Operating Units should conduct their tax arrangements, whether related to direct or indirect taxes, within the guidelines set out in the Group Tax Strategy and in accordance with its stated Tax Policies.

Policy

Operating Units should conduct their tax arrangements, whether related to direct or indirect taxes, within the guidelines set out in the Group Tax Strategy and in accordance with its stated Tax Policies. A comprehensive summary of those Tax Policies is appended to this document.

Explanatory / Guidance Notes

It is important that the Group conducts its tax activities in a spirit of openness and honesty and in compliance with all applicable laws and regulations. The Group Tax Policies are designed to ensure that all Operating Units are aware of their respective responsibilities in this respect and of the Group's overall approach to its tax dealings.

Approved by the Board of Hill & Smith PLC - 25 April 2019

This strategy applies to Hill & Smith PLC and all UK entities in its Group.

Commentary

All our stakeholders stand to benefit when we achieve sustainable growth and this principle is central to the way we balance their interests in respect of the management of taxes.

Tax is considered in all significant business decisions. This allows us to understand and acknowledge the tax implications of such decisions and transactions.

We are committed to compliance with all local tax legislation and the timely and correct filing of returns and payment of taxes due to local authorities in all jurisdictions in which we operate. We follow the terms of applicable double taxation treaties and OECD guidelines in dealing with matters such as transfer pricing and establishing taxable presence.

Our focus on costs includes consideration of tax costs. As such, we seek to conduct our business efficiently from a tax perspective which may include:

- responding to government tax incentives (both domestically and internationally); and
- structuring arrangements in a tax efficient manner.

Where we decide to seek tax efficiencies, the risks associated with the decision and its implementation are controlled. Risks will inevitably arise from time to time in relation to the interpretation of tax law and the nature of our compliance arrangements. We proactively seek to identify, evaluate, manage and monitor these risks to ensure that they remain in line with the Group's risk appetite. When there is significant uncertainty or complexity in relation to a risk, external advice may be sought.

We conduct our dealings with tax authorities with honesty, integrity, respect and fairness and in a spirit of co-operative compliance. Where we disagree with a ruling or decision of a tax authority, we will first seek to resolve any disputed matters through proactive and transparent discussion and negotiation.

This strategy is aligned with our Group Code of Business Conduct and is approved, owned and overseen by the Board.

Contents

1. Introduction

The purpose of this tax policy document (the 'Tax Policy') is to set out the standards the Board of Hill & Smith PLC (the 'PLC Board') applies in respect of the management of taxes and the framework of governance it employs to ensure those standards are embedded throughout the Group.

In particular, the Tax Policy governs how significant decisions in respect of tax are made and the circumstances which require PLC Board approval.

The Tax Policy is applicable to Hill & Smith PLC and its subsidiaries (the 'Group') and all of the Group's employees, whether engaged directly or indirectly in the management and administration of tax.

For the purpose of this document 'tax' includes:

- Corporate Income taxes;
- Withholding taxes;
- VAT and other sales taxes;
- Customs and excise duties;
- Property taxes; and
- Employment taxes.

2. Core Principles

In line with the Group's strategy and its values, the core principles underpinning the Tax Policy are as follows:

All of our stakeholders stand to benefit when we achieve sustainable growth and this principle is central to the way we balance their interests in respect of the management of taxes.

- We are committed to compliance with all local tax legislation and the timely and correct filing of returns and payment of taxes due to local authorities in all jurisdictions in which we operate.
- We follow the terms of applicable double taxation treaties and OECD guidelines in dealing with such matters as transfer pricing and establishing taxable presence.
- Tax is considered in all significant business decisions. This allows us to understand and acknowledge the tax implications of such decisions and transactions.
- Our focus on costs includes consideration of tax costs. As such, we seek to conduct our business efficiently from a tax perspective which may include:

- Responding to government tax incentives (both domestically and internationally); and
- Structuring arrangements in a tax efficient manner.

- Where we decide to seek tax efficiencies, the risks associated with the decision and its implementation are controlled.
- We conduct our dealings with tax authorities with honesty, integrity, respect and fairness and in a spirit of co-operative compliance.
- We have the right people, processes and systems in place to uphold our principles. As part of those processes we will ensure that we maintain appropriate records and documentation to support our tax filings. Where additional support is required due to lack of in-house expertise or resource we will engage external advisors.
- We avoid any actions (or omissions) in respect of our management of taxes which could damage the Group's reputation with its key stakeholders. Where the expectations of those stakeholders conflict we seek to ensure that they are balanced responsibly.

3. Stakeholders

In developing the Tax Policy, the Board has considered the interests of the following stakeholders:

- Customers;
- Investors;
- Employees;
- Tax authorities;
- Industry groups; and
- Communities and society

The decision making process set out in section 7 of the Tax Policy ensures that the PLC Board is actively involved in any decision on tax which is considered likely to significantly impact these stakeholders.

4. Governance

The Tax Policy has been reviewed and approved by the PLC Board.

The core principles of the Tax Policy are owned by the PLC Board. Responsibility for tax management and administration and the delivery of our core principles in respect of day-to-day tax management activities rests with the functions identified in section 5 of the Tax Policy.

Specific expectations regarding how those day-to-day tax management activities should be discharged are detailed in section 6.

Any tax decisions which are outside day-to-day tax processes are subject to the formal decision making process set out in section 7.

The Tax Policy will be subject to at least annual review by the PLC Board who may make amendments and improvements to ensure it remains appropriate for the Group. In undertaking their review, the PLC Board will monitor the following key measures:

- Effective Tax Rate;
- Cash tax; and
- Compliance status.

5. Accountabilities and delegations of authority

The PLC Board has delegated accountability for delivery of the tax policy as follows:

UK Tax	Accountable Function
Corporate Taxes	Head Office Finance supported by Operating Unit Finance
Employment Taxes	Operating Unit Finance supported by Head Office Finance
Indirect Taxes	Operating Unit Finance supported by Head Office Finance

Non-UK taxes	Accountable Function
United States	Operating Unit Finance supported by Head Office Finance
France	Operating Unit Finance no support from Head Office Finance
Sweden	Operating Unit Finance supported by Head Office Finance
Australia	Operating Unit Finance supported by Head Office Finance
India	Operating Unit Finance supported by Head Office Finance
Norway	Operating Unit Finance supported by Head Office Finance
Ireland (trading)	Operating Unit Finance supported by Head Office Finance
Ireland (non-trading)	Senior Finance lead in overseas jurisdiction
Jersey	Senior Finance lead in overseas jurisdiction

Attached as Appendix 2 is a Tax Responsibilities Matrix which sets out in more detail the roles and responsibilities in respect of management of taxes.

It is the responsibility of Operating Unit FDs and other Senior Finance leads to put in place appropriate policies, people, processes and systems to support the delivery of the Tax Policy. The above accountabilities should be discharged in line with the Board approved Delegation of Authority matrix.

Regardless of the above accountabilities, the Head Office Finance team will review significant transactions from a tax perspective with approval sought from tax authorities in the jurisdictions affected by the transaction where appropriate. Significant transactions and events can include, but are not limited to, the following:

- Structuring of any acquisitions or disposals (inclusive of shares, businesses, licences and intellectual property).
- Proposal to commence business in a new territory.
- Any change in legal structure, for example by way of merger, liquidation, transfer of legal ownership, transfer of a business, formation of a new company, partnership, branch or other entity.
- New funding arrangements (equity funding, external funding and intercompany loans).
- Contracts for major agreements, including joint venture agreements or investment agreements.
- Any other matters, outside of regular business procedures, likely to have a major impact on the Group or potentially conflict with the principles outlined in this Policy.

6. Tax management

Head Office, Operating Unit Finance and other Senior Finance leads are accountable for the management of taxes and are expected to adhere to the guidance below.

People, processes and systems

It is the responsibility of the Operating Unit FDs and other Senior Finance leads to put in place appropriate people, processes and systems to support the ongoing delivery of the Tax Policy. This responsibility includes ensuring that:

- People involved in managing taxes are adequately trained and have access to up-to-date information on changing tax law and practice; and
- Processes and systems are updated on a timely basis for relevant changes in tax law and practice.

Where an Operating Unit FD has delegated activities to others they may require the delegate to confirm that they have performed the activity in line with standards set out in this Policy.

Where external support is required approval should be obtained in advance from Head Office Finance.

Areas of complexity or uncertainty

External advice is sought for any significant transaction, including those in the ordinary course of business and where the tax outcome is in any way uncertain. If significant uncertainty remains, the Group may seek to obtain certainty by requesting advanced rulings or clearances from the relevant tax authorities.

Where such rulings or clearances are not available and an adverse tax result could harm the overall commercial benefit, it is recognised that a second opinion may be appropriate and in such cases an opinion may be sought from tax counsel.

Approval must be sought from Head Office Finance before engaging advisors.

Relationships with tax authorities

We conduct our dealings with tax authorities with honesty, integrity, respect and fairness and in a spirit of co- operative compliance.

Head Office Finance should be notified of any local tax audits or enquiries as soon as notification is given to an Operating Unit.

We seek to swiftly resolve any disputed matters through proactive and transparent discussion and negotiation. However, the Group is prepared to litigate issues where it disagrees with a ruling or decision provided by tax authorities. Decisions which could lead to a case proceeding to litigation require approval in line with the Group's Delegation of Authority Matrix.

Risk management

Tax risk arises from uncertainty. Uncertainty in relation to the application of tax law and practice to the Group's particular facts, uncertainty over the facts themselves or uncertainty as to how well the Group's processes and systems ultimately arrive at the tax results of the business. Uncertainty cannot be eliminated but the associated risk can be controlled to an acceptable level.

The Group has a medium appetite for tax risk and is proactive in ensuring that it remains within this appetite level, escalating potential breaches at the earliest opportunity. Managing tax risk within the Group involves:

- Building and maintaining an awareness of tax risk within the organisation and an understanding of who owns it; and
- Operating a process by which tax risks are identified, measured, managed and reported.

Awareness of tax risk and its ownership is achieved through the effective communication of this policy and, where appropriate, other supporting information.

The process is embedded through a quarterly reporting process, aligned with the Group's financial reporting, which requires Operating Units to identify/measure the tax risks (and steps taken to control/mitigate them) that they believe exist in relation to the business areas and processes for which they are accountable.

The output from this process is received by Head Office Finance who overlay their understanding of Group-level tax risks and, where appropriate, escalate specific risks or the overall risk profile to the PLC Board.

Based on the information received, and any instructions from the PLC Board, Head Office Finance should ensure that risks which are outside the Group's risk appetite are suitably controlled, either through direct action in relation to their risks or recommendations to Operating Units. The status of these risks should be monitored by Head Office Finance as improvements to controls are made and included in the risk reporting to the PLC Board.

Notwithstanding the above, where there is concern over a specific uncertainty, risk owners can escalate a tax risk at any time to Head Office Finance who should consider whether it should be escalated to the PLC Board.

Tax reporting

Maintaining the balance of our stakeholders' interests in respect of our approach to tax, requires that they are appropriately informed regarding our tax and economic contribution, our tax policy and our framework of governance.

To a significant extent we consider our statutory financial reporting should provide stakeholders with this information. However, we actively monitor the additional information needs of our various stakeholders in the context of our overall tax reporting policy set out below:

- Statutory reporting – We report our taxes on a group basis under IFRS and on an entity basis under the applicable local GAAP. We comply fully with the recognition, measurement and disclosure requirements of the accounting standards adopted.
- Additional reporting and communications – We may provide additional information on tax in order to help our stakeholders understand our economic contribution, our policy for tax management and the governance process that applies to tax decisions. Any additional reporting or communication must be approved by Head Office Finance.

Specific considerations for UK taxes

Head Office Finance has delegated responsibility for the following aspects of the management of UK taxes to UK Subsidiary Finance teams:

- Preparation of annual tax packs to be submitted to Head Office Finance to enable timely accurate submissions of Group VAT and Corporate Tax returns;
- Review of their own Employment Tax filings and payments; and
- Preparation, review and filing of other Employment Tax and VAT returns (e.g. P11D's).

Head Office Finance is accountable for managing compliance with the Senior Accounting Officer ('SAO') legislation but will require UK Subsidiary Finance teams to confirm at least quarterly that they have performed their delegated activities in line with the standards set out in this Policy.

Use of advisors

We will engage with external advisors to access technical insight, understand common industry issues/risks and best practice and obtain advance notice of law change. Where additional support is required due to lack of in- house expertise or resource, we will engage external advisors.

Advice should be sought from external advisors for any significant transaction, including those in the ordinary course of the business, where the tax outcome is in any way uncertain and particularly where an adverse tax result could harm the overall commercial benefit.

Prior clearance must be obtained by Head Office Finance for the engagement of any external tax advisors.

7. Tax planning

Under the Tax Policy, Head Office Finance, Operating Unit FDs and other Senior Finance leads have a responsibility to appraise potential tax decisions arising from the underlying focus on tax cost.

The Board has set specific criteria to be assessed in the decision making process, these are:

- Reputation;
- Commercial purpose;
- Technical analysis;
- Financial impact; and
- Operational capability.

Following the assessment of a proposal against these factors, a decision should be able to be made to determine whether to reject, proceed with the decision under consideration or escalate the decision to Head Office Finance or the Board.

See Appendix I for further details regarding the assessment process.

Examples of transactions which would require this decision making process (please note this list is not exhaustive and careful judgement should be used to determine whether this decision making process should be undertaken):

Strategic transactions

- Acquisitions of shares, businesses, licences and intellectual property
- Divestments of shares, businesses, licences and intellectual property
- Restructures of businesses or legal entity structures
- Asset transfers > £100k

Projects

- New capital projects > £100k

Contracts and other events

- Capital management initiatives, including capital reductions and share buy-backs
- Liquidations and deregistration of subsidiaries
- New funding arrangements (equity funding, external funding and intercompany loans)
- Transactions between entities in different jurisdictions
- Amendments to contracts or commitments previously approved by Group Finance that incorporate alterations to tax clauses and assignments to third parties
- Contracts for major agreements, including joint venture agreements, investment agreements, product sharing contracts and risk management service contracts
- Any termination payments
- Any non-standard employment contracts and/or where individuals are likely to have dual residence as part of their role within the business

8. Communicating and monitoring the policy

Operating Unit FDs are responsible for ensuring that this Policy is communicated to all relevant employees within their Operating Unit and that their Operating Unit is fully compliant with the requirements.

On an annual basis the Policy will be reviewed and Operating Units and other Senior Finance leads should confirm that they have acted in compliance with the Policy throughout the period. Adherence with the Policy will be monitored by Head Office Finance.

This Appendix sets out the factors that should be considered when making tax decisions outside of day-to-day tax management activities.

Following the assessment of a proposal against these factors, a decision should be able to be made to determine whether to proceed with the decision under consideration or escalate the decision to Head Office Finance or the PLC Board.

In certain cases, the assessment may be revisited following escalation. For example, where additional technical analysis is undertaken or resource provided which impacts on the original assessment.

Undertaking the assessment

Each of the factors should be considered and a score selected which best fits with the facts of the proposal.

This score should then be compared with the Group policy for that factor.

Factor	Proceed	Escalate to Head Office Finance	Escalate to the Board	Reject
Reputational impact	1-2	3-4	5	N/A
Commercial purpose	1-2	3-4	5	N/A
Technical analysis	1	2-4	5	N/A
Financial impact	1	2-4	5	N/A
Operational capability	1	2-4	5	N/A

Documentation

A summary of the assessment should be documented to support discussions with others within the organisation.

The decision making factors

Further details on each of these factors are provided overleaf.

1. Reputation

Key points to consider	
• How consistent is the proposal with government policy objectives? (i.e. are we responding to an incentive, pursuing a course of action that is merely tolerated or specifically challenging HMRC's interpretation)	
• Is the potential transaction likely to attract media / NGO attention?	
• Does the transaction involve the use of a jurisdiction considered to be a 'tax haven'?	
• How common is the proposal with the Group's peers?	
• Does the transaction result in zero tax payments for a particular entity / jurisdiction?	
• Is the effective tax rate ('ETR') significantly reduced as a consequence of the transaction?	
• Even if individually low risk, does the proposal add to the collective risk of the Group's portfolio of planning (e.g. is it the next step in a recurring or broader portfolio of planning)?	
Indicative features	**Score**
Negligible reputational risk: Straightforward use of incentives; industry-wide practice; potential for reputational damage with investors greater for not pursuing than with media / NGOs for pursuing	1
Very low reputational risk: Maximisation of incentives; media / NGO attention highly unlikely; could put limited strain on tax authority relationship; no use of tax havens; transaction relatively common amongst peers	2
Low reputational risk: Marginally advantageous interpretation of the legislation or international structuring including use of 'havens' but with limited tax benefits; class of transactions may attract media and NGO attention but the Group unlikely to be singled out for specific scrutiny	3
Moderate reputational risk: Advantageous interpretation of the legislation or international tax structuring involving use of 'havens' delivering significant tax benefits; likely to put strain on tax authority relationship; the Group or a narrower groups of peers could come under scrutiny	4
Significant reputational risk: Highly advantageous interpretation of the legislation or international structuring involving use of havens with no obvious non-tax considerations motivating their use; Group potentially individually exposed due to the size of the potential savings	5

2. Commercial Purpose

Key points to consider	
• Is the transaction something we would do regardless of the tax outcome?	
• Does the transaction involve third parties or is it intercompany?	
• Is the commercial purpose of the proposal clear? Would it be clear to a third party, e.g. tax authority?	
• Are there any specific commercial requirements in relation to the proposal, e.g. due to a specific legislative provision?	
• To what extent have the commercial drivers been compromised or complemented by the tax aspects of the proposal (or vice versa)?	
Indicative features	**Score**
Commercially imperative; tax analysis only performed to rule out obstacles to the commercial decisions	1
Clearly and demonstrably aligned with the commercial objectives of the business	2
Aligned with the commercial objectives of the business but could be some difficulty in demonstrating to tax authorities / third parties	3
Aligned with the commercial objectives of the business but likely to be difficult to demonstrate to tax authorities / third parties	4
No commercial purpose, real or perceived	5

3. Technical Analysis

Key points to consider	
• Is the relevant legislation clear and unambiguous or does it require interpretation?	
• Are there clear precedents in case law, rulings or practice?	
• Have we sought a second opinion from tax counsel?	
• Are the tax authorities likely to challenge the option under consideration?	
• To what extent have the commercial drivers been compromised or complemented by the tax aspects of the proposal (or vice versa)?	
• Does the decision carry any downside risk including exit costs, double taxation and penalties?	
Indicative features	**Score**
Certainty over specific tax treatment as tax authority clearance granted based on full disclosure of all pertinent facts. Virtually no downside risk and limited associated costs	1
> 90% likelihood of success; applicable law is clear, unambiguous and not historically subject to tax authority challenge. Downside risk negligible, some costs associated	2
> 75% likelihood of success; one or two areas of potential exposure and tax authorities likely to test these. Any downside risk would result in a loss of benefits only	3
> 50% likelihood of success; multiple areas of potential technical exposure; tax authorities likely to challenge and may consider litigation. Some downside risk in terms of exit costs/double taxation and associated costs	4
< 50% likelihood of success; multiple areas of potential technical exposure; tax authority challenge virtually certain including litigation. Very high downside risk in terms of exit costs/ double taxation and associated costs	5

4. Financial Impact

Key points to consider	
• What is the current and future ETR and EPS impact of the proposal?	
• What is the cash impact?	
• Are these benefits sustainable in the short medium or long term?	
• What are the expected design, implementation and maintenance costs of the proposal?	
• Are there any potential defence or litigation costs anticipated in securing the benefit?	
Indicative features	**Score**
Sustainable EPS benefit of <£100k; or cash flow benefit of < £100k;	1
Sustainable EPS benefit of < £100k or cash flow benefit of < £250k; or one-off EPS benefit of £100k or cash flow benefit £100k	2
Sustainable EPS benefit of < £0.5m or cash flow benefit of < £1m; or one-off EPS benefit of £250k or cash flow benefit of £250k	3
Sustainable EPS benefit of < £1m or cash flow benefit of < £2m; or one-off EPS benefit < £0.5m or cash flow benefit of < £1m	4
Sustainable EPS benefit of > £2m or cash flow benefit of > £2m;or one-off EPS benefit of < £1m or cash flow benefit of <£2m	5

5. Operational Capability

Key points to consider	
• Is the transaction implementation a one-off or does it require ongoing maintenance?	
• Can the opportunity be implemented by junior members of finance or is senior support required?	
• What level of external tax, accounting and legal support is required initially and on an ongoing basis?	
• Would the transaction impose a burden on other departments outside of finance?	
• Will the proposal require an investment of resources (cash or management) time in one area resulting in a significant opportunity cost?	
• Will any staff have to travel to overseas jurisdictions to establish a presence/substance?	
• What impact would the decision have on existing (or planned) financial or other systems?	
Indicative features	**Score**
One-off transaction with no maintenance thereafter; simple transaction with tax department/junior staff time only; no systems changes required; minimal implementation costs; no overseas travel required; no opportunity costs for use of cash/management time	1
One-off transaction with little maintenance thereafter; simple transaction with initial assistance from external advisors but tax department/junior staff time only thereafter; little change to systems required; low implementation costs	2
Short-term transaction with some technical implementation needed; on-going maintenance required that may draw focus away from other opportunities; greater input required from management/other departments; some changes to systems required; limited overseas travel may be required	3
Medium-term transaction with high level of technical implementation needed; high level of on-going maintenance required that may draw focus away from other opportunities; extensive support required from external advisors/management/other departments; substantial changes to systems required; regular overseas travel may be required; potential litigation	4
Challenges of implementation could put the potential benefit at risk. Long-term transaction with high level of technical implementation needed; high level of on-going maintenance required by management/senior staff; extensive and prolonged support required from external advisors/management/other departments; major changes to systems required; high implementation costs; substantial overseas travel may be required; likely litigation resource commitment	5

Entity	Tax	Accountable Function
All UK entities	Corporate Tax	Head Office Finance
All UK entities	Employment Taxes Indirect Taxes	Operating Unit FD
United States	All Taxes	Operating Unit FD
France	All Taxes	Operating Unit FD
Sweden	All Taxes	Operating Unit FD
Australia	All Taxes	Operating Unit FD
India	All Taxes	Operating Unit FD
Norway	All Taxes	Operating Unit FD
Ireland (trading)	All Taxes	Operating Unit FD
Ireland (non-trading)	All Taxes	Senior Finance lead in overseas jurisdiction
Jersey	All Taxes	Senior Finance lead in overseas jurisdiction