

SILVERSTREAM HOLDINGS LIMITED

TAX STRATEGY

Introduction

This document, which has been approved by the Board of Directors of Silverstream Holdings Limited (“Board”), sets out the policy and approach of Silverstream Holdings Limited and its subsidiaries (“SHL Group”) to conducting its tax affairs and dealing with tax risks.

Silverstream Holdings Limited is a Jersey registered company which is UK tax resident has 12 subsidiaries all registered in the UK. In addition to Silverstream Holdings Limited the SHL Group consists of Silverstream Midco Limited, Silverstream Bidco Limited, Kellas Group Holdings Limited, Kellas Group Finance Limited, Kellas Topco Limited, Kellas Midstream Limited, CATS North Sea Limited, Kellas CATS Limited, Kellas North Sea 1 Limited, Kellas North Sea 2 Limited, HGS Parentco Limited and Humber Gathering System Limited. Together our business is known as Kellas Midstream.

We are an energy infrastructure business and play an important role in maximising economic recovery from the United Kingdom Continental Shelf. We own a 99% interest in, and operate, the Central Area Transmission System (“CATS”), a 65% interest in, and operate, the Esmond Transportation System (“ETS”) and a 50% interest in, and operate, the Humber Gathering System (“HGS”).

CATS currently serves over 30 producing fields connected via a series of production hubs, and in 2018 delivered over 5 billion cubic metres of gas to UK markets. CATS started operating in 1993. The CATS development, comprising an offshore riser platform and gas pipeline, was completed on time and within budget. Together with the development of the Everest and Lomond fields, it was one of the largest construction projects ever undertaken in the UK, second only to the Channel Tunnel at that time. Due to increased demand within the Central North Sea, the development was expanded to provide a processing service to future users of the CATS pipeline, enabling delivery of their gas directly into the National Transmission System.

ETS currently serves four producing fields – Cygnus, Trent, Kilmar and Garrow (collectively known as Tors). ETS comprises a 24-inch diameter, 204-kilometre pipeline and was originally constructed to connect the Esmond area fields and the Bacton terminal.

The HGS infrastructure comprises a minimal facilities platform with six-slot well template and helideck access, and a 48-kilometre, 20-inch diameter gas export pipeline. The infrastructure was installed in 2020 and resulted from a unique and innovative partnership formed between us, Premier Oil and Dana Petroleum, which has been instrumental in unlocking investment and enabling the development of the Tolmount Main field. The Tolmount Main field is located in the Greater Tolmount Area. Discovered in 2011, it is one of the largest undeveloped gas fields in the Southern North Sea and is expected to produce around 500 billion cubic feet of gas, with peak production up to 300 million standard cubic feet per day. The HGS/Tolmount partners put in place innovative commercial agreements whereby the ownership and operatorship of the Tolmount gas field is separate to that of the HGS infrastructure. The SHL Group and Dana Petroleum jointly fund, construct and own the HGS infrastructure, with the former assuming operatorship.

Tax Policy

The SHL Group is committed to:

- paying the correct and required taxes in the UK in a timely manner;
- complying with all relevant laws and regulations in relation to its tax activities in the UK;
- maintaining an open and honest relationship with the tax authorities based upon collaboration and integrity;
- ensuring that their tax strategy is consistent with the SHL Group's overall strategy and values;
- applying diligence and attention in management of its tax risks and ensuring that the tax governance is appropriate; and
- using appropriate incentives and reliefs to minimise the tax cost of conducting business while ensuring that these reliefs are not used for purposes which are knowingly contradictory to the intent of the legislation.

Key Principles

The SHL Group's approach to tax risk management and governance arrangements

All of our tax compliance is outsourced to a third party and is reviewed internally by the SHL Group's management team who take ultimate responsibility for ensuring effective tax risk management including by way of maintaining, updating, interrogating and managing a risk register.

Our Finance and Growth Director has the day to day responsibility for the SHL Group's approach to tax, this includes identifying, prioritising, and monitoring of the tax risks across the business. Any significant tax risks identified are communicated to the Audit Committee and the Board.

The Risk Committee meets on a quarterly basis and the Audit Committee meets several times a year to consider and, if thought appropriate, approve accounting and tax requirements.

We also seek professional advice on tax matters where needed to support the knowledge of the in-house teams.

The SHL Group's approach towards tax planning

We engage in efficient tax planning that supports the business decisions. We follow all relevant tax laws and strives to minimise the risk of uncertainty and disputes. All transactions between members of the SHL Group are on an arm's length basis.

We do not undertake transactions driven solely by a tax planning purpose.

The SHL Group's compliance with laws and regulations

We are committed to complying with applicable tax laws and regulations in the countries in which we operate. We are committed to meeting all legal and regulatory requirements and to paying the correct amounts of tax and to following all reporting and disclosure obligations.

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

Consistent with our attitude to tax planning, we consider that our appetite and tolerance for tax risk in the UK is low. We adopt a prudent approach to tax planning, to minimise the risk of uncertainty and tax disputes. We do not enter into arrangements to avoid taxation or frustrate the intent of the UK tax laws (as we understand them). Where there is uncertainty as to the interpretation of the tax law, we seek appropriate third-party advice to support, guide and manage decision making.

The SHL Group's approach to its relationship with Tax Authorities (HMRC)

We are committed to being open and transparent in our approach to dealing with the UK tax authorities, including HMRC, about its tax matters, in line with HMRC's Framework for Cooperation Compliance as published in 2015.

The SHL Group commits to:

- adopt an open and professional working relationship with HMRC at all times;
- fully engage in open and timely discussion with HMRC to discuss tax planning, strategy, risks and significant transactions;
- respond to queries, information and clearance request in a timely manner.
- where possible, seek to resolve issues with HMRC in real time before returns are filed and where there is any disagreement work with HMRC to resolve timely;
- make fair and accurate disclosures in tax returns, reports and documents filed or submitted to HMRC; and
- interpret the relevant laws in a reasonable way, and guarantee all transactions are structured in line with the co-operative relationship.

To conclude, in publishing this tax strategy, the SHL Group is satisfying its responsibility under Schedule 19 of the Finance Act 2016 Para 19(1). This strategy is effective for the year ended 31 December 2019 and will remain in effect until any amendments are approved by the Board of Directors.



Director, Silverstream Holdings Limited

18 December 2020