

# Croda International Plc Group Tax Strategy

## Introduction

This document, approved by the Board of Croda International Plc, sets out the Group's policy and approach to conducting its tax affairs and dealing with tax risk, and is made available to all of the Group's stakeholders. The document will be periodically reviewed by the Group Tax Department, and any amendments will be approved by the Board of Directors. It is effective for the years ending 31 December 2017 onwards.

The Group Tax Department communicates across all of our businesses to ensure that:

1. The tax strategy is adopted and followed consistently across the Group, with clear lines of responsibility and accountability
2. There is alignment of the strategy with the Group's overall approach to corporate governance and risk management, and
3. The Group pays the right amount of tax required of it under the laws and regulations of the countries in which it operates.

The Group tax strategy is set out through the Tax Policy and Tax Code of Conduct as outlined below.

## Group Tax Policy

The Group is committed to conduct its tax affairs consistent with the following objectives, to:

1. Comply with all relevant laws, rules, regulations, and reporting and disclosure requirements, wherever we operate
2. Ensure the tax strategy is at all times consistent with the Group's overall strategy, its approach to risk, and the Group's values
3. Apply professional diligence and care in the management of all risks associated with tax matters, and ensure governance and assurance procedures are appropriate
4. Foster constructive, professional and transparent relationships with tax authorities, based on the concepts of integrity, collaboration and mutual trust
5. Use incentives and reliefs to minimise the tax costs of conducting its business activities, but not to use them for purposes which are knowingly contradictory to the intent of the legislation.

## Group Tax Code of Conduct

This Group Tax Code of Conduct outlines the principles setting out how our employees and representatives are expected to operate with respect to tax matters in support of the Group Tax Policy. Non-adherence could constitute a disciplinary matter, potentially leading to sanctions, including dismissal. The Group's Tax Code of Conduct is set out in detail below.

### 1. Compliance with laws, rules and regulations

The Group is committed to observing all applicable laws, rules, regulations, and reporting and disclosure requirements, wherever there is a requirement to do so as a result of our business presence and transactions. The Group does not tolerate tax evasion or the facilitation of tax evasion by any of its employees or associates. The Group recognises its responsibility under the Corporate Criminal Offence legislation and takes steps to profile and manage the risk of failing to prevent the facilitation of tax evasion. Regional and local finance teams, supported by Group Finance, will collaborate with the Group's businesses to provide advice and guidance necessary to ensure compliance, obtaining external advice where necessary.

### 2. Consistency with Group strategy

Tax decisions will be made at all times in a manner which are consistent with and complement the Group's overall strategy. Key business decisions should be made having in mind the tax consequences thereof.

### 3. Governance, Assurance and Tax Risk Management

Responsibility and accountability for the Group's tax affairs is clearly defined, and decisions will be taken at an appropriate level, determined by the Group Delegation of Authority. Diligent professional care and judgement will be employed to assess tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed. Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from third party advisers to support the decision-making process.

In reviewing the risks of a tax action or decision, always bearing in mind the requirements of the Group Tax Policy, the following would be considered:

- the legal and fiduciary duties of directors and employees
- the requirements of our Group Vision Statement and relevant policies, such as the Group Ethics Policy
- the maintenance of corporate reputation, having particular regard to the principles embodied in the Group's CSR policy regarding the way we interact with the communities around us
- the tax benefits and impact on the Group's reported result relative to the potential financial costs involved, including the risk of penalties and interest

- the wider consequences of potential disagreement with tax authorities, and any possible impact on relationships with them.

Group Tax will employ various risk management processes and systems to provide assurance that the requirements of the Group Tax Policy are being met. This will include compliance and risk monitoring systems and internal audit reviews of tax compliance activity across the Group.

#### **4. Relationships with tax authorities**

The Group is committed to the principles of openness and transparency in its approach to dealing with tax authorities wherever we operate. All dealings with the tax authorities and other relevant bodies will be conducted in a collaborative, courteous and timely manner. We strive for early agreement on disputed matters, and to achieve certainty wherever possible, including the obtaining of pre-transaction clearances where appropriate.

#### **5. Incentives and reliefs**

The Group believes that it should pay the amounts of tax legally due in any territory. There will, however, be circumstances where this amount may not be clearly defined, or where alternative approaches may result in differing tax outcomes. The Group will use its best judgement in determining the appropriate course of action, using available reliefs and incentives where possible.

#### **6. UK context**

On 9 December 2015 HMRC in the UK published a draft Framework for Cooperative Compliance in the UK, following a consultation process, titled "Improving Large Business Tax Compliance", and introduced a new Business Risk Review process for large corporates on 1 October 2019. These papers address the relationship between large businesses and HMRC in the UK and promote best practice in a business' governance over its UK tax affairs. This Group Tax Strategy aligns with these published papers. In particular, the Group commits to:

- adopt open and collaborative professional relationships at all times with HMRC;
- engage in full, open and early dialogue with HMRC to discuss tax planning, strategy, risks and significant transactions;
- make fair, accurate and timely disclosure in correspondence and returns, and respond to queries and information requests in a timely fashion;
- seek to resolve issues with HMRC in real time and before returns are filed if possible, and where disagreements arise, work with HMRC to resolve issues by agreement (where possible);
- be open and transparent about decision-making, governance and tax planning;
- reasonably believe that transactions are structured to give a tax result which is not inconsistent with the economic consequences (unless specific legislation anticipates that result), nor contrary to the intentions of Parliament; and
- interpret the relevant laws in a reasonable way, and ensure transactions are structured consistently with a co-operative relationship.

In addition, the Group has robust processes and procedures, which are subject to internal audit, to ensure its Senior Accounting Officer is able to personally certify that its UK company systems are fit for the purpose of reporting taxes. We also believe it is right not to engage in any artificial tax planning or avoidance schemes with the aim of sheltering profits from UK taxation in tax havens or territories with lower corporate tax rates than those prevailing in the UK.

**Formally adopted by the Board of Croda International Plc  
on 31 October 2017 and most recently reviewed on 4 November 2020**

*Publication of this document is regarded as complying with the obligation under Para. 16(2) of Sch. 19 Finance Act 2016 in respect of the period ending 31 December 2020.*