

INTRODUCTION¹

SCF Group is committed to the highest level of tax compliance by being transparent, accountable and constructively cooperative with the tax authorities in all countries where it operates.

We base our business philosophy on the principles of sustainable development and safety, which translates into our motto, 'Safety Comes First'. Our top priorities are maintaining high standards of navigational safety and high quality of services both at sea and ashore, as well as making energy shipping more environmentally friendly.

GOVERNANCE AND RISK MANAGEMENT

Tax strategy is governed by SCF Group management and is executed by authorized executives of group companies. Each group company has a responsible person who follows and executes tax strategy taking into account the specifics of each country of operation, including Russia, Cyprus and the UK.

The SCF Group operates in various jurisdictions, with significantly different taxation systems, through the legal entities incorporated therein. In compliance with respective national tax legislation group entities are required to pay corporate income tax within a jurisdiction if they are tax resident within that jurisdiction or if the entity in question has a permanent establishment within the jurisdiction. We also pay a number of other taxes including tonnage tax, social taxes and VAT.

Tax risks may arise from unclear laws and regulations as well as differences in interpretation. Our approach is to manage tax risks in a manner consistent with applicable regulatory requirements and business principles.

SCF Group manages tax risks and compliance with the tax law by engaging qualified tax specialists, setting up processes and controls.

The tax risk tolerance of SCF Group is at the low level, we aim to follow a conservative approach and if any uncertainty that the risk may exist we apply to the tax authorities for clarification.

In accordance with the UK's anti tax evasion facilitation legislation, the SCF Group doesn't accept any kind of behavior that facilitates tax evasion, and is committed to ensuring that it has reasonable procedures in place at all times to prevent tax evasion by anyone acting on its behalf.

When entering into transactions or making changes to its business, SCF Group assesses what needs to be done to remain compliant and takes appropriate steps to achieve this. The same approach is taken when new tax legislation is introduced.

In most cases, the management of tax risks is overseen directly by the SCF Group tax team, but in certain situations external tax advisors are used.

TAX COMPLIANCE AND PLANNING

SCF Group has been continuously working towards and is committed to:

COMPLIANCE

- Observing, complying and disclosing all relevant tax details according to the tax rules in all countries and territories that it operates;
- Making decisions on tax matters based on a reasonable interpretation of applicable legal provisions of the country in which SCF Group operates;

¹ This tax strategy applies to and is used by all SCF Group companies globally. It has been published by Sovcomflot (UK) Limited in accordance with the tax strategy requirements set out within paragraph 22(2) Schedule 19 of the Finance Act 2016

- Ensuring that all decisions are taken at an appropriate level and supported by documentation that evidences the judgements involved.
- In compliance with OECD “Base Erosion and Profit Shifting” (OECD BEPS) report and recommendations, we have proactively worked to enhance our group’s transfer pricing documentation in order to meet the new OECD requirements. We are also ensuring that all transfer pricing computations are based on well accepted ‘arm’s-length’ principles for any transaction that is effected within the SCF Group across tax jurisdictions.

ACCOUNTABILITY

- Having an open and transparent approach to tax;
- Making sure that all decisions are taken at an appropriate level;
- Avoiding any aggressive tax planning, tax avoidance schemes or tax structures which may artificially reduce the amount of SCF Group taxes;
- Ensuring that tax activities and behaviors are globally consistent and standardized wherever possible;
- Training and hiring personnel with responsibilities for tax matters to ensure that they have the appropriate skills, technical expertise and knowledge to effectively and accurately fulfill their tax responsibilities and perform to the best of their abilities.

RELATIONSHIP WITH TAX AUTHORITIES

- We aim for good professional and transparent relationships with tax authorities globally, including HMRC in the UK, the Tax Department in Cyprus and the Tax Authorities in Russia;
- Following the recommendations of the good tax practices codes implemented in the countries in which SCF Group operates;
- Cooperating and working positively, pro-actively and transparently with the tax authorities to minimize the extent of disputes, to achieve early agreement on disputed issues when they arise and achieve certainty, where possible;
- SCF Group may engage directly with the respective tax authorities to better understand the application of the law and ensure compliance.

TRANSPARENCY

- Paying taxes at the appropriate times and providing all relevant information requested by the tax authorities without delay in order to accurately establish the SCF Group’s tax liabilities;
- Providing tax-related information and documents that may be requested by the competent tax authorities to enable them to carry out their review;
- Continuous development of the data collection and reporting system as well as other factors that may influence the ability to identify tax liabilities in a timely and accurate manner.