

## **Dairy Crest Group PLC and Subsidiaries – Tax Strategy for the year ended 31 March 2018**

The business of Dairy Crest Group plc and its subsidiaries is conducted almost entirely within the UK tax jurisdiction. The main taxes dealt with by the Group are Corporation Tax, Value Added Tax, Income Tax and National Insurance contributions relating to the Group's employees and Value Added Tax, with occasional liabilities arising to Stamp Duty Land Tax and Excise Duties.

The objectives underpinning the management of Group's tax affairs are as follows:

- To meet its liabilities for payment of taxes and other tax compliance obligations on time;
- To support the commercial objectives of the Group's trading activities;
- To maintain its reputation in meeting its corporate and social responsibilities; and
- To promote certainty with regard to its tax liabilities.

The Group's strategy for delivering these objectives falls under the following four headings:

### ***Management of tax risk and governance***

Responsibility for delivering the Group's tax strategy lies with the Board of Directors with the Board's Audit Committee providing oversight. The Group Finance Director maintains day to day responsibility for tax matters with support from the Group Finance function, in particular the Group Tax Manager. All employees chosen to deal with tax should have appropriate qualifications, be suitably trained and kept up to date with tax developments affecting their roles. External tax advice is sought to help resolve situations where the application of the relevant tax law is unclear, to supplement in house resources in more specialised areas of tax law and to provide assurance on the tax treatment of major commercial transactions

Control over the Group's tax exposures is monitored through a tax risk register which is maintained in conjunction with the Group Internal Audit department and reviewed in detail each year. This document assesses all significant risks and sets out the controls in place to mitigate them, including procedures to be regularly carried out by the Group Tax Manager to confirm the accuracy and timeliness of submissions and payments to HMRC.

### ***Approach to tax planning***

The Group's tax planning is driven by the nature of its operations and product range, in particular the costs of maintaining state of the art production facilities and the innovation of products, packaging and processes. The Group will therefore seek to benefit from tax incentives relating to tangible capital assets and intellectual property and will take them into account when costing any project for which they are available.

It is not the Group's policy to enter into transactions outside its normal operations solely to obtain a tax benefit or into any arrangements where tax mitigation is the primary objective.

### ***Level of tax risk***

Exposure to any level of tax risk runs counter to the Group's aim of meeting its stakeholders' expectations of steady returns on their investment as well as being potentially detrimental to its reputation. Accordingly a project, activity or arrangement that would involve any degree of tax risk must be approved by the Board, which would grant such approval only if satisfied that the commercial basis for it is sound, with tax risks no more than appropriate to the nature of the matter at hand, and that the expected tax treatment is understood to be in line with the intention of the relevant legislation and can in no way be considered abusive.

**Conduct of relations with HMRC**

The Group seeks to maintain an open relationship with HMRC, to whom it will provide regular updates of major developments in its business and of any matters that could have a significant tax effect. HMRC publications are referred to in order to avoid taking tax positions that are at odds with the views of HMRC and would seek advance clearances from HMRC on the tax treatment of major transactions where there may be any uncertainty.

The Group aims to give prompt, accurate and clear responses to queries raised by HMRC and to co-operate in working towards timely resolution of any issues arising. It normally communicates with HMRC through the Group Tax Manager who deals with HMRC enquiries in the first instance but any response to a substantial matter is authorised by the Group Finance Director. In certain circumstances, the Group may instruct tax advisers that it has engaged on specific issues to communicate directly with HMRC on its behalf.

The tax strategy is approved by the Group's Board of Directors and updated annually.

*Footnote: 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.*