificial intelligence.

During 2018 the same Roames technology was combined with our proprietary Seastriper® technology to digitalise offshore pipelines for another client in Australia.

The result is a comprehensive digital archive providing our clients with near real-time insight, via a web-based interface, into location and design optimisation, change and fault detection, and economic simulation capability; this data insight ultimately lowers maintenance costs and can extend the lifetime of the asset.

Client benefits

- Key faults in infrastructure can be immediately identified and relayed to clients, while rates of change can be used to evaluate various asset health scenarios.
- The virtual representation of the as-is asset can be digitally compared to required tolerances, yielding full-network asset compliance reports.
- Web access, via mobile device, to asset health and fault reports as remotely collected data is sent directly to the cloud and analysed automatically.

FASTER

MORE EFFICIENT

HIGHER QUALITY

SUSTAINABLE

FUGRO ON THE CAPITAL MARKETS

Investor relations policy

Fugro's investor relations policy is aimed at providing timely, complete and consistent information to existing and potential shareholders, other capital providers and its intermediaries. Fugro wants to enable them to develop a clear understanding of the company's strategy, activities, historical performance and outlook for the future. Fugro offers comprehensive information on its website and through presentations to and meetings with analysts, investors and media and by means of press releases.

Investors are able to follow analyst presentations live via webcast. Roadshows are held twice a year, amongst others in the United Kingdom, the Netherlands, the United States of America, Canada, Switzerland and Germany. In combination with further individual personal contacts with investors throughout the year this resulted in a total of 144 meetings, presentations and telephone conferences in 2018.
In addition, in November the company organised a capital markets day, to present its updated strategy 'Path to Profitable Growth'. Fugro is currently covered by eight financial analysts.

These activities are carried out in strict accordance with the requirements of Euronext and the Dutch Authority for the Financial Markets. Fugro has a policy on bilateral contacts in place, detailing how information is provided to investors, analysts, financial institutions, the press and other stakeholders. For this policy and all other relevant publications such as press releases and presentations, see www.fugro.com.

Listing on the stock exchange

Fugro is listed on Euronext Amsterdam since 1992 (symbol: FUR/ISIN code: NL0000352565). Options on Fugro shares are traded on the European Option Exchange in Amsterdam (Euronext Life).

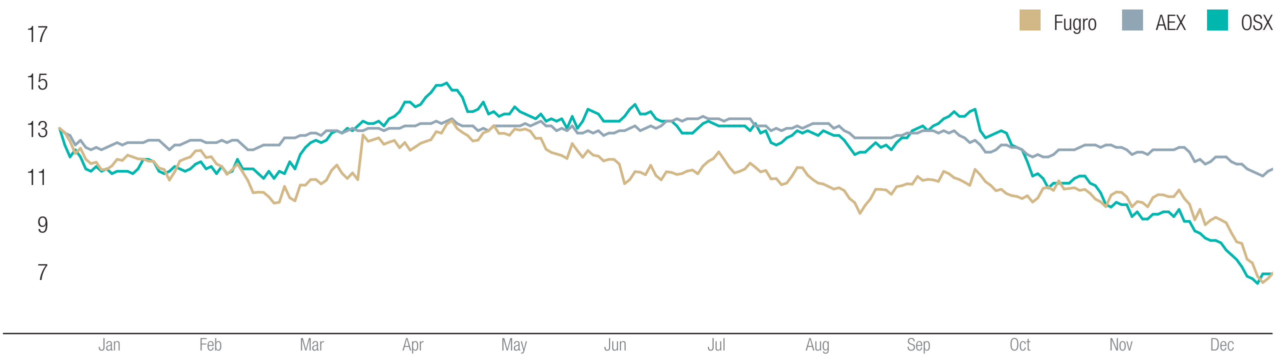
On 31 December 2017 Fugro had 84,572,525 shares outstanding. Not the shares themselves, but certificates of shares are listed on Euronext Amsterdam. These certificates are issued by the Foundation Trust Office, which carries out the administration of the underlying shares.
On 31 December 2018 the Foundation Trust Office administered 83,603,050 or 98.85% of the issued underlying shares. For more information on Fugro's capital structure, see 'Corporate governance – corporate information'.

Share price and trading volumes

In 2018, Fugro's share price declined by 42%, in line with a 43% decrease in the OSX, the most commonly used oil field services index. The pressure on the oil price in the last weeks of the year was the most important driver of this significant decline, combined with general market concerns over geopolitics and worldwide economic growth. The major Dutch index, the AEX, decreased by 10% during the year.

The average daily trading volume on Euronext Amsterdam was 935,088 shares. Of the total volume traded throughout the year, 75% of the shares were traded via the Euronext platform, 8% via CHI-X, 6% via Turquoise and 5% via BATS.

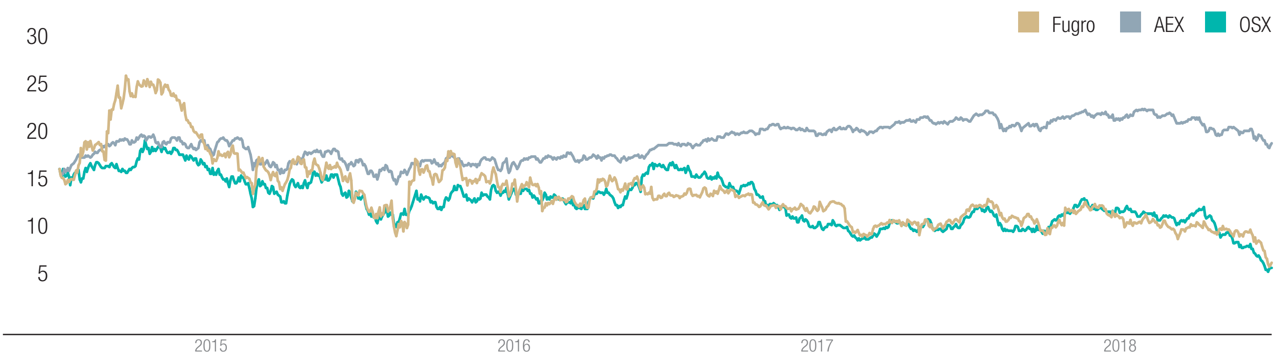
Development share price 2018* (x EUR)



* AEX (Dutch large cap index) and OSX (US oil services index composed of amongst others Halliburton, Oceaneering, Schlumberger, Transocean, Weatherford) calibrated to Fugro share price on 2 January 2018.

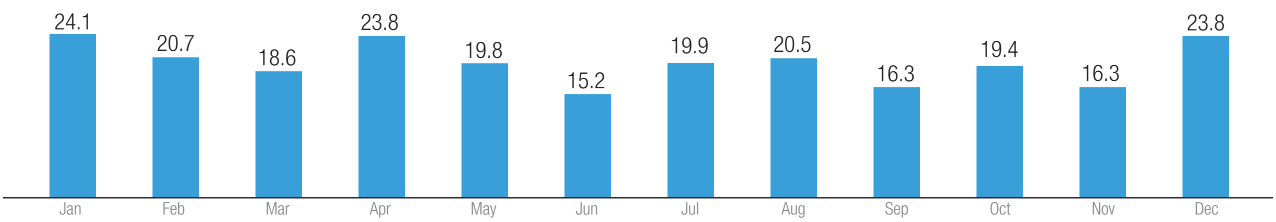
Geophysical survey vessel Fugro Equator.

Development share price 2015 – 2018* (x EUR)



* AEX (Dutch large cap index) and OSX (US oil services index composed of amongst others Halliburton, Oceaneering, Schlumberger, Transocean, Weatherford) calibrated to Fugro share price on 2 January 2015.

Trading volumes on Euronext 2018 (x million shares)



Trading information	2018	2017	2016	2015	2014
Market capitalisation (x EUR 1 million, year-end)	639	1,099	1,231	1,274	1,460
Highest closing share price on Euronext	14.24	15.61	19.28	27.21	47.72
Lowest closing share price on Euronext	7.14	10.30	10.34	13.86	9.07
Year-end closing share price on Euronext	7.55	12.99	14.55	15.06	17.26
Average daily trading on Euronext (shares)	935,089	786,522	750,484	940,270	1,133,414

Shareholders

Under the Dutch Financial Supervision Act, substantial holdings of 3% or more must be disclosed to the Dutch Authority for the Financial Markets (AFM).

Substantial holdings of 3% or more per 31 December 2018

	Position	Date notification
Goldman Sachs Group Inc	7.10%	13 December 2018
Sprucegrove Investment Management Limited	5.15%	11 December 2018
HBK Investments LP	3.00%	10 December 2018
Lucerne Capital Management GP, LLC	5.34%	26 April 2018
Invesco Limited	3.10%	10 April 2018
Kiltearn Partners LLP	10.25%	13 March 2017
NN Groep N.V.	10.01%	4 October 2016
Fugro N.V. (treasury shares)	4.20%	30 September 2014

Geographical distribution of shares

* Including 4.20% treasury shares.
** Primarily Dutch shareholders.

Source: cmi2i, September 2018.

On 31 December 2018, Fugro owned 3,605,047 of its own shares ('treasury shares') which can be (partly) used to cover the employee option and share plans and (partial) conversion of the outstanding subordinated convertible bonds. Treasury shares are not entitled to dividend and there are no voting rights attached to these shares. See 'Corporate governance – corporate information – stock options and share plans' and note 5.29.1 for more information on Fugro's option and share plans.

Treasury shares	2018	2017
Balance on 1 January	3,613,347	3,628,347
Purchased	–	–
Sold in connection with option exercise	–	–
Vesting of restricted shares	–8,300	–15,000
Balance on 31 December	**3,605,047**	**3,613,347**
Granted, not exercised options at year-end	2,752,308	3,141,153
Granted, not exercised performance options at year-end	372,865	565,544
Granted, not vested performance shares at year-end	524,930	282,768

During 2018, Fugro has not been involved in any transaction with holders of at least 10% of shares in Fugro. This means that best practice provision 2.7.5 of the Code has been observed.

Dividend

Due to the negative net result, Fugro has not paid a dividend since 2014 and will not propose to pay a dividend over the year 2018.

Regarding capital allocation, Fugro prioritises organic growth and deleveraging. As a result of the gradual improvement in profitability and disciplined asset management, Fugro targets an annual positive free cash flow resulting in deleveraging of the balance sheet, and consequently a net debt/EBITDA ratio below 1.5. Dividend payments will be resumed once leverage allows.

Fugro's dividend policy is a pay-out ratio of 35% to 55% of net result. Shareholders have the choice between cash or shares. In case no choice is made, the dividend will be paid in shares. Fugro offsets dilution resulting from the optional dividend (cash or shares). Fugro will repurchase the number of shares issued as stock dividend and these shares will be cancelled after having obtained shareholder approval. This way, dilution is being offset while the tax advantage for a substantial part of the shareholders related to stock dividend is retained.

Loans

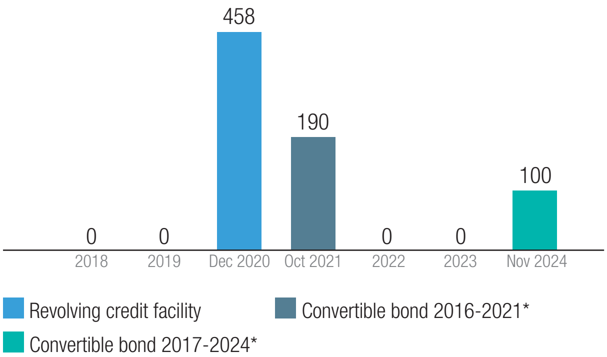
Fugro has a revolving credit facility in place with seven banks. On this 5-year facility of EUR 575 million, EUR 458 million has been drawn as per 31 December 2018. The interest is EURIBOR plus 110 to 190 basis points, dependent on the level of net debt/EBITDA. The credit facility contains covenant requirements, most notably net leverage (net debt/EBITDA) below 3.0 and fixed charge cover above 2.0 (and above 2.5 from March 2019 onwards). With net debt/EBITDA of 2.2 and a fixed charge cover of 2.8 per 31 December 2018, Fugro is well within its covenants.

In October 2016, Fugro issued EUR 190 million in subordinated convertible bonds, maturing in 2021, and with a coupon of 4.0% and an initial conversion price of EUR 19.4416. The proceeds were fully used for early repayments on the private placement loans with US and UK investors (USPP notes) which were placed in 2002 and 2011, and carried a weighted average interest rate of around 5.7%. On 2 November 2017, Fugro issued a further EUR 100 million in subordinated convertible bonds. These bonds carry a coupon of 4.5% and an initial conversion price of EUR 14.9412. Again, the proceeds were fully used for early repayment on the USPP notes, which were fully redeemed per year-end 2017. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange (symbol: ISIN: XS1508771216 respectively XS1711989928).

The issue of the convertible bonds has resulted in additional headroom under the financial covenants, reduced interest expense and increased financial flexibility, as these bonds and related interest costs are excluded from the covenant ratios as described above. The shares underlying the bonds correspond to approximately 11.5% respectively 7.9% of Fugro's issued share capital.

Debt maturity profile per 31 December 2018

(in millions, euro equivalents)



* Will be lower than EUR 290 million if bonds are (partly) converted into equity.

Financial calendar

26 April 2019	Publication trading update first quarter 2019 (7 CET)
26 April 2019	Annual general meeting (Hilton Hotel the Hague, Den Haag, 14 CET)
31 July 2019	Publication half-year results 2019 (7 CET)
25 October 2019	Publication trading update third quarter 2019 (7 CET)
19 February 2020	Publication 2019 annual results (7 CET)
30 April 2020	Annual general meeting

Contact

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MANAGEMENT STATEMENTS

The Board of Management is responsible for the design and operation of the internal risk management and control systems. In discharging this responsibility, the Board of Management has made an assessment of the effectiveness of the design and operation of these systems.

Fugro is aware of risks it can be confronted with and has an internal control framework in place to identify and manage risks. The Board of Management has reviewed the effectiveness of Fugro's internal risk management and control systems, based upon the following information:

- letters of representation signed by the management of Fugro's reporting entities.
- reports of internal audit on reviews performed throughout the year.
- various risks assessments performed throughout the company, including risk assessment by the Board of Management.
- report of external auditor provided at half year and full year.
- management letter from the external auditor.

The management letter notes continued progress in the company's change programs to decrease risks and increase efficiency and effectiveness of internal controls with respect to finance operations and compliance procedures implemented at local level through, among others, the centralisation in regional shared service centers. It was also noted that there is room for further improvement, especially in the timing of certain local financial closing procedures.

The establishment of the internal risk management and control systems is based on the identification of external and internal risk factors that could influence Fugro's operational and financial objectives and contains a system of monitoring, reporting and operational reviews. All material risk management activities have been discussed with the audit committee and Supervisory Board. For more information on Fugro's risk management activities and internal control and risk management systems, see pages 57 to 64. For a summary of risk factors, see page 57.

The purpose Fugro's internal risk management and control systems is to adequately and effectively manage the significant risks to which it is exposed. Such systems can never provide absolute assurance as to the realisation of operational and strategic business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. These systems do not provide certainty that the company will achieve its objectives.

Based on the annual evaluation and discussion of Fugro's internal control and risk management systems and identified risk factors, the Board of Management confirms, in accordance with best practice provision 1.4.3 of the Dutch corporate governance code as published on 8 December 2016, that, according to the current state of affairs to the best of its knowledge:

- the internal risk management and control systems of Fugro provide reasonable assurance that the company's financial reporting does not contain any material inaccuracies.
- there have been no material failings in the effectiveness of the internal risk management and control systems of Fugro.
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of Fugro's operations in the coming twelve months.
- it is appropriate that the financial reporting is prepared on a going concern basis, as supported by Fugro's budget process and latest forecasts.

Furthermore, in view of the above, the Board of Management confirms, in accordance with article 5:25c of the Financial Supervision Act, that, to the best of its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Fugro and of group companies included jointly in the consolidation.
- the board report (pages 19 to 80) provides a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of Fugro and of the group companies for which the financial information is recognised in its financial statements.
- the board report describes the principal risks and uncertainties that Fugro faces.

Leidschendam, 22 February 2019

M.R.F. Heine, Chairman Board of Management/
Chief Executive Officer, Director Marine division
P.A.H. Verhagen, Chief Financial Officer
B.M.R Bouffard, Director Land division