



**OFFSHORE**

ENERGY. COMMITTED.

# ANNUAL REPORT 2021

### 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 Engineering, Procurement and Construction ('EPC') project sees a hull construction or conversion in Asia, topsides construction in Asia, Africa or South America, engineering in Europe or Asia and large scale procurement from dozens of companies in many countries across the globe. Depending on the particulars of the client contract, the EPC phase may be followed by a lease and operate phase involving the country of operations but also support centers of the Company located around the world. 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, its value flows and to consolidate its global EPC 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), the upcoming Anti Tax Avoidance Directive 3 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 2020.

- 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 2021, the Company reported a current corporate income tax charge of US\$60 million under IFRS (compared to US\$48 million in 2020). Due to the large losses incurred on the legacy projects, some tax loss carry forward positions still exist at the global contracting company, which are limiting the current tax payments in Switzerland and in jurisdictions of the Company's locations.
- Endorsed the B Team Responsible Tax Principles in August 2021 and published the SBM Offshore Approach to Tax on its website. This explains the key principles applied to tax matters and the associated governance as well as describing the Company's global tax footprint.
- Regarding the OECD initiative to address the Tax Challenges Arising from the Digitalization of the Economy and its two-pillar solution aiming to reform the international tax system, the Company acknowledges that the implementation of Pillar 2 may have some impacts on its income tax charge. However, those effects will only be known once the OECD has released the Commentary associated to the model rules and that the EU has also released the final version of the directive implementing the Pillar 2 model rules.

## 3 GOVERNANCE

### 3.8 OPERATIONAL GOVERNANCE

Operational Governance of the Company is supported by an independent 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 the 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 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) to ensure that lessons are effectively learned from incidents.
- Coordinated assurance activities focusing on risk management, compliance, effectiveness, business performance.
- Involvement of independent third-parties as certification, verification or classification bodies.

A detailed certification and classification table is provided in section 5.5, mapping compliance with international certification standards and classification rules.

Note: for complementary details on SBM Offshore's approach to Operational Excellence, refer also to section 2.1.4.

### 3.8.1 GLOBAL ENTERPRISE MANAGEMENT SYSTEM (GEMS)

GEMS is structured around three main process domains: executive processes, core processes and support processes. Core processes are further modelled into the Win, Execute and Operate phases and is represented as shown in the illustration.

The Management System is one of the key enablers for the Company to perform its business activities in a consistent, reliable and sustainable manner, meeting client expectations, adapting to new challenges and continuously improving ways of working.

The Management System of SBM Offshore is called the Global Enterprise Management System (GEMS) and is based on several international standards and other practices.

GEMS is the core of a broader ecosystem including software solutions (e.g. LUCY, SBM Offshore's Human Capital Management System) and other elements such as SharePoint microsites and Group Technical Standards (GTS) as introduced in section 3.8.2.

The Group's Vision, Values (section 1.3.1) and Policies are embedded in GEMS to support the correct governance of SBM Offshore's organization and business activities. These form the foundation processes that are consistently applied throughout all offices and fleet operations (in-country offices and vessels).

To align GEMS with the new ways of working brought by the new 'Integra' ERP platform, a new version of GEMS, 'GEMS Sapphire', has been developed, which will come into operation in 2022.

GEMS Sapphire's main core processes have been redesigned to show where the company generates value from its activities.

The existing version of GEMS will remain available and be maintained until the full deployment of Integra across SBM Offshore.

GEMS gives clear and formal ownership of end-to-end processes and clear identification of key controls. It provides a cohesive framework for quality and regulatory compliance, health and safety, security of personnel and assets, protection of the environment, as well as risk and opportunity management throughout the product lifecycle, ensuring the Company's sustainability.