

# VAILLANT GROUP

## TAX STRATEGY

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#### Overview

*The Vaillant Group is a global leader in the development of high-efficiency heating, cooling and hot water products and solutions.*

*Entrepreneurship, Trust, Integrity and Passion are the central values that shape the Vaillant Group's culture, and with that, all of our family-owned company's brands. The result is a corporate culture that is worthy of the name – and that makes an essential contribution to our company's sustainable success.*

This document, approved by the UK Board, sets out the UK Group's strategy, principles and approach to conducting its tax affairs as well as managing tax risk.

This document will be reviewed annually by the UK Tax team, and any amendments will then be approved by the UK Board. It has been prepared in accordance with schedule 19 of the Finance Act 2016, paragraph 16(2). This document has been reviewed and is relevant to year ended 31 December 2018.

#### Tax Strategy

The Vaillant Group is family owned. It has developed a core set of values (referred to as "Spirit") which are based on Trust, Integrity, Entrepreneurship and Passion. It is only natural that our tax strategy also has its foundations on these same values.

The UK Group therefore commits to the following key tax principles:

1. To effectively manage tax risk through a robust governance and control framework to protect

2. Vaillant's reputation and ensure sustainable growth.
3. To avoid tax planning schemes but take advantage of reliefs or incentives that are legally available. Our Group will seek to maintain its record for being an honest and responsible tax payer.
4. To reduce the level of risk to an acceptable level that ensures compliance in its tax affairs and reduces any risk to reputation.
5. To develop and maintain an open and honest "partnership" with HMRC.

#### 1. Risk Management, Governance & Control Framework

The UK Board is ultimately responsible for identifying, reviewing and managing tax risk. It is their responsibility to consider how effectively those risks have been managed, whether necessary actions have been taken promptly enough to remedy any weaknesses and whether the causes of the weakness indicated poor decision taking, a need for more monitoring or a reassessment of the effectiveness of management's on-going processes.

Key support in this area is provided by our UK Tax Department resourced by Chartered Accountants with many years' experience providing tax support within the business.

Tax policy explains how our tax strategy will be implemented by the business and outlines the governance and control framework that should underpin our strategy and core values within. These policies should always be prepared in conjunction with the Tax Department, based on an understanding of the Board's low appetite for risk, and in response to any risk assessments undertaken.

Policies are essential in providing our business with a framework within which the control environment can operate.

Adherence to policies is monitored by way of control setting, internal review and feedback to the Board.

Tax risk and controls are subject to continuous review by the Tax Department. Further controls and documentation will then be developed as and when necessary.

# VAILLANT GROUP

## TAX STRATEGY

### 1.1 Compliance with laws and regulations

In line with our Group's core values, we are committed to complying with all applicable Laws and Regulations.

To achieve this, we are committed to ensure that employees are suitably trained and that any changes in Laws and Regulations are communicated and implemented promptly. All key returns should be reviewed by suitably trained and experienced staff prior to submission.

External advice must be sought for transactions where specialist knowledge is required or where there will be a material impact to our business.

### 1.2 Provision of clear, commercial tax advice to the business

The proactive and timely communication of business transactions is key to allowing effective tax management to be undertaken through liaison with external advisors.

Effective liaison at the planning stage of a transaction ensures that tax risks and opportunities inherent in transactions can be managed effectively.

All papers put forward to the Board that contain comments on tax must be supported by an appropriate level of tax analysis. The UK Group Finance Director will be responsible for ensuring sufficient tax analysis has been undertaken in advance of the papers being submitted to the Board.

## 2. Attitude towards Tax Planning

The UK does not engage in any tax planning schemes and indeed our tax policy clearly states that it is our desire and intention to pay the right amount of tax (in keeping with the spirit and letter of the Law) and not simply to minimise the tax bill.

Consequently, the UK Group does not have subsidiaries in "tax haven" locations.

Where, however, reliefs or incentives are available, the UK Group will use certain parameters to determine whether the tax risks presented are acceptable or not.

1. **Commercial purpose:** All transactions must have a commercial purpose;

2. **Reputation impact:** the opportunity should have no or limited perceived impact if details were in the public domain;
3. **Impact on cash flow:** cash flow should be positively impacted if the available incentives/reliefs are successful.
4. **Strength of tax advisors opinion:** appropriate external advice, including tax counsel opinions where relevant, must be obtained as necessary. A favourable opinion should be obtained from appropriately qualified tax advisors before proceeding;
5. **Risk/materiality** – our Group is ultimately a family owned private business, therefore the ultimate shareholders follow a conservative approach regarding tax risks.

### 3. Level of Risk, in relation to UK taxation that the Group is prepared to accept

As the Vaillant Group is a family owned business, its appetite for tax risk is determined by the desire to achieve certainty in its tax affairs.

### 4. HMRC Draft Framework for Co-operative Compliance

Our Group is committed to abide by the standards set out in HMRC's Draft Framework for Co-operative Compliance. We are committed to:

- Adopt an open and collaborative professional relationship with HMRC;
- Engage in open and early dialogue to discuss tax planning, strategy, risks and any significant transactions;
- Respond to queries, information and resolve requests in a timely fashion;
- Resolve issues in real time and before returns are filed if possible;
- Work together to resolve issues by agreement (where possible).
- Be open and transparent about decision making, governance and tax planning in our business;
- Try to ensure that transactions are structured to give a tax result which is not contrary to the intentions of Parliament;
- Interpret the relevant laws in a reasonable way, and ensure transactions are structured consistently with a co-operative relationship;

By order of the Board of Vaillant Group UK Ltd