



BW Offshore's approach to tax

Prepared in accordance with the requirements of the UK Finance Act 2016

Year ended 31 December 2017

About us

BW Offshore is one of the world's leading offshore FPSO (Floating Production, Storage and Offloading) companies. The BW Offshore Limited with subsidiaries (hereinafter "BWO Group") develops, owns, leases and operates FPSOs and FSOs (Floating Storage and Offloading units). At the end of 2017, the BWO Group owned a fleet of 15 FPSOs and one FSO.

BWO Group's primary activity areas are lease and operation services of FPSO units, as well as engineering, procurement, construction and installation services (EPCI) associated with the investment in new units. BWO Group has a long track record in project execution and operations. During more than 30 years of experience, BWO Group has executed 38 FPSO and FSO projects.

BWO Group is represented in all the major oil and gas regions worldwide, across Asia Pacific, the Americas, Europe and West Africa, supported by local onshore teams and an organization with a global presence. The BWO Group has approximately 2,100 full-time employees and offices in 17 countries around the world, providing services to the BWO Group's operations, and the BWO Group has units operating offshore in Brazil, Gabon, Indonesia, Ivory Coast, Mauritania, Mexico, New Zealand, Nigeria, UK and US.

BWO Group has four UK entities (collectively, the "UK Business"): BW Pioneer UK Limited, BW Offshore (UK) Limited, BW Offshore Catcher (UK) Limited and BW Kudu Limited which are treated as UK corporations. The UK Business has existed since 2010, when BW Offshore (UK) Limited was formed. The business activities of the UK Business were in a state of transition in 2016, primarily due to the demobilization of the only operational UK FPSO vessel in February 2016 while the production of another UK FPSO vessel (the FPSO Catcher) is anticipated to become operational late in 2017.

Approach of the BWO Group to risk management and governance arrangements in relation to UK taxation

The BWO Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. A finance management team, led by the Chief Financial Officer identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance management teams' activities are governed by policies approved by the Board of Directors for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity. The finance management team will report to the Group's Top Management, the Audit Committee and the Board of Directors on the status on activities on a regular basis.

The Board of Directors (the 'Board') is of the opinion that the best interests of the Company, and its shareholders taken as a whole, are best served by the adoption of business policies and practices which are legal, compliant, ethical and open in relation to all dealings with customers, potential customers and other third parties. These policies are fair and in accordance with best market practice in relationships with employees and are also sensitive to reasonable expectations of public interest. The Board therefore commits the Company to good corporate governance, and has adopted the most current version of the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (the 'Code'), prepared by the Norwegian Corporate Governance Board. The Board shall provide an overall overview of the Company's corporate governance in the Company's annual report. The review

shall include each individual point of the Code. If the Company does not fully comply with the Code, this shall be explained in the Company's annual report. BW Offshore has implemented corporate principles, ethical guidelines and guidelines for corporate social responsibility. These principles and guidelines are described in BW Offshore's Code of Ethics and Business Conduct and internal policies.

The Group's risk management and governance arrangements stated above, are both applied to all jurisdictions taxation where we have operations in, including the UK.

BWO Group tax planning approach, acceptable level of risk related to the UK taxation

BWO Group planning approach and risk level accepted is ruled by the group's tax policy which the purpose is to minimize risk for BWO Group, protect and maximizes the utilization of Group tax losses and credits and ensure strict compliance with tax laws and procedures in all territories in which the Group has a tax presence.

The group's tax policy applies to all business units including – to the extent BWO Group can enforce application – joint ventures, partnerships and companies in which BWO Group has a participating interest. Local statutory laws and regulations shall always be complied with. If anything in this Policy is in conflict with such local statutory laws or regulations the latter shall prevail, CFO shall be notified of the conflict and necessary deviations taken from the policy to comply with the local statutory laws or regulations.

BWO Group has a low tolerance towards tax risk and seek to minimize the risk of a dispute with the tax authorities by being open and transparent about our tax affairs. And, in order to reach this purpose, work closely with high level competence UK tax advisors who gives support to BWO Group on understanding local law and its developments, applying those to BWO Group's tax culture, mitigating the risks and reporting transparently to HMRC.

Relationship with the Tax Authorities (HMRC)

BWO Group shall be open and transparent with tax authorities about our tax affairs and provide all relevant information that is necessary for those authorities to review possible tax risks.

BWO Group shall work collaboratively with tax authorities to achieve early agreement on disputed issues and certainty on a real-time basis, wherever possible.