

Diamond Offshore Statement of Group UK Tax Policy and Strategy

The Diamond Offshore Drilling, Inc. group (“the group,” “we,” or “our”) is a U.S. based multinational organization that provides offshore drilling services to a customer base that includes major and independent oil and gas companies and government owned oil companies. The group owns a fleet of offshore drilling rigs that it operates in performing these services. The principal markets for our offshore contract drilling services include the Gulf of Mexico, South America, Australia and Southeast Asia, and Europe. The group includes several entities organized under the laws of the United Kingdom (“UK”) and having their place of management there, as well as other entities whose activities, from time to time, may give rise to obligations under UK tax law.

This statement sets out the group’s policy and approach to conducting its UK tax affairs and managing UK tax risks. The statement applies to all group entities organized under UK law, having a place of management in the UK, or otherwise having obligations under UK tax law. We regard the publication of this statement as satisfying the statutory obligation imposed by paragraphs 19(2) and 22(2) of Schedule 19 of the Finance Act 2016. The following group members either head a “qualifying UK sub-group” or are “qualifying companies” within the meaning of those provisions: Diamond Offshore Enterprises Limited, Diamond Offshore Limited, Diamond Rig Investments Limited, and Diamond Offshore Bermuda Limited.

1 Group UK Tax Policy

We are committed to comply with the tax laws and practices in all jurisdictions in which we operate, including the UK. We believe that compliance involves paying the correct amount of tax in the correct jurisdiction at the correct time and disclosing all relevant facts and circumstances to the tax authorities. The group is committed to conduct its UK tax affairs in accordance with the following principles:

- We will administer the group’s UK tax affairs in a manner consistent with the group’s Code of Business Conduct (<http://www.diamondoffshore.com/corporate-governance>).
- We will ensure that our UK tax strategy is consistent with the group’s Purpose, Vision, Mission, Values and Behaviors (<http://www.diamondoffshore.com/diamond-offshore-profile/purpose-mission-vision>).
- We will apply professional diligence and care in the management of tax matters and ensure governance procedures are appropriate.
- We will seek to optimize the group’s tax position pursuant to tax incentives or reliefs provided under UK legislation but will not use such incentives and reliefs for purposes we know to contradict Parliament’s intention in enacting the legislation.

2 Our Approach to Risk Management and Governance in Relation to UK Taxation

2.1 Governance

- Diamond Offshore Drilling, Inc.'s Board of Directors ("the Board") has delegated responsibility for the group's tax strategy, the supporting governance framework and management of tax risk to the group's Chief Financial Officer ("CFO"). The Board's Audit Committee closely oversees all material tax matters relating to the group's worldwide business.
- The group's Chief Tax Officer is responsible for managing the group's corporate income tax affairs and reports directly to the group's CFO and regularly to the Board through its Audit Committee.
- The group's United States based tax department staff has day-to-day responsibility for managing UK corporate income tax matters and tax risk for the group. Tax department staff report to the group's Chief Tax Officer.
- Personnel in the group's UK office have day-to-day responsibility for managing and administering all UK indirect taxes, including but not limited to payroll taxes and value added tax. Responsibility for compliance with group entities' obligations as withholding agents under UK tax law is delegated to UK office staff. The UK office staff report to the Area Controller - Europe, Middle East & Africa, who reports indirectly to the group's CFO.

2.2 Tax Risk Management

As a U.S. based multinational organization, we are subject to U.S. income taxation on our worldwide income. We are also subject to taxation outside the United States in other jurisdictions. We operate in jurisdictions around the world, and we conduct our operations through a number of subsidiaries organized under the laws of various jurisdictions. The group's drilling rigs move among jurisdictions as necessary to fulfill our contractual obligations to customers. Because of the nomadic nature of the group's business activities, we have centralized certain business functions and staffing in the group's Houston, Texas headquarters or in regional offices and concentrated ownership of our drilling rigs in certain group entities. The nature of our business and the structuring of our operations expose the group to a variety of tax risks, including the following:

2.2.1 Tax Compliance and Reporting Risks

Where local country staffing, processes, and systems are not sufficiently robust to support tax compliance and reporting requirements, we have exposure to risks associated with compliance failures, such as late submission of tax returns or submission of inaccurate returns. In the UK, where the group has had long-term operations, we have been able to retain qualified financial and administrative staff for the group's UK office. Processes and systems are in place to ensure both timely and accurate UK tax reporting and compliance with other UK tax obligations. We engage professional accounting firms and other tax professionals to assist us in satisfying our UK tax compliance obligations and in accurately reporting our UK tax position.

2.2.2 Transactional Risks

We have exposure to risks associated with undertaking transactions without appropriate consideration of potential tax consequences under the laws of the various countries in which we operate. We seek to mitigate this risk by engaging competent tax professionals in the countries in which we operate, including the UK, and consulting with our advisors when engaging in material or unusual transactions.

We also have exposure to risks associated with the pricing of intra-group transactions. The group mitigates the risk by staffing its tax department with qualified transfer pricing specialists, whose responsibility is to ensure that intra-group transactions reflect arm's-length pricing.

2.2.3 Reputational Risks

Non-financial tax risks may have an impact on the group's relationship with shareholders, customers, tax authorities, and the public. The group seeks to mitigate such risks through robust internal oversight functions. Where appropriate, the group looks to engage with tax authorities to disclose and resolve issues and uncertain tax positions.

3 Our Attitude to Tax Planning in Relation to UK Taxation

The group's management recognizes we have a responsibility to pay an appropriate amount of tax in each of the jurisdictions in which we operate. Management seeks to balance this responsibility with the fiduciary responsibility we have to shareholders to structure the group's affairs in an efficient manner. Consistent with the objective of balancing these responsibilities, the group does not undertake tax planning that involves transactions lacking economic substance and a sound business purpose.

4 Acceptable Level of Risk in Relation to UK Taxation

Given the scale of our business, its cross-border activities, and the volume of our tax obligations, risks will inevitably arise from time to time in relation to the interpretation of tax laws and the nature of our compliance arrangements. We proactively seek to identify, evaluate, manage and monitor these risks to ensure they remain in line with the group's risk appetite. Where there is significant uncertainty or complexity in relation to a risk, we may seek external advice. The group's management generally requires that its UK tax reporting position be at least more likely than not to be allowable under applicable tax laws.

5 Our Approach to Dealings with HMRC

The group's management seeks to foster a constructive relationship with HMRC and to minimize the risk of tax controversies or damage to its credibility. Specifically, management intends to continue the following practices in its dealings with HMRC:

- We will maintain an open and collaborative professional relationship.
- We will engage in open and early dialogue to discuss significant transactions in cases where application of UK tax legislation is unclear.
- We will respond to HMRC queries in a timely manner.
- We will fully disclose any inadvertent errors in submissions made to HMRC as soon as is reasonably possible after we have identified such errors.
- Where appropriate, we will seek to resolve issues in real time and before filing tax returns.



Scott Kornblau
Senior Vice President & Chief Financial Officer
Diamond Offshore Drilling, Inc.



Dominic A. Savarino
Vice President and Chief Accounting & Tax Officer
Diamond Offshore Drilling, Inc.