

UK Tax strategy – Odfjell Drilling

Odfjell Drilling Ltd. is listed on the Oslo Stock Exchange. Odfjell Drilling Ltd. is the parent company of the Odfjell Drilling Group and is a truly international business. The Group is currently conducting projects in more than 20 countries; with its main activities based in Norway, the UK, the Netherlands, Romania, United Arab Emirates, and the Philippines. The activities in UK are related to management and services within platform drilling, well services and legal rig ownership.

Our UK Tax Strategy

Odfjell Drilling Group (or “the Group”) regards the publication of this UK tax strategy as complying with its duty under paragraph 22(2) of Schedule 19 of the Finance Act 2016 to publish its UK tax strategy in the current financial year. This UK tax strategy is applicable for the year ended 31 December 2018 for the Group’s UK companies¹; cf. the Group’s Annual Report FY2017.

The overall aim of the UK tax strategy is to support its business by maintaining a sustainable tax rate, while mitigating tax risks and complying with rules and regulations in the applicable jurisdictions in which Odfjell Drilling operates.

1. Approach of the UK companies to risk management and governance arrangements in relation to UK taxation

1.1 Governance

Odfjell Drilling Group maintains internal policies and procedures, cf. Corporate Taxation in the Odfjell Drilling Group, to support its tax control framework and provides training to its personnel to manage tax risk. Responsibility for the UK tax strategy, the supporting governance framework and management of tax risk ultimately sits with the Chief Financial Officer. The day-to-day responsibility for each of these areas is with the Compliance Officer/Senior Vice President Financial Control.

The UK tax strategy aligns to the Group's wider risk and control framework. Key risks and issues related to tax are escalated to and considered by the Group Audit Committee and Board of Directors on a regular basis.

1.2 Tax risk management

The Group operates presently in approximately 20 countries and is exposed to a variety of tax risks as follows:

1.2.1 Tax compliance and reporting risks

Risks associated with compliance failures such as submission of late or inaccurate returns, the failure to submit claims and elections on time or where systems and processes are not sufficiently robust to support tax compliance and reporting requirements.

¹ Odfjell Drilling (UK), Odfjell Well Services (UK) Ltd, Odfjell Drilling Shetland Ltd, Deep Sea Stavanger (UK) Ltd, Deep Sea Atlantic (UK) Ltd and Odfjell Rig V Ltd.

1.2.2 Transactional risks

Risks associated with undertaking transactions without appropriate consideration of the potential tax consequences or where advice taken is not correctly implemented.

1.2.3 Reputational risks

Non-financial tax risks that may have an impact on the Group's relationships with shareholders, clients, tax authorities and the general public.

- The Group aims to manage tax risk in a similar way to any area of operational risk across the Group. The Group's operational and industrial risks factors include volatile oil and gas prices, competition within the oil and gas services industry, changes in client's spending budgets plus developments in the financial markets externally and within the Group. The tax risks are managed by oversight functions via Corporate Finance & Business Control
- The Group has looked at the activities and responsibilities of the group tax functions and will assess headcount within the functions as the scale and complexity of the business evolves
- Where appropriate, the Group looks to engage with HMRC to disclose and resolve issues, risks and uncertain tax positions. The subjective nature of global tax legislation means that it is often not possible to mitigate all known tax risks. As a result, at any given time, the Group may be exposed to financial and reputational risks arising from its tax affairs

2. Attitude of the Group to tax planning

The Group recognises it has a responsibility to pay the level of tax as required by the laws of the jurisdictions in which it operates. The Group also has a responsibility to its shareholders to structure its affairs in an efficient manner.

The commercial needs of the Group are paramount and all tax planning must have a business purpose. The economic benefits associated with tax planning must never override compliance with all applicable laws and regulations. The Group will ensure that tax arrangements are well-understood and based on established practice and advice from reputable third party tax advisors.

3. Level of risk in relation to UK taxation that the Group is prepared to accept

The Group's tax risk appetite requires that, where tax law is unclear or subject to interpretation, its adopted tax position is at least more likely than not to be allowable under applicable tax laws.

4. Approach towards dealings with HMRC

The Group seeks to comply with its tax filing, tax reporting and tax payment obligations globally. The Group tax is required to foster good relationships with tax authorities in general, in particular the Group will:

- Pro-actively manage Odfjell Drilling's relationship with HMRC with the aim of minimising the risk of challenge, dispute or damage to its credibility
- Participate in any tax authority formal consultation process where it is expected that the matter under consultation will have a material impact on the Group's liability or the Group's tax compliance management

This UK tax strategy was approved by the Board of Odfjell Drilling Group on 25 September 2018.