



# 2017

## ANNUAL REPORT



**EXPERIENCE MATTERS**



### 3 GOVERNANCE

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#### INTEGRITY LINE REPORTS:

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Integrity Line reports received under the Company's Integrity Reporting Policy 37

The Company is promoting a Speak Up culture. The nature of the Integrity Line reports over 2017 was predominantly workplace related.

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The objectives for 2018 are to continuously strengthen compliance management and control, focusing on the importance of the right behavior and enhancing efficiencies in the management process.

### 3.9 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, whilst 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
- Has reviewed the final releases from the OECD BEPS project and Company practices are in line with the BEPS outcome. In parallel, the Company has

welcomed the 2016 European Union Anti-Avoidance Directive as well as its 2017 amendment, implementing some of the Base Erosion and Profit Shifting (BEPS) deliverables throughout the European Union. In respect of country-by-country reporting and transfer pricing documentation, the Company has taken the proper actions to comply with OECD requirements that have been implemented in the Dutch tax law and the Company is deploying them according to applicable regulations

- 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. The Company treats tax as a cost, which needs to be managed and optimized in order to compete effectively in the global competitive arena. In 2017, the Company had a current corporate income tax charge of US\$ 16.6 million (compared to US\$ 5.3 million in 2016). 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 Regional Centers.

### 3.10 OPERATIONAL GOVERNANCE

Operational Governance of the Company is supported by an independent and dedicated team under Group Execution Functions, which encompasses all key operational and assurance functions involved in SBM Offshore's core business activities.

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

- Functional leadership within the corresponding communities (distributed across entities) and vis-à-vis other functions;
- Ownership and governance of processes and systems, developed in response to known and anticipated risks in line with the strategic direction of the company;
- Maintenance of a Global Enterprise Management System (GEMS) as introduced in section 3.10.1;