



McDermott Marine Construction Limited and McDermott Holdings UK Ltd – UK Tax Policy (1)

McDermott's UK operations (2) are part of the Group's global operations and as such contribute to the Group's business of providing integrated engineering, procurement, construction and installation (EPCI) services for offshore and subsea field developments worldwide.

The three pillars of our Vision are People, Integrity and Performance and we demonstrate Integrity by being Safety, quality and ethically focused, Accountable, Honest and Principled.

Our approach to our UK tax affairs follow these very same principles.

1. Our Commitment to Compliance

We view tax compliance as a commitment to ensuring that we account for the right amount of tax in right place at right time, while taking advantage of available reliefs. Tax compliance is simply non-negotiable and forms part of our core principle of Integrity – being Accountable and Principled. Similarly our Ethics prescribe that through our policies, procedures and awareness programs, we foster an environment where every employee is accountable to exercise due diligence to prevent, detect and report conduct that violates our Code of Business Conduct, applicable laws or regulations and we hold our business partners and vendors to this standard.

2. Tax Risk Management and Governance

We make every effort to ensure that we understand and interpret the law accurately, including obtaining the advice and opinion of external professionals to interpret complex and diverse tax laws and practice. This does not only apply to our tax affairs but includes all business risks.

It is however inevitable that some tax risks will remain and we therefore ensure that we have a system and process whereby these risks are clearly defined, categorized and recorded in line with the requirements of our Code of Business Conduct which specifically provides for the integrity of records and accounting procedures by documenting our compliance with laws, regulations as well as Company policies and procedures.

Finally, these risks are regularly reviewed as better insight and more information and clarity is obtained.

3. Attitude Towards UK Tax Planning

The McDermott Group has a commitment to our shareholders to not only protect but to also enhance shareholder value and in this context we believe it is not only our duty but also our right, within the ambit of laws and regulations, to properly plan our business operations in general and our tax affairs in particular – in short, tax planning for commercial reasons.

We operate in many countries in the world and are exposed to complex and sometimes vastly different tax laws requiring careful planning so as to ensure that the laws are correctly interpreted.

This very same attitude is displayed in our approach to UK tax planning: ensuring that we account for the taxes due on a timely and accurate basis and on a correct interpretation of the law.

To this end we ensure that we procure the advice from and guidance of professional external and internal advisors.

4. Level of Acceptance of UK Tax Risks

As with all other business risks, we also endeavor to limit tax risks to the greatest extent possible. Some degree of risks is inevitable however and we therefore ensure that we make every effort in obtaining clarity on the interpretation of laws, regulations and practice and that we limit exposures and tax risks to a minimal. The tax risk can be linked back to the inherent risk of the business such that although removing all risk is not possible, the tax risk is minimized in line with the broader risk profile of the business.

Our experience in the UK has been that the degree of clarity on tax laws is such that we have no known tax risks.

5. Our Approach to Dealing with HMRC

HMRC openly displays a culture of taxpayer engagement and communication (which we strive to achieve) and we therefore have no hesitation to approach HMRC whenever required, be that to discuss potential tax risks or to seek clarification on the interpretation of tax law.

Communication with HMRC has and will be conducted in a spirit of co-operation, openness and professionalism and we can confidently say that we have an excellent relationship with HMRC.

Footnotes:

- (1) Published in accordance with – Schedule 19, FA 16, para 19 (2)
- (2) UK entities comprise of McDermott Marine Construction Ltd, McDermott Holdings UK) Ltd, DeepSea UK Ltd and DeepSea Europe Ltd.