



**OFFSHORE**

ENERGY. COMMITTED.

ANNUAL REPORT 2020

# 3 GOVERNANCE

level, although certain elements of the Compliance program, notably the focus on responsible leadership behavior, fall within the 'value-led business' maturity level. This is supported by ongoing convergence of compliance initiatives with other initiatives that focus on responsible business conduct, such as LifeDay, Right365 and vendor

engagement events. Through evolving Compliance Program enhancements and by integrating compliance in business events, the Company strives for continuous improvement in embedding compliance as an integral part of its business processes.



## 3.7 COMPANY TAX POLICY

SBM Offshore's tax policy is summarized as follows :

- The Company aims to be a good corporate citizen in the countries where it operates by complying with the law and by contributing to the countries' progress and prosperity through employment, training and development, local spending, and through payment of the various taxes it is subject to, including wage tax, personal income tax, withholding tax, sales tax and other state and national taxes as appropriate.
- The Company aims to be tax efficient in order to be cost competitive, while fully complying with local and international tax laws.

The Company operates in a global context, with competitors, clients, suppliers and a workforce based around the world. A typical FPSO project sees a hull conversion in Asia, topsides construction in Asia, Africa or South America, engineering in Europe, Asia or the USA and large scale procurement from dozens of companies in many countries across the globe. In each of these countries, the Company complies with local regulations and pays direct and indirect taxes on local value added, labor and profits and in some cases pays a revenue based tax. To coordinate

the international nature of its operations and its value flows and to consolidate its global activities, in 1969 the Company created Single Buoy Moorings Inc, which continues to perform this function today from its offices in Marly, Switzerland.

The Company :

- Complies with the OECD transfer pricing guidelines.
- Supports the OECD's commitment to enhance tax transparency and is committed to be in full compliance with applicable laws in countries where it operates. Consistent with this approach, the Company supports the initiatives on base erosion and profit shifting, including but not limited to Anti Tax Avoidance Directive 2 (ATAD 2) or European Union directives enhancing transparency, such as DAC 6. The Company is required to file detailed reports and transfer pricing documentation in accordance with Base Erosion and Profit Shifting's (BEPS) action 13 as is now implemented in Dutch tax law. The disclosures contained in the country-by-country reporting ('CbCR') have been prepared to meet the OECD requirements and have been filed with the Dutch tax authorities for the year 2019.

- Makes use of the availability of international tax treaties to avoid double taxation.
- Does not use intellectual property as a means to shift profits, nor does it use digital sales. Furthermore, the Company does not apply aggressive intra-company financing structures such as hybrids. In 2020, the Company reported a current corporate income tax charge of US\$48 million under IFRS (compared to US\$39.9 million in 2019). Due to the large losses incurred on the legacy projects and the current industry downturn, some tax loss carry forward positions exist at the global contracting company, which are limiting the current tax payments in Switzerland and in jurisdictions of the Company's locations.

### 3.8 OPERATIONAL GOVERNANCE

Operational Governance of the Company is supported by an independent and dedicated team under Group HSSE and Operational Excellence, which encompasses key operational and assurance functions involved in SBM Offshore's core business activities and reports directly to SBM Offshore's Management Board.

Such functions have a key role in ensuring a coordinated, consistent and controlled approach to core business over the full lifecycle i.e. Win, Execute and Operate phases, and across the Company's locations, Fleet Operations and Product Lines through :

- Functional leadership within the corresponding communities (distributed across entities) and other functions
- Ownership and governance of internal systems and procedures, developed in response to known and anticipated risks in line with the strategic direction of the Company
- Maintenance of GEMS, as introduced in section 3.8.1
- Maintenance of GTS, as introduced in section 3.8.2
- Management of improvement initiatives
- Coordination and harmonization of Company's ways of working and internal standards
- Specific focus on the product lifecycle, notably based on a cross-functional gate process and internal arbitration if necessary
- A focused hazard and effects management process that builds on our experience in order to continuously improve the performance of our HSSE barriers such that the risk exposure is reduced to as low as reasonably practicable.
- An internal Incident Management Committee (connected in turn to the Risk Assurance Committee referred to in section 3.6.1) ensuring that lessons are effectively learned from incidents occurring during project execution and fleet operations

- Coordinated assurance activities focusing on risk management, compliance, effectiveness and business performance
- Coordinated assurance activities focusing on product conformity with applicable international and local regulations, rules, technical standards and other applicable requirements
- Involvement of independent third-parties as certification, verification or classification bodies

A detailed certification and classification table is provided in section 4.12, mapping compliance with international certification standards and classification rules.

Note : for complementary details on SBM Offshore's approach towards Operational Excellence, refer also to section 2.1.3.

