Hibu Group’s tax strategy

Introduction

Taxation has a major impact on the net profit and cash flow of the Hibu Group (the “Group”). Significant amounts of corporate taxes, social security costs, business rates and a variety of other taxes are chargeable in the territories in which the Group has a presence. In addition, the Group devotes significant effort to the administration and collection of indirect taxes such as VAT from our customers, and employment taxes from over 2,750 employees globally.

We take our obligations and responsibilities as a taxpayer seriously. We therefore ensure that we have the governance and risk management processes in place to meet our obligations across the wide variety of taxes that we are exposed to. Like all businesses, we have the objective to maximise shareholder value and so it is important that we actively manage the Group’s tax cost while at the same time limit the Group’s exposure to tax risk, ensure compliance with tax law in a responsible manner and maintain constructive relationships with tax authorities.

This document was approved by the Hibu Group Limited Board on 26 May 2020 and complies with the UK legislative requirements under Schedule 19 Finance Act 2016.

Tax governance arrangements

- The Group has in-house tax teams based in the UK and US. The local tax specialists are responsible for managing the tax affairs of their businesses, notifying the Group tax team of any potential material tax risks and then working together to mitigate such risks. The Group tax team has an oversight role across the Group and is also responsible for managing the tax affairs of the UK holding and finance companies as well as Group level activities such as transfer pricing and external financing.

- The Group Head of Tax reports directly to the Group Finance Director (“FD”) and at the core of that relationship is the sharing of information on potential current and future tax risks. Where material, the Group FD will discuss such risks with the Executive Chairman and together they will decide whether to escalate matters to the Board.

- The Group’s approach to risk management is set out in the strategic report published in Hibu Group Limited’s Annual Report. The Audit Committee is responsible for overseeing the Group’s risk management framework. Within its quarterly meetings, the Audit Committee considers a tax update including the status of material tax exposures in each territory and the tax implications of any proposed legal and financing structuring.

- In addition to Audit Committee reporting, the Board receives a comprehensive update of tax matters across the Group from the Group Head of Tax on an annual basis. The tax implications of any material proposed transactions or restructurings are discussed with the Board before they are approved.

Tax planning

- The Group seeks to fully comply with the tax laws and practices in all the countries in which it has a presence with respect to all taxes, tax returns and declarations. Tax evasion is illegal and will not be countenanced under any circumstances.

- The Group seeks to structure and finance the business as well as fund dividends to shareholders in a tax efficient manner without bearing an unacceptable level of risk. Tax planning is primarily focussed around the commercially driven external and intercompany financing of the Group’s operations and M&A transactions. Artificial structures / contrived planning are deemed unacceptable tax avoidance. Due consideration is given to the Group’s reputation, brand, corporate and social responsibilities when considering tax initiatives as well as the legal and fiduciary duties of directors and employees of the Group; these form part of the overall decision-making and risk assessment process.

- Where alternative routes exist to achieve the same commercial result, the most tax efficient approach would be recommended to the business provided the level of risk is acceptable and the position can be supported on full disclosure of the facts and circumstances to the relevant tax authorities.
• Where necessary we seek external advice from reputable advisers in order to corroborate the views of the in-house tax team, to provide advice in specialist areas and to gain a better understanding of tax law and technical guidance.

• We utilise tax reliefs, allowances and government sponsored tax incentives (e.g. R&D tax credits) where appropriate and in line with business activities.

**Tax risk management**

• The Group adheres to its responsibilities as a taxpayer in each of the territories that it operates. That includes, but is not limited to, the collection and payment of indirect taxes such as VAT, payroll related taxes, corporate income tax and other business taxes. The Group has robust systems and controls in place to facilitate these processes.

• Given the volume of our tax obligations and the complexity of the tax laws that we are required to comply with, from time to time uncertainty may arise in relation to the interpretation of tax law which has the potential to have an adverse financial outcome – we refer to this uncertainty as tax risk.

• In order to manage tax risk, we maintain a tax function of suitably qualified and experienced professionals to manage our tax affairs and they are supported by external advisors as necessary. This combination of internal and external resource as well as having appropriate policies and procedures in place ensures that we comply with the Group’s tax obligations in each jurisdiction in which we have a presence. In accordance with the UK’s Senior Accounting Officer legislation, we annually certify to HMRC whether we have appropriate tax accounting arrangements to ensure the integrity of our UK tax returns and that timely and accurate UK tax payments are made.

• In addition, the Group’s Codes of Ethics require all employees and third parties acting on the Group’s behalf to comply with our standards of business ethics and with applicable laws and regulations.

**Working with tax authorities**

• The Group aims to build constructive working relationships with local tax authorities and deal with any issues raised by them on a prompt and efficient basis. Our dealings with tax authorities are conducted in a professional, courteous, open and honest manner by making full disclosure of the facts and circumstances as and when required in accordance with local law and practice. In the UK, we have regular meetings with HMRC to help focus both our and HMRC’s resources on the more important issues.

• We cooperate fully with tax audits and enquiries and work collaboratively with tax authorities to resolve disputes and expedite as far as possible early agreement of issues and uncertainties. The Group seeks to avoid tax disputes by ensuring that:
  - appropriate care is taken on implementation and maintenance of tax planning arrangements to reduce execution risk;
  - contemporaneous documentation is held to support tax filing positions taken;
  - our tax filings are as clear as possible and voluntarily include additional explanations where appropriate to ensure that they are easy to understand;
  - we robustly defend tax planning arrangements and potentially contentious filing positions during tax audits to avoid cash tax costs, litigation or damage to tax authority relationships or the Group’s reputation.