

# KERRY LOGISTICS HOLDING (EUROPE) LTD

## TAX STRATEGY STATEMENT 2020

This paper sets out the tax strategy of Kerry Logistics Holding (Europe) Ltd (KLHE) and its UK subsidiary undertakings (the “UK Group”). In making this strategy available the UK Group is fulfilling its responsibilities under Schedule 19 of the Finance Act 2016.

This tax strategy applies to all UK taxes applicable to the UK Group and the document is owned by the Board of Directors of KLHE (“the Board”). It will be reviewed periodically and any amendments will be approved by the Board. The Board is responsible for setting and monitoring the strategy. The finance team of the UK Group are accountable to the Board for the implementation of the tax strategy and the management of tax and related risks.

The UK Group’s Tax Strategy is guided by our ultimate parent company’s vision “to be the leading Asia based logistics service provider” and by our mission “to deliver the best logistics solutions to make our clients successful” Our core values are value creation for our clients, employees and shareholders, openness and transparency, integrity, commitment to the success of our clients, and excellence through improvement and innovation.

Our tax strategy reflects our status as a member of an international group listed on the Hong Kong Stock Exchange, which requires strong governance, and also by the protection of our reputation, whilst also delivering returns to our shareholders. Our tax strategy also reflects the regulated nature of our operations, which requires further compliance with local laws, regulations and guidance.

### **Management of tax risks**

The UK Group’s continuing approach to UK tax risk management and governance is based on the principles of reasonable care and materiality, and compliance with our status as a member of an international group within a regulated market as detailed above. Where any transaction gives rise to material uncertainty as to its tax consequences, the UK Group seeks professional advice both from internal staff (including UK qualified finance staff, EMEA regional senior finance colleagues, and if appropriate colleagues in the Group Finance department) and from professional advisers including our auditors to ensure the correct tax treatment is applied to the transaction.

The UK Group maintains continuing application of tax governance with strong internal controls, including the review by senior staff of tax documentation, in order to substantially reduce tax risk to a level which the Board considers to be acceptable.

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### **Attitude to tax planning**

The UK Group will ensure that any transactions entered into are aligned to the UK Group's commercial objectives as detailed above and complies with the relevant UK tax legislation. The UK Group will not engage in tax efficiencies if the underlying commercial objectives do not support the position, or if the arrangements damage the UK Group's reputation, brand, corporate and social responsibilities, or future working relationships with HMRC.

Tax uncertainties in recent years have arisen from capital allowances, research and development expenditure, VAT and PAYE.

The UK Group takes into consideration the potential effects of Brexit, namely:

- the possibility that withholding tax may be payable on the receipt of dividends from subsidiaries elsewhere in the EU (currently the UK Group can usually rely on an EU Directive which eliminates the payment of withholding tax);
- the possible loss of the substantial shareholdings exemption, should one of the UK Group's companies wish to migrate from the UK to an EU member state;
- possible changes in the UK's legislation on group loss relief, which currently owes much to cases heard by the European Court of Justice.

The UK group also takes into account taxation measures arising from the COVID-19 pandemic, including measures taken by the UK Government but also by governments in the countries where the subsidiaries operate. These measures include:

- deferred payments of VAT and corporation tax;
- deductibility of interest payments on borrowings taken out during the pandemic;
- availability of relief for anticipated losses;
- delays in processing correspondence relating to tax clearances;
- deductibility of exceptional expenditure such as the cost of furloughing employees;
- restrictions on travel during the pandemic causing doubts as to whether a company is tax resident in a particular country;
- tax authorities requiring "wet" signatures before processing relief claims.

Where the underlying transactions and tax effect are material and significant uncertainty remains after the involvement of its own staff, the UK Group seeks appropriate external professional advice.

### **The UK Group and its tax risks**

The UK Group's strategic aim is to maintain its low UK tax risk. The UK Group seeks to achieve this aim through submission of all UK tax returns on a timely basis, including sufficient detail to enable HMRC to form an accurate view of the affairs of the company filing the return

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with an adequate supporting audit trail and sign-off process; and paying the appropriate amount of tax on a timely basis.

The UK Group maintains tax accounting arrangements which are robust and accurate and comply with the Senior Accounting Officer (SAO) provisions in the UK; ensures that the KLHE departments who are involved in the UK Group's tax processes are both adequately resourced, supported and that key personnel are retained in order to manage tax compliance issues on a timely basis; and satisfies itself that all tax filing positions are supported with appropriate documentary evidence.

The principal stakeholder is the ultimate holding company, Kerry Logistics Network Ltd, whose finance committee includes one director of the UK Group. The regional head of the UK Group, being senior management of the holding company, reports any major areas of tax uncertainty to the holding company at regular global meetings. The holding company and the UK Group engage the same auditors, and if tax advice is provided to the UK Group by other professional advisers, the holding company is made aware of this. The other major stakeholders include regular and longstanding customers who place their trust in the UK Group to act with good commercial sense and integrity; the Board is aware that any adverse publicity of any kind, including its tax affairs, would reflect badly on the UK Group's commercial reputation.

#### **Approach to working with HMRC**

The UK Group will comply with all relevant legal disclosure and approval requirements and all information will be clearly presented to HMRC where relevant. In its dealings with HMRC, the UK Group will act in an open, honest and transparent manner. The UK Group's strategic aim is to avoid unnecessary disputes with HMRC and thus minimise tax risk, and seeks to achieve this through seeking pre-transaction clearances from HMRC where relevant; and arranging for the tax compliance procedures and controls to be available for review by HMRC upon request. If the tax treatment of a transaction were to be questioned by HMRC, the UK Group will seek to resolve the dispute in a collaborative manner with HMRC.

The tax strategy will be subject to continuous review by the Board to ensure that the UK Group is adhering to its strategic aims and objectives.