



# Tax Strategy

Version 1.0

Responsible Persons: Chief Financial Officer and Group Financial Controller

This strategy has been prepared for Sertec Group Limited's internal use only. Strategy content should be treated as confidential. Content should therefore not be circulated either in written or verbal communications outside of Sertec Group Limited without obtaining the written approval of the Chief Financial Officer.



# 1. Introduction

## 1.1 Context

This document sets out the strategic tax objectives for Sertec Group Limited and other group companies (“the Group”).

The ongoing transformation of the tax landscape has resulted in tax appearing regularly in the spotlight, with an increased level of scrutiny on taxes paid by large organisations. In the current environment, tax is at the forefront of reputational concerns and is now of increasing interest to a wide range of stakeholders including the Board, media, customers and employees. Organisations are increasingly expected to take a more proactive approach to tax governance and ensure that tax risks are managed appropriately and responsibly. With Sertec’s ongoing expansion and plans for further growth, it is important that our approach to tax is clearly communicated to all relevant stakeholders to appropriately manage the wide range of risks regarding tax.

This strategy is not designed to be a detailed control manual regarding execution of tax processes. It should be used in conjunction with the Group’s Tax Governance Policy and overall tax operating model to support delivery of the strategic tax objectives outlined in this document.

## 1.2 Ownership and approval

This strategy is owned and will be reviewed by the Chief Financial Officer, Martyn Hughes, supported by the Group Financial Controller, Mike Ryall. The published Tax Strategy Statement will be approved by the Board. We will also interact with the audit committee in regards to this strategy.

## 1.3 Audience

The Tax Strategy is primarily relevant to the Board of Directors/Senior Leadership Team, as well as various other stakeholders including all finance personnel with tax responsibilities. It should be used to inform decisions in relation to tax in conjunction with the Tax Governance Policy and any other relevant policy manuals and instructions referenced by that document.

Whilst this entire document is not intended for circulation outside of the Group, a concise version of this Strategy will be available to all on the Group’s website, it should be used to influence any external communication with regards to the Group’s management of and approach to tax.

## 1.4 Scope

The tax strategy and strategic objectives in this document are intended to establish a clear approach to all taxes including corporate income taxes, indirect taxes, employment taxes, and tax accounting, reporting and compliance. It applies to all of the Group’s UK operations, as well as any overseas territories where the Group may trade.

# 2. Tax Strategy



## 2.1 Overview

The Sertec Group of companies (“the Group”) is a privately owned group governed by its Board of Directors who are the majority shareholders. The Group was founded in 1962 and is one of the UK’s leading automotive engineering Group’s. The story of the Group’s foundation set the standard for all of it’s work and remains the Group’s Ethos to this day.

Our objective is to manufacture and deliver quality assured components and services, achieved through commitment to continuous improvement, elimination of waste, improvement of the environment and the development of people. In line with our mission, the Group has adapted many philosophies including Total Customer Satisfaction, Quality, Total Quality Management and an overarching commitment to our People.

Our published UK Tax Strategy, which has been approved by the Board, satisfies Schedule 19 of the UK Finance Act 2016, in respect of our financial year ending 31 March 2018 for all Sertec Group Limited UK group companies.

## 2.2 Tax Strategy Statement

We understand the impact that our business can have on a wide range of stakeholders and we strongly believe that our attitude towards responsible business practice is one of the many reasons why people want to work for us, and work with us. In our commitment to maintaining our brand It is paramount to us that our policies and wider business objectives are adhered to. Therefore, all transactions undertaken should have a primary business purpose and commercial rationale. Whilst we may consider alternative tax outcomes, any approach taken should not produce a tax result that disproportionately benefits the Group compared to the primary commercial intentions of the transaction.

Our business contains a passionate leadership team whose purpose is to ensure Sertec is run efficiently and effectively and for the good of our customers, our partners and our people. Tax risks must be proactively managed in line with our commitment to protect our brand, and we are committed to ensuring that we are compliant in our operations. Tax is considered across the Group to deliver ongoing compliance whilst formalisation of tax processes, and implementation of appropriate policies and procedures, is ongoing. This aims to ensure that effective controls are in place that identify and mitigate relevant tax risks and also aim to allow us to meet our obligations under the Senior Accounting Officer (“SAO”) regime.

Our values of teamwork, empowering our people to drive our business and encouraging effective two-way communication throughout our operations are key in enabling real-time consideration of tax risks and for finance and tax professionals to support the business in all of it’s activities. Where necessary, we will utilise external tax advice and encourage employees to seek out professional support in relation to tax so that they have the right skills and knowledge to perform their role. This will support commercial decision making and ensure future compliance which is critical during a period of growth for the Group.

In line with our recognition of our corporate and social responsibilities we co-operate fully and engage in open and transparent dialogue with all relevant tax authorities. This builds trust and confidence in our brand and operations, whilst ensuring we meet our statutory and legislative tax requirements. We will seek guidance from relevant tax authorities where any significant and uncertain tax positions are identified by the Group. The Group’s nominated SAO is responsible for leading our engagement with HMRC and ensuring that the Group meets it’s requirements under the SAO regime.

*Our ethos - “To exceed our customers’ expectations through attitude, determination and hard work.”*

# 2. Tax Strategy (continued)



## 2.3 Sertec's strategic tax objectives and their delivery

OBJECTIVE	DELIVERY OF THE STRATEGIC OBJECTIVE
<b>Objective 1: Support our attitude towards responsible business practices by ensuring the primary reason for a transactions is a commercial one</b>	
<p><b>All transactions undertaken should have a primary business purpose, though the most tax efficient approach will be considered where alternative routes deliver the same commercial outcome.</b></p>	<p>We will ensure that any tax planning undertaken will primarily have a business purpose with underlying commercial objectives, justifying the relevant transaction. The most tax efficient approach to a transaction will be considered. Aggressive tax planning will also not be entered into to avoid unnecessary risk to our reputation or wider stakeholders. For example, Sertec has purchased new tax efficient heating and lighting systems which are aligned to tax reliefs.</p>
<b>Objective 2: Operate effective tax governance and tax risk management to ensure Sertec is run efficiently for the good of all stakeholders</b>	
<p><b>An appropriate level of tax risk appetite will be clearly defined that is for the good of all stakeholders. This will be communicated across the Group to ensure tax governance and controls are operated that align to this.</b></p>	<p>Our tax strategy and risk appetite will be communicated to all relevant employees. The Group is developing a tax operating model and control framework that will monitor key tax risks and controls. This will be reviewed to ensure controls are designed and operate effectively, and remain relevant to the key risks faced by the Group. The operation of these controls and wider governance procedures are designed to support the Group's SAO certification requirements.</p>
<b>Objective 3: Empower our people to work together and equip them with the right skills to deliver real-time commercial advice across the business</b>	
<p><b>Provide employees with access to subject matter experts and relevant training so they can work together across the Group and provide relevant advice that allows us to be the best at what we do.</b></p>	<p>Tax is considered during discussions regarding future business planning at a senior level. To avoid any unnecessary tax risks materialising, the need to consider tax as part of day-to-day decision making is communicated across the Group to ensure employees are part of one team and work together effectively. This will be achieved by implementing appropriate controls and procedures that facilitate this communication and consideration of tax, providing access to professional advisors and including use of our Learning Academy where relevant. For example, The Group is providing employees with direct access to professional advice to ensure that accurate guidance regarding tax is available to support compliance within the Group.</p>
<b>Objective 4: Engage in an open and transparent manner with tax authorities, underpinned by our attitude to responsible business practice</b>	
<p><b>To continue building trust in our brand we will engage openly with tax authorities and avoid unnecessary disputes wherever possible.</b></p>	<p>We will co-operate fully with HMRC in any audits or enquiries, ensuring transparency throughout and seeking prompt resolution if required. We will seek professional advice or confirmation from HMRC where tax law is unclear or subject to interpretation, in line with our recognition of our corporate responsibilities. For example, professional advice was proactively sought in relation to significant business transactions that have been undertaken by the Group.</p>

# 3. Governance and Structure



## 3.1 Governance

We believe that as an organisation we have a corporate and social responsibility to do what is right for the good of our customers, our partners and our people. In line with our commitment to maintaining our brand, we recognise the importance of good corporate governance in creating a successful business, being the best at what we do. Implementation of a tax strategy and effective tax governance is an important element of this.

## 3.2 Structure and Organisation

### Oversight

The Chief Financial Officer is ultimately responsible for tax within the Group and is our nominated SAO. Following implementation of this strategy, strategic tax matters will be discussed at Board level. The Chief Financial Officer is responsible for all communication with HMRC in relation to taxation and approving all payments to HMRC.

### Day-to-day operations

Overseen by the Chief Financial Officer, the finance team are responsible for day-to-day tax operations in the Group. Where significant or key tax issues are raised with Finance they will be discussed with the Chief Financial Officer, who will in turn raise these with the Board if necessary. This ensures tax is discussed at a senior level and further advice can be sought where required.

Finance are responsible for raising awareness of tax across the business and building the trust and confidence of all our stakeholders in relation to tax. Finance in turn are dependent on key individuals within the business to ensure all members of the organisation align their operations to our tax strategy and policies. Finance are also responsible for communication of company wide information, including the tax strategy and governance policy, and training in relation to tax. This is vital to ensure employee engagement with our tax strategies, policies and objectives.

### External advice

The Group will seek external tax advice on major strategic commercial projects and potential tax saving opportunities where the risk and value offered are deemed sufficient. In addition, external tax advice is sought where there is uncertainty, a knowledge gap internally, or to provide review where potentially significant transactions or interpretations have taken place.

