

STRATEGY TAX POLICY VAT GROUP AG

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VAT Group AG on behalf of VAT Group and VAT Group's UK tax resident companies considers that the publication of this Tax Strategy Policy meets the duty under paragraph 19 of Schedule 19 to UK Finance Act 2016 in respect of the 2022 financial year.



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1. Purpose and Scope

The purpose of this Strategy Tax Policy (the “Policy”) is to govern the general approach of VAT Group AG (“VAT”) and companies controlled directly or indirectly by VAT (together with VAT, “VAT Group” or the “Group”) in respect of taxation. This document sets out VAT’s approach towards management and control over its tax affairs and sets out the general framework within which VAT Group will operate in connection to tax-related issues.

VAT Group’s tax strategy is aimed at ensuring compliance with applicable tax laws and regulations and seeking to establish an appropriate coordination of the tax practices followed by the companies of the Group, while assuring the fulfillment of the corporate interest and achieving a long-term business strategy that prevents tax risks and inefficiencies in the implementation of business decisions.

Adherence to this Policy is mandatory and applies to all VAT Group entities. The approach and principles described must be followed with respect to profit and other corporate income taxes, withholding taxes, and other direct and indirect government tax matters, such as VAT, GST, sales taxes, within the Group.

This Policy is approved by VAT Group’s Audit Committee and will periodically be reviewed by the Chief Financial Officer (“CFO”) in conjunction with the Group Tax Team. Any amendments to the Policy will be approved by VAT’s Audit Committee.

2. Main Principles of Conduct

Group-wide tax compliance with tax obligations and relations with tax authorities shall be governed by the following main principles of conduct:

- a. VAT Group strives to be a good corporate citizen by complying with the letter and the spirit of tax rules applicable in the various countries and territories in which the Group operates, paying all taxes due in a timely and accurate manner in accordance with the legal and tax system.
- b. The making of decisions on tax matters by the companies of the Group shall be based on a reasonable interpretation of applicable legal and tax provisions and shall be driven by the business activities of the Group and their commercial rationale.
- c. VAT Group strives to prevent and reduce significant tax risks, by simultaneously maintaining a risk management framework and by ensuring that taxes bear an appropriate relationship to the structure and location of activities, human and material resources, and the Group’s business risks and functions.
- d. VAT Group maintains a Transfer Pricing Framework that follows the arm’s length principle and OECD guidelines whenever required and prevents tax base erosion and profit shifting through intercompany transactions.
- e. VAT Group pursues the strengthening of the relationship with tax authorities based on mutual respect for the law, fidelity, reliability, professionalism, cooperation, reciprocity and good faith, without prejudice to the legitimate disputes that, observing the aforementioned principles and in the defense of the corporate interest, may arise with such authorities concerning the interpretation of applicable legal provisions.
- f. VAT Group does not engage in any aggressive or artificial tax planning schemes that do not reflect the economic and commercial substance of its activities.

3. Monitoring and Control – Tax Compliance

VAT Group shall use best efforts to comply with all applicable tax laws and regulations in the countries in which it operates.

VAT Group shall adopt tax management procedures and control mechanisms necessary to ensure compliance with the tax laws and regulations, as well as the principles set forth in this Policy. It shall also use proper and sufficiently qualified human and material resources for such purposes.

Furthermore, VAT Group aims to minimize the administrative burden involved in tax compliance by streamlining processes, while fully and efficiently complying with the tax laws, rules and regulations in the jurisdictions in which VAT Group operates. In particular, tax returns, claims, elections and payments should be made accurately and on time, while interest charges and penalties suffered should be avoided or minimized.

4. Tax Risk Management

VAT Group operates a tax management and planning system that complies with applicable tax legislation and practice and strives to reduce uncertainties as far as possible.

Furthermore, VAT Group aims to comply at all times with both the spirit and the letter of the tax law. In particular, VAT Group aims to use diligent care and judgment, including ensuring decisions are made on an appropriate level, supported by proper documentation and facts.

However, as tax legislation is often complex and its application may be unclear, it is impossible to ensure that VAT Group's interpretation of its obligations will always be accepted by tax authorities.

Therefore, VAT Group aims to ensure all relevant tax risks – including the ones in relation to compliance matters, financial reporting, tax planning, tax audits and legislative developments – are adequately detected.

To this end, identified tax risks are actively managed within appropriate tax risk framework and control procedures.

Furthermore, in order to identify tax risks, when needed, VAT Group is committed to seek advice and guidance from various experienced external advisors, including accounting firms and law firms in various jurisdictions on complex matters. Moreover, VAT Group also monitors compliance with relevant tax laws, regulations and guidance, as well as this Policy, including maintaining communication and holding periodic meetings with external advisors on developments in tax laws, regulations and guidance.

5. Transfer Pricing and Management of Cross-Border and International Arrangements

VAT Group strives to ensure that all its tax arrangements are based on its commercial business and activities, and do not exploit low tax jurisdictions which are inconsistent with these commercial business activities.

With respect to the management of cross-border and international arrangements, VAT Group is committed to comply with generally accepted international taxation guidelines, such as the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and is in line with the arm's length principle.

Notwithstanding the above, in common with many other multinational groups, the most significant source of uncertainty for VAT Group arises where two or more governments adopt different interpretations in relation to transfer pricing and the treatment of intragroup and cross-border transactions. VAT Group's approach foresees an appropriate return to each entity in the Group, commensurate with the economic activity, functions and business risk assumed by that entity.

While VAT Group operates a consistent global model for transfer pricing of goods and services, tax authorities may adopt different and sometimes contradictory interpretations in relation to the same transaction or arrangement. In similar cases, VAT Group aims to seek assurance and resolution of any disputed transaction or arrangement through appropriate domestic or international dispute resolution procedures. Where appropriate, VAT Group may also seek assurance in advance through advance pricing agreements.

6. Tax Governance

In order to ensure that tax risks are monitored and managed appropriately, VAT Group's internal tax governance structure foresees to have local country finance teams which report at least quarterly (or as needed) to the Group Tax Team, who reports to VAT's CFO. Moreover, VAT Group ensures that staff have the necessary skills and training to manage our tax position appropriately.

Furthermore, material tax compliance, risk and related matters are approved by the CFO and the Audit Committee, as well as communicated to VAT Group's independent auditors at least quarterly.

7. Dealings with Tax Authorities

Since VAT Group is committed to being characterized as a good corporate citizen also in relation to tax matters, an important part of its tax strategy and policies is the maintenance and development of a strong, proactive working relationship with tax authorities worldwide.

In particular, VAT Group recognizes the important role of all tax authorities in the various jurisdictions in which VAT Group operates, confirming them as stakeholders in its business. VAT Group therefore upholds the importance of a transparent and professional relationship in all interactions with tax authorities, in both directions, and is committed to prompt disclosure and openness whenever dealing with tax authorities.

Therefore, all VAT Group companies shall seek to maintain constructive, collaborative and professional relationships with local tax authorities based on mutual transparency and trust. As already mentioned, due to the uncertain nature of tax regulations, on occasion there might be areas where the tax treatment of activities and transactions is uncertain, and thus our interpretation of tax regulations may differ from that of tax authorities. In such cases, VAT Group will strive to engage in proactive discussions with the relevant tax authority with a view to bringing matters to a reasonable conclusion as rapidly and equitably as possible.

8. Attitude towards Tax Planning

VAT Group is committed to acting with integrity and transparency on all tax matters and complying fully with the letter and the spirit of the relevant tax law, including international standards and recommendations around tax practice, tax reporting and tax authorities' public guidelines.

To this end, VAT Group is committed to undertake tax planning that aligns with its commercial business activities and reputation as a responsible corporate citizen.

For this reason, VAT Group is tax-risk-averse and does not participate in aggressive planning or artificial structured arrangements designed to minimize our tax liabilities. Furthermore, VAT Group does not rely on non-disclosure provisions in engagement with tax authorities or engage in activities with the sole purpose of tax avoidance, and it does not utilize arrangements involving secrecy jurisdictions or so-called tax havens for tax avoidance.

Conversely, VAT Group strives to ensure that any structure or transaction is aimed at supporting the business strategy, and, as such, all decisions will have a sound commercial rationale, will be compliant with tax laws and regulations, and will be considered in light of any adverse impact such planning could have on VAT Group's external reputation. When dealing with uncertain tax planning situations, VAT Group seeks appropriate clarification from external advisors and/or governmental authorities, wherever appropriate.

Notwithstanding the above, VAT Group is aware of the fact that taxes are a cost that needs to be adequately managed in order to preserve VAT Group's competitiveness and to ensure a value return for its shareholders. Therefore, VAT Group strives to maintain a sustainable effective tax rate by, among others, taking advantage of tax incentives, tax credits and related tax favorable deductions, where applicable, as well as relevant bilateral tax treaties aimed at avoiding double taxation.

9. Tax Resources

All tax matters and any tax work within VAT Group shall be prepared by personnel with an adequate technical understanding of local tax legislation and then reviewed by an experienced tax specialist. As a general and preferable rule, where possible, VAT Group seeks to perform this work in-house (i.e. through personnel directly employed by VAT Group entities).

Nonetheless, where the required expertise is not available in-house, external tax advisors may be mandated on the condition that they are aware, understand and comply with all aspects of VAT Group's Policy. External tax advisors' performance is monitored and assessed by the Group Tax Team against key delivery targets.

10. Roles and Responsibilities

The Group CFO is accountable for ensuring that tax matters are compliant with applicable laws and is specifically responsible for approving this Policy, the Tax Code of Conduct and the Risk Management Policy, and informing the Audit Committee of material tax planning developments and substantial tax risks.

The Group Tax Team is responsible for day-to-day tax work and compliance, development of this Policy, implementation and tax risk management.