Tax Strategy
Ei Group plc

September 2018

Introduction

Scope

Ei Group plc regards the publication of this tax strategy as complying with its duty under paragraph 16 of Schedule 19 of the Finance Act 2016 to publish its Group tax strategy.

The purpose of this document is to communicate the Tax Strategy for the management of taxes within Ei Group plc and the group of companies owned and controlled by it ("the Group") in accordance with paragraphs 19 and 25 of Schedule 19 to the Finance Act 2016. A list of the entities to which it applies is set out below.

- Ei Group plc ("EIG")
- Unique Pub Properties Limited
- Bede Holding Company Limited
- Bermondsey Pub Company Limited
- Bestplace Limited
- Bestplace (Beta) Limited
- Enterprise Managed Investments Limited
- Century Inns Limited
- Dirty Liquor Limited
- Dirty Liquor Alpha Limited
- Enterprise Commercial Property Services Limited
- Enterprise Funding Limited
- Enterprise Inns Holding Company Limited
- Frontier Pubs Limited
- Gibbs Mew Limited
- Hippo Inns Limited
- Imagegold Limited
- Hunky Dory Pubs Limited
- Hush Heath Inns Limited
- Marmalade Pubs Limited
- Mash Inns Limited
- Ocean Pubs Limited
- Old Spot Pub Company Limited
- Six Cheers Limited
- Social Cellar Limited
- The Craft Union Pub Company Limited
- The Unique Pub Finance Company plc
- Unique Pub Investments Limited
- Unique Pub Properties Alpha Limited
- Unique Pub Properties Beta Limited
- Unique Pub Properties Gamma Limited

- Unique Pub Properties Theta Limited
- Vixen Pub Company Limited
- Voyager Pub Group Holdings Limited
- Voyager Pub Group Limited
- West Midlands Taverns (Holdings) Limited

This strategy applies from the date of publication until it is superseded. References to tax are to all taxes and duties to which the Group has a legal responsibility.

It is important to ensure that consistent and effective tax standards are maintained across the Group as tax (both direct and indirect) can have a significant impact on the cash flow and/or the profit/loss of the Group and therefore on the Group's business activities.

The Tax Strategy supports genuine commercial activity and our aim is to manage our tax affairs in a responsible and transparent manner, to comply with relevant legislation and to have due regard to our reputation and so promote the long term success of the Group delivering sustainable shareholder value.

Responsibilities and Professional Conduct

This document applies to tax and the wider finance team working in the Group and endeavours to guide their role within the Group, key responsibilities, professional conduct and approach to working relationships with external parties. The Group believes its obligation is to pay the amount of tax legally due in the United Kingdom, in accordance with rules set by government.

Commercial Rationale

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

The Group will manage risk by application of components of the tax risk strategy including,

- observing all applicable laws, rules, regulations, disclosure requirements and comply with all anti-bribery legislation;
- applying diligent professional care and judgment to arrive at well-reasoned conclusions;
- ensuring all decisions are taken at an appropriate level and supported with documentation that evidences the facts, conclusions and risks involved;
- aiming for certainty on adopted tax positions but where tax law is unclear or subject to interpretation, written advice or confirmation will be sought as appropriate to ensure that a position would be settled in Group favour;
- where the tax treatment of an item is so uncertain and/or unquantifiable, file positions subject to robust risk assessment and supported by full disclosure;
- good working relationships with HMRC, undertaking all dealings in a professional, courteous and timely manner.

Governance and Risk

Tax Risk Management – General

Ideally, tax risk is managed by the prevention of unnecessary disputes. The avoidance of all tax disputes suggests an overly prudent position which may not be in line with our main objective to enhance shareholder value but the prevention of unnecessary dispute is desired, appropriate and best achieved from strong technical and clearly explained positions coupled with thorough documentation based on facts and well established relationships with HMRC.

Appetite for risk

The Group's appetite for risk is governed by consistency and transparency of application. The Group wishes to maintain its approved low risk rating with HMRC and in doing so, the assessment of risk should take account of short and long term considerations, impact on corporate reputation/brand and consequence of disagreements with HMRC over the application of law. It is of utmost importance for the Group to adhere to transparency in this context with full disclosure of all relevant facts and circumstances to HMRC. It is not our intention to disguise, nor hide transactions from HMRC.

Tax Risk Management – Business interaction

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

The prominence of the commercial needs will never override compliance with all applicable laws. The tax function will provide any appropriate input to business proposals, to ensure a clear understanding of the tax consequences and include assessment, quantification and presentation of provisions in respect of taxes.

Tax Risk Management – Procedures for decision making

Tax advice (internal or external resourced) must be sought in the planning, implementation and documentation for business or share acquisitions and disposals, changes in corporate structure or financing arrangements and any significant business transactions.

Detailed assessments of risks should be carried out including but not limited to:

- a full description of the issue including a clear summary statement of the facts;
- the financial costs and benefits of all potential scenarios;
- the non-financial costs and benefits including the nature and amount of resources to secure the benefit;
- the probability of the risk crystallising with a commentary on any dispute resolution.

The level of authorisation and decision making is as follows:

- **Low Risk:** Managed by Group Tax Manager and Head of Treasury & Tax;
- **Medium Risk:** Managed as set out in the Low Risk area plus second opinion from <u>either</u> external advisers or Group Financial Controller.
- **High Risk:** Medium Risk control applies plus specific approval by Group Financial Controller and Chief Financial Officer, and the Board must be informed.

In assessing reputational risk, the Group does not want negative press over its tax affairs in the media that will damage the reputation of the Group and will, therefore, work to avoid negative impact on shareholder value.

Tax Risk Management – Compliance Life Cycle

As stated, the Group must comply with all tax regulations and disclosure requirements. If compliance is outsourced, both the Group and the retained advisers must ensure this principle is adhered to by ensuring that:

- all tax returns are submitted by due dates under U.K. tax law;
- material positions in tax returns are supported in terms of documentation and legal interpretation;
- positions taken in the Group tax returns can and will be defended robustly;
- any tax timing benefits within the context of the tax risk strategy, are pursued;
- changes in tax law are monitored and training undertaken in order to assess consequences with the aim of mitigating adverse impact; and
- compliance affairs are managed to minimise risk of adverse public comment.

HMRC Relationship

The Group seeks at all times to promote good relationships with HMRC, Government and related third parties and to undertake all dealings in a professional, courteous and timely manner. The Group:

- will pro-actively manage the relationship with HMRC aiming to minimise the risk of challenge, dispute or damage to the Group's credibility should tax matters be inadvertently incorrect;
- should participate in HMRC consultation process if it is expected that the issue may have a material impact on tax liability, or where a significant change in law is being proposed that will impact the tax compliance management;
- will be transparent and proactive in all interactions with HMRC;
- maintains an established e-mail and correspondence protocol with HMRC;
- will communicate with HMRC to agree the treatment of items for compliance requirements, when there is some doubt over the rules to apply; and
- appointed the Chief Financial Officer ("CFO") as Senior Accounting Officer ("SAO") for the Group.

Audit and Enquiry Management

Audits and HMRC enquiries should be handled by the tax function in a courteous, timely and professional manner in the normal course of the annual compliance cycle. More formal structured approaches, potentially in coordination with Advisors may be undertaken, the characteristics of such enquiries may include:

- the overall liability at stake including tax and penalties;
- the degree to which national concepts and/or consistency is relevant to the Group;
- the likelihood of litigation and need to adapt terms of engagement with the tax authority; and
- the risk of reputational damage.

Audit Resolution

All significant audits for all taxes should be subject to risk assessment and discussion as part of any governance approval processes, to determine the choice of compromise positions versus litigation/tribunals and other dispute processes. Elements to be taken into consideration include:

- assessment of the technical merits of each issue under enquiry;
- detailed review of the advice provided pre/post implementation;
- legislation, case law updates, tax authority statements / practices;
- scope (years, values, queries that authorities are entitled to pursue);

- ADR / Arbitration / Litigation;
- cost v benefit analysis, cash flow and accounting implications (above/below the line);
- reputational issues with HMRC and stakeholders, culpability (interest and penalties), advisor fees; and
- any long term consequences – "how long can we afford uncertainty".

Tax reporting procedures and provisions

The Tax Strategy requires compliance with all laws and disclosures and that the Group acts 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 half year are expected to reflect all taxes including those accounted for above the EBIT line. Absolute transparency is needed to ensure appropriate accounting and disclosure decisions for external reporting. 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 Tax function will work within a timetable to manage:

- timely and accurate tax provisions;
- the most effective tax elections, claims and options, with respect to managing tax paid;
- questions and clarifications required as part of the reporting process; and
- the Group consolidated tax charge in accordance with applicable governance and accounting requirements.

Strategic Changes to the Business

As and when the Group makes strategic changes to the business, the Finance and Tax function is involved on a timely basis to ensure that due consideration is given to the tax impact and consequences of the changes. Specialist tax advice is sought from Accountancy firms if management consider this is required.

The Group also ensures that HMRC, and their tax advisors (KPMG) and auditors (EY) are made aware of any changes in the business on an ongoing basis.

Where new operations involve certain tax functions such as VAT and MGD to be outsourced, only reputable and experienced outsource providers are used who are appropriately trained in tax and VAT, and the Group's internal tax function audits any work completed by an outsource provider.

Sharing of best practice

At all times, tax staff should look at sharing knowledge and seek input on any and all matters that could improve management of any tax risk and enhance shareholder value by reflecting best practice in tax returns, coordinating knowledge of potential tax laws that are subject to consultation processes and relevant legislation, draft directives, ECJ cases and similar legislation and decisions.

In so doing the confidentiality of financial matters is respected but much can be learned from understanding technical positions/rationale and the treatment of certain expenses or income, subjects of audit interest and the drivers of that interest, and experiences of building mutual trust with tax authorities.

Risk Register

The Group has a tax specific risk register designed to identify and monitor tax risk within the Group. The tax risk register is designed to:

- Identify and assess tax risks in a consistent and formal manner;
- Formalise the tax risk management framework;
- Facilitate testing of mitigating controls i.e. monitoring; and
- Provide an escalation framework to the Board.

The areas of tax risk managed by the Group are subject to on-going review with documentation developed if required. The tax risk register is reviewed annually by all parties involved with tax, prior to signing SAO certification.

Key stakeholders for each tax will meet in accordance with an internal tax control framework timeline to monitor the risks identified and recorded in the tax risk register with a plan of action agreed with the GFC to act upon recommendations.

Senior Accounting Officer

The CFO has been appointed the SAO for the Group and holds the responsibility for signing the certification with HMRC.

By meeting the objectives of the Tax Strategy, the SAO is able to provide the annual certification required under Schedule 46 Finance Act 2009 and also act in a proactive fashion in relation to the Group's tax affairs, maintaining the Group's reputation as a fair contributor to the UK economy which applies tax rules in good faith and in the spirit they are intended.

Strategy Review Schedule

This strategy was approved by the Board on 14 September 2018.

The CFO will review the Tax Strategy on an annual basis and recommend any changes to The Board as deemed necessary on each anniversary of its approval.