Tax Policy

INTRODUCTION

The following information and titles are provided following HMRC guidance dated 24 June 2016.

The Company Tax Policy is detailed below:

- **Tax Policy**

The Group Tax Policy (“the Group”) is to guarantee the complete fulfillment of each and every tax that affects the different group companies’ operations, in every jurisdiction where these entities conduct businesses.

In applying this Policy it is of the utmost importance that the Group activities comply with local and foreign tax laws regarding corporate taxes, value added taxes, alcohol taxes, and any other activity that may cause a tax liability, and to display a total and complete transparency regarding the communication between the Group and the local tax authorities.

The goal of having an effective tax rate that increases shareholder value shall always prioritise the reputational and financial risks of the Company. Tax planning to structure the Group’s finance and operations shall always be based on the business reality of the Company and considering that every transaction has a business basis for its implementation.

The Company adheres to the OECD’s arm’s length guidelines of transfer pricing, meaning that intercompany transactions shall be in accordance with market prices. To this end, on a yearly basis, outside consultants review and audit every intercompany transaction, to ensure transactions comply with arm’s length principles in every jurisdiction where the Group operates.

An internal mutli-dimensional Transfer Prices Committee operates in the company with the purpose of periodically reviewing and monitoring results in every jurisdiction with the objective of complying with transfer pricing regulation.

The Group accrues tax provisions on its books based on tax estimations. These estimates may require analysis and interpretation of various tax laws.

The Group’s CFO is responsible for keeping the Board of Directors informed of any relevant developments regarding the Group’s tax situation, especially if there’s any tax or reputational risks that may arise.

The Group’s Tax Department will oversee the tax compliance of all subsidiaries and shall be timely informed of any significant issue that may arise and/or of any tax audit performed by tax authorities in any jurisdiction. This information must be channeled by the local tax supervisor of the subsidiary.

- **Approach to administer governance and management risk in relation to taxes in the United Kingdom.-**

- **Risks in the United Kingdom related to business changes and increased complexity.**

The Group does business in more than 130 countries around the world. The business in the UK plays a big role in the overall Group's business.

The tax risks in the UK related to the business size includes collection of taxes and payment of special taxes, and VAT.

Carrying out business at an international level entails additional complexity and risks in relation to local taxes and other taxation issues such as transfer pricing of goods, services and financing between Group companies.

- **Tax Risks Management Governance framework**

The Group's CFO is responsible for the Group's Tax Policy. Locally, this policy is overseen by the Finance Manager.

Regarding direct taxation, the implementation policy is under the responsibility of the Financial Manager of each subsidiary. Regarding special taxes and VAT in the UK, this task falls under the Finance Director, his team and third party consultants.

The local Finance Manager shall inform the upper management of the subsidiary who shall then report to the Group's CFO.

The Group operates within an integrated governance approach, aligned with a 'three line defense' model.

The *First Line* of Defense encompasses corporate controls, policies, procedures and training.

The *Second Line* includes the envelopment of Corporate Governance task teams, third party advisors and the financial oversight of the Group. The purpose is to provide a clear understanding to the whole Group with the objective of promoting an appropriate corporate and personal accountability.

The *Third Line* consists in Internal Auditing. Internal Auditing has a permanent program which reviews all the business units and processes that are relevant for tax purposes.

Specifically to UK taxes, if the Group or CyT UK determines that there are risks in terms of calculation, collection and payment of special, VAT and corporate taxes, a qualified third party shall be hired for their advice and expertise mitigating said risks.

To manage transfer pricing risks, annually the Group carries out studies to identify arm's length prices for its cross-border sales activities of goods and services. These studies are done considering scenarios of information that might be requested by the UK authorities or authorities of other jurisdictions.

- **Oversight of the Board and its involvement**

Tax related items and associated risks are presented by the Management to the Company's Board. These normally consider compliance matters with Transfer Pricing Policy and relevant tax issues in the UK (see section Tax Policy).

- **Group's position towards tax planning (concerning UK taxation)**

- **Code of Conduct**

The Group's Code of Conduct requires that all decisions taken by employees must be in accordance with the Group's values, ethically and legally.

- **Why tax planning assessment is provided by third parties**

The UK Tax Code is complex and constantly changing. The external tax advisory is hired to assure a correct analysis of the transactions so their implications are fully understood and that all taxes are filed and paid accordingly.

- **Reasons for Tax Planning**

The corporate tax rate in the UK is relatively low compared with other tax jurisdictions where the Group operates.

- **Acceptable UK Tax Risk Level**

- **Explanation for internal governance in terms of whether there's a fixed acceptable tax risk, and if this is influenced by interested parties.**

The Company's Board has no pre-established rules given acceptable risk levels, but, in practice, when significant questions arise about any tax transaction treatment, the Company shall only proceed to the extent that this does not imply an exposure to financial tax risks and damage to the brand image in the eye of the customers. Thus, the Company's Board is conservative in these matters and operates based on the advice given by one or more of the leading tax consultancy agencies that the transaction in question should have the expected result.

- **The Group's approach to HRMC relations**

Complying with the requirement of cooperating with the HMRC

We have an open, honest and collaborative working relationship with HMRC which includes having a constructive regular dialogue across all taxes; making accurate, full and timely disclosures; seeking advice or clearance whenever the tax treatment is uncertain; notifying as soon as it becomes apparent that errors or mistakes have been made and responding to queries and information requests promptly.