

## Tax Strategy

In accordance with Para 16(2) Schedule 19 Finance Act 2016 this represents Carr's Group plc's (the "Group" or "Carr's") tax strategy in effect for the year ending 31 August 2019.

### 1. Objective

Our objective is to ensure that we pay the appropriate amount of tax due wherever we operate while fulfilling our duty to our shareholders to deliver the best possible return on their investment. This includes ensuring we retain a strong capital base for investment in current and future growth.

### 2. Strategy

Our strategy is to:

- Establish and manage robust tax governance processes that ensure full compliance with tax disclosure, payment and filing obligations in all jurisdictions.
- Consult with leading legal and accounting firms to obtain expert, objective advice and opinions on tax matters where appropriate.
- Work in a collaborative, transparent and proactive way with policy makers and revenue authorities.

### 3. Principles

The principles that guide us in managing taxes at Carr's are:

- a) To comply with all relevant tax laws, regulations and tax reporting requirements in all jurisdictions in which we operate, including claiming available tax incentives and exemptions. If we discover instances of non-compliance we seek to resolve them with the appropriate tax authority.
- b) To manage our tax affairs in accordance with Carr's Group's Tax Code of Conduct.
- c) To pay an appropriate amount of tax according to where value is created within the normal course of commercial activity. Our approach to transfer pricing follows the "arms-length" principle as outlined in the OECD Transfer Pricing Guidelines, i.e. cross border transactions take place as if the parties were unconnected.
- d) To undertake transactions aligned with business activities and business objectives.
- e) Where a choice exists between different options, in considering and deciding between different options, the factors we consider include commercial, strategic, tax and reputational impact.
- f) To have an open working relationship with tax authorities. To discuss and consult on our interpretation of the law with tax authorities such as HMRC as issues arise. Where appropriate, we will use tax clearances to obtain agreement in advance from tax authorities prior to undertaking significant transactions.
- g) To review and approve the tax strategy with the Group Finance Director and the Audit Committee or Board annually.

### 4. Supporting policies/documents

This tax strategy is supported by a Tax Risk Management Policy and a Tax Code of Conduct, which follow below.

## Tax risk management policy

Carr's Group plc ("Carr's") has a tax strategy focused on the following key areas:

- Integrity in compliance and reporting
- Enhancing shareholder value
- Engaging with the relevant tax authorities

Controlling and managing risks we face across all territories plays a fundamental part in our overall tax strategy. This document provides further commentary in respect of the control and management of risk by defining the risk management parameters of the compliance (first bullet) and commercial (second and third bullets) aspects of the strategy.

These parameters are consistent with the OECD recommendations for responsible business conduct in a global context.

### 1. Principles

#### 1.1 Over-riding principle

Tax risk is ideally managed by the prevention of unnecessary disputes.

Prevention of unnecessary disputes is desired and appropriate, and best achieved:

- From strong technical positions
- Clear explanation of those positions
- Thorough documentation, particularly of facts
- Well established relationships with tax authorities
- Strong compliance procedures ensuring accurate and complete tax returns

Assessment of risk should take due account of:

- Both short and long term considerations and risks
- The impact on corporate reputation/brand
- The impact on relationships with governments
- The consequence of disagreements with tax authorities over the application of law
- The benefit of certainty in respect of uncertain or disputed tax positions

#### 1.2 Appetite for risk

Carr's appetite for risk is governed by its "more likely than not" principle enshrined in the Tax Code of Conduct. Consistency and transparency of application across the Group is essential. All personnel engaged in tax matters should act proactively to ensure and continually improve our tax risk decision making.

#### 1.3 Group tax commitments

Within the context of the commercial needs of the Group being paramount, the central tax function work with the business as equal partners in providing clear, timely, relevant and business focused advice across all aspects of tax. Where alternative routes exist to achieve the same commercial results the most tax efficient approach in compliance with all relevant laws should be recommended.

To the extent necessary, the entire team will ensure the business understands our objective of enhancing shareholder value and the risk management parameters and principles, including our appetite for risk, which govern how we will do this.

We will ensure that for significant transactions the business understands that the central tax function should be involved throughout from planning to implementation to avoid failure in implementation, documentation or maintenance without corrective action.

The prominence of commercial needs will in no circumstances override compliance with all applicable laws. The central tax function will therefore provide appropriate input as part of the approval process for business proposals to ensure a clear understanding of the tax consequences. The central tax function will also then ensure accurate representation in tax returns and accounts. Such business decisions and input include assessment, quantification and presentation of provisions in respect of taxes accounted for above the Operating Profit line of the profit and loss account.

Assessment of the tax consequences should reflect whether there is a realistic opportunity for success based on the commitment to robust on-going implementation, governance and the provision of adequate budget, expertise and resources.

All such tax support will be given in the context of the central tax function being an enabler not a gate-keeper, willing to accept uncertainty and risk in line with our approved appetite for risk and transfer pricing strategy to unlock the potential of opportunity.

## 2. Controls required for compliance

### 2.1 Tax decision making

The central tax function must be involved in the planning, implementation and documentation for:

- All business or share acquisitions and disposals
- All changes in corporate structure
- All cross-border financing arrangements
- All cross-border trading arrangements
- All significant new processes affecting tax compliance

The finance director/financial controller/finance business partner in each business should be part of this engagement.

Where any new cross border intra-group trading arrangements are being set up, the local tax function should be involved and the central tax function must also be involved well in advance of any arrangements being put in place so that appropriate inter-company pricing can be designed and documented in accordance with the transfer pricing strategy.

All decisions should consider the post-tax financial return, potential reputational risk and financial risk (likelihood of payment and the cash and P&L impact).

Where deemed necessary, e.g. for significant transactions, a detailed assessment of the risk should be carried out and which must be presented to the Group Finance Director. Risk assessment should include but not be limited to:

1. A full description of the issue including a clear summary statement of the facts
2. An assessment of the financial costs and benefits of all potential scenarios
3. An assessment of the non-financial costs and benefits including an assessment of the nature and amount of resources to secure the benefit
4. An assessment of the probability of the risk crystallising
5. Commentary on the likely process of dispute resolution
6. Recommendations

All decision making on significant tax matters requires the approval of the Group Finance Director, regardless of assessed risk.

In assessing reputational risk, the Group does not want its tax affairs to appear in the public domain and will work to avoid any negative impact on shareholder value.

## 2.2 Tax and disclosure requirements

As stated in the Tax Code of Conduct, the Group must comply with all tax regulations and disclosure requirements in all countries in which it operates.

This requires that:

- The Group should submit all returns by their due dates in line with local tax law.
- In line with the Tax Code of Conduct and via consideration of the risk scale, all material positions taken in the tax returns must be supportable in terms of documentation and legal interpretation. It is strongly recommended that clear documentation of facts and circumstances be recorded at the time of any transaction.
- Technical positions affecting two Carr's tax jurisdictions should be reconciled and agreed by the central tax function in advance of any tax authority filing, whether pre or post transaction, and where applicable must be in accordance with the Group's transfer pricing strategy.
- The central tax function will robustly defend tax positions taken in the Group's tax returns.
- The central tax function will proactively pursue any tax timing benefits within the context of the tax risk strategy.
- The central tax function should monitor significant changes in relevant tax law and practice and undertake regular training where necessary to assess any consequences for the Group, with the minimum aim of mitigating any adverse impact.
- The central tax function will manage its compliance affairs to minimise the risk of any adverse public comment.
- Appropriate administrative safeguards regarding back up procedures and electronic signatures will be established and executed by the central tax function.

## 2.3 Tax authority relationships

In line with the Tax Code of Conduct requirements to foster good relationships with tax authorities, governments and related third parties and to undertake all such dealings in a professional, courteous and timely manner:

- The central tax function will pro-actively manage the relationship with the tax authorities with the aim of minimising the risk of challenge, dispute or damage to Carr's credibility arising when tax matters are inadvertently incorrect. In overseas territories, the local tax function will also undertake this role.

- It is Carr's general policy to be transparent and proactive in all interactions with tax authorities. The application of this principle should be tailored to each territory style and engagement.
- Carr's will work towards a low risk relationship with relevant tax authorities.

## 2.4 Audit and enquiry management

Audits and tax authority enquiries should in most circumstances be handled by the local tax team, liaising with the central tax function for all such enquiries. Such enquiries will be handled in a courteous, timely and professional manner in the normal course of the annual compliance cycle.

## 2.5 Audit resolution

Arbitrary settlement on audit and/or use of tax amnesties is not generally appropriate. Refer to the tax amnesties section for further commentary.

All significant audits (for all taxes) should be subject to discussion with the central tax function and Group Finance Director to determine the choice of compromise positions on audit and the method thereof versus litigation / tribunals and other dispute processes.

Elements to be taken into consideration:

- Assessment of the technical merits (and political merits) of each issue under enquiry, including:
  - A detailed review of the advice provided at the time of implementation
  - Any subsequent advice received
  - Legislation updates
  - Recent case law updates
  - Tax authority statements / practices
  - EU / OECD / UN developments including updates to guidelines and commentary
- Assessment of the facts, quality of the documentation and implementation
- Process options:
  - Scope (years, values, queries that authorities are entitled to pursue)
  - Alternative dispute resolution
  - Cross border resolution
  - Arbitration
  - Litigation
- Cost v Benefit analysis (including looking at a portfolio of issues, if applicable):
  - Reputational issues with both tax authorities and stakeholders, culpability (interest and penalties), advisory fees, time value of money on tax deposits
  - Include long term consequences – for how long can we afford uncertainty?
  - Cash flow implications

## 2.6 Use of tax amnesties

Given Carr's compliance principles and approach to relationships with tax authorities the use of tax amnesties is unlikely to be deemed necessary or appropriate.

## 2.7 Tax reporting procedures and provisions

The Tax Code of Conduct requires that we comply with all laws and disclosures and act with due professional care. These requirements are never more relevant than in ensuring accuracy and completeness of the presentation of our tax position in the financial reporting of the Group.

The reported financial accounts whether at year end or interims are expected to reflect all taxes including those accounted for above the Operating Profit line. This section refers only to the procedures for tax reporting of taxes below Operating Profit.

Absolute transparency is needed between Group companies and the central tax function to ensure appropriate accounting and disclosure decisions for external reporting and accurate and complete briefing of the Group Finance Director and Head of Group Finance.

At each reporting event, tax charge and provisioning decisions should reflect the most up to date information to ensure that the Group will have no significant adjustments to the actual tax charge or tax returns.

In meeting the above, the central tax function will issue appropriate instructions and timetable for each reporting event for completion and review of Tax Packs.

### **3. Glossary and explanation**

#### **3.1 Artificial tax arrangements**

The Tax Code of Conduct provides that we may enter into tax planning where the financial benefit is tax related, but we will not engage in artificial tax arrangements. The test of artificiality is generally aligned with the existence of commercial purpose.

Some such cases could include, for example, the rationale for and ability to hold investments in other entities of the Group, or the choice of tax jurisdiction for the undertaking of certain activities or the involvement of a particular entity in a transaction, or the role of a particular entity in a transaction.

The use of such arrangements would be “artificial” where there is otherwise no commercial purpose for the activities or if the attribution of profits or other benefits to a jurisdiction were not based on the actual activities and capabilities but merely on a contractual description of rights for which no capability exists.

Other artificial arrangements could include the provision of debt where there is no commercial rationale, provision of goods and services where there is no benefit to the recipient, or the routing of transactions either financially (for withholding tax) or physically (for VAT) through companies which play no part in the underlying commercial arrangements.

#### **3.2 Tax filing positions**

A filing position refers to the treatment of income, expenditure or transactions on a tax return. The Tax Code of Conduct “more likely than not” criterion of a position being sustained on its merits if challenged by a tax authority is expected to cover most situations. However, there are instances in which a filing position will not meet the more likely than not standard but would still be tenable.

Examples of such tenable filing positions acceptable under this strategy (subject to full disclosure and the principle that we will pay the right amount of tax due) are:

- Where there are current uncertainties created by a comparison of any or all of the wording of law, tax authority interpretation of law and experience of the law as interpreted by the legislative system
- Where there are current uncertainties or opportunities created by recognised errors in law not yet corrected

- Where a position would be in accordance with an announced future correction of law
- Where the cost of full compliance with the law would be prohibitive but a reasonable estimate can be reflected

Tax filing positions taken by Carr's will never be based on a principle of "not being found" nor for the sole purpose of obtaining leverage in the bargaining process of a settlement.

### 3.3 Transparency

Transparency goes beyond the observation of all applicable laws, rules, regulations and disclosure requirements. It requires the proactive consideration of the provision of information to tax authorities in respect of tax relevant facts and circumstances if they will aid the resolution of the matter under discussion.

For example, if information not available in a territory is requested, Carr's will not 'hide' behind territorial borders or the absence of legal obligations but will take reasonable efforts to provide the relevant fact-based information. This is a fundamental element of our aim to develop and foster good working relationships with tax authorities. There is, however, a limit to proactive transparency where over time a relevant tax administration does not show it is willing to make its own contribution to a good and professional working relationship with Carr's.

## Tax Code of Conduct

### 1. Introduction

This Code of Conduct applies to all personnel working in companies owned by Carr's Group plc (the "Group" or "Carr's") who are engaged in tax matters. It endeavours to guide the role of these people within the Group, their key responsibilities, their professional conduct and their approach to working relationships with external parties.

Carr's pays tax in accordance with all relevant laws and regulations in the territories in which we operate through effective and balanced management of our tax affairs to deliver our business strategy and shareholder value.

It is not appropriate for the details of the Group's tax affairs to appear in the public domain. Carr's will, however, only enter into transactions which would be fully justifiable should they become public.

### 2. Responsibilities and professional conduct

Personnel engaged in tax matters will aim to:

- Effectively manage risk by application of components of the tax risk management policy
- Observe all applicable laws, rules, regulations and disclosure requirements
- Apply diligent professional care and judgment to arrive at well-reasoned conclusions
- Ensure all decisions are taken at an appropriate level and supported with documentation that evidences the facts, conclusions and risks involved
- The Group aims for certainty on tax positions it adopts, but acknowledges there may be areas where tax law is unclear or subject to interpretation in which case an assessment of a position will be supported by a 'more likely than not' assessment
- Where the tax treatment of an item is so uncertain and/or unquantifiable preventing the assessment of more likely than not, filing positions should be subject to robust risk assessment and supported by full disclosure
- Develop and foster good working relationships with tax authorities, government bodies and other related third parties
- Undertake all dealings with tax authorities, government officials, ministers and other third parties in a professional, courteous and timely manner
- Be compliant with all anti-bribery legislation

### 3. Commercial rationale

The commercial needs of the Group are paramount, and all tax planning will be undertaken in this context. All transactions must therefore have a business purpose or commercial rationale.

Due consideration will be given to the Group's reputation, brand, corporate and social responsibilities when considering tax initiatives, as well as the applicable legal and fiduciary duties of directors and employees of the Group and will form part of the overall decision-making and risk assessment process.



#### **4. Policy on disclosure**

Compliance with all relevant legal disclosure and approval requirements will be adopted and all information will be clearly presented to the tax authorities or other relevant bodies, as appropriate. Openness, honesty and transparency will be paramount in all dealings with the tax authorities and other relevant bodies. Should any person have specific queries about this Code, or would like advice on implementing it, they should speak with their line manager and, if not adequately addressed, those queries should be brought to the attention of the Group Finance Director. If confidential advice is required or there are concerns that cannot be addressed through either of these channels, please contact the Group Head of HR.