

# UK Tax Strategy

Iggesund Paperboard Workington Ltd.

*Published: 2020*

## Contents

1. Overview .....	3
2. Tax risk management .....	3
3. Tax planning: Our approach .....	4
4. Tax risks & group governance .....	5
5. Relationship with HM Revenue & Customs .....	5

## 1. Overview

Iggesund Paperboard Workington Ltd. and affiliated entities within the UK, Woodland Assets Ltd, Holmen Martinsons Timber Ltd, Holmen Paper Ltd (dormant) (henceforth “Iggesund”) is a responsible taxpayer, which aims at complying with the tax rules of the UK. Iggesund believes its obligation is to pay the amount of tax legally due, in accordance with rules set by government and HM Revenue & Customs.

Iggesund is part of the Holmen Group (henceforth “Holmen” or “the group”) with ultimate parent company Holmen AB, listed on Nasdaq Stockholm, Large Cap.

Iggesund regard the publication of the information set out below as complying with the duty under Finance Act 2016, Schedule 19, para 16 (duty to publish a tax strategy) in the current financial year.

## 2. Tax risk management

### Tax risks

#### Income Tax risks

Corporate income tax risks pertain mainly to identifying non-deductible items and to establish correct amount of allowances on investments. As Iggesund is involved in cross-border transactions with affiliated companies, intra-group prices need to be at arm’s length.

#### VAT risks

VAT risks pertain mainly to identifying transactions when reversed charge should be applied and transactions not in scope of VAT.

### Mitigation of tax risks

Management and the local finance department shall appreciate the tax implications of the activities in Iggesund. The main considerations are:

- compliance with the taxation of employees ;
- compliance with the taxation of business (including levies, VAT and property tax); and
- cross-border tax issues.

Transactions entered into shall represent a true transfer of risk and their status as contracts for goods or services should not be subject to challenge. Business between affiliated companies should be transacted at market prices where a market price exists, or in the absence of market prices, should be supported by formally documented justification for the charge made.

The Group Tax function should be involved in the planning, implementation and documentation for:

- Business or share acquisitions and disposals
- Changes in corporate structure
- Cross- border trading & financing arrangements
- Significant business transactions
- Significant new processes affecting tax compliance.

As stated above, Iggesund should comply with all tax regulations and disclosure requirements in the UK. This requires that:

- Iggesund shall submit all returns by their due dates in line with local tax law.
- Material positions taken in the tax returns should be supportable in terms of documentation and legal interpretation. It is strongly recommended that clear documentation of facts and circumstances be recorded at the time of any significant transaction.
- The local finance department should monitor changes in relevant tax law and practice and undertake regular training in order to assess any consequences for Iggesund, with the minimum aim of mitigating any adverse impact.

Iggesund's activities and books shall be audited by an external audit firm on a yearly basis with a hard close audit during autumn and a year-end audit.

Iggesund shall engage an external tax advisor for preparing tax returns and confirming Iggesund's tax calculations. CFO is responsible for providing accurate information and books to the tax advisor.

Iggesund's board should approve of any transactions that can entail significant tax risks. Iggesund's CFO is responsible for keeping the board informed about any such transactions and on the general status of tax risk for Iggesund. On group level similarly, the board of directors should generally approve of transactions that entail significant tax risks.

### **Tax reporting**

Tax reporting is an important control to mitigate tax risk. Iggesund shall ensure accuracy and completeness of the presentation of the tax position in both local books and the financial reporting of the group.

At each reporting event, tax charge and provisioning decisions should reflect the most up to date information to ensure that the group will have true picture of tax charge, deferrals and provisions. To achieve this, the local finance department shall issue and follow appropriate instructions and routines.

Iggesund should:

- Calculate tax charges, deferrals and provisions in accordance with the group accounting instructions.
- Share relevant information with Group Reporting in update calls and meetings in accordance with the reporting team agenda
- Assist Group Tax with questions and clarifications required as part of the reporting process.

Group Tax reviewers should:

- Review on a high level Iggesund's reported tax charge.
- Review and update of group level transfer pricing provisions.

### **Internal Control**

The group's internal control arrangements include controls that ensure accuracy both as reported in the books and with regard to payments. Iggesund is required to fill in internal control checklists certifying that P & L and balance sheets are accurate and that e.g. social security fees and salary tax withholdings have been calculated and paid.

### **Group tax**

Group Tax will, in regular meetings with the local finance department, be informed of issues that have significant impact on tax compliance. Group Tax should approve in advance of any transactions that can entail significant tax risk. Iggesund's CFO is responsible for keeping Group Tax informed about any such transactions and on the general status of tax risk for Iggesund.

## **3. Tax planning: Our approach**

Iggesund may enter into transactions for commercial purposes only. Iggesund may not enter into artificial, non-commercial transactions where tax planning is the main purpose.

Iggesund shall seek external advice to ensure that moderate tax risks are taken when entering into significant transactions or else when engaging in arrangements that could entail tax risks.

The group's approach to tax planning is that commercial considerations shall be in focus and that transactions with the main purpose of tax planning shall not be entered into.

## 4. Tax risks & group governance

Diligent professional care and judgement will be employed to assess tax risks in order to arrive at well-reasoned conclusions on how 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.

The level of tax risk Iggesund is willing to accept in relation to UK taxation is low.

The group's corporate governance is used to ensure that Holmen and Holmen's employees pursue set goals, complies with legislation and rules and behave responsibly. The group's corporate governance includes an overall strategy that is to be achieved whilst respecting several elements of governance, including:

- Policies
- Guidelines
- Authorization rules
- Core values
- Code of conduct.

The shareholders' meeting, board of directors and CEO are the most central functions incorporated in the corporate governance concept. These are supplemented by a number of other corporate bodies, such as group management, group staffs, auditors and the nomination committee.

According to the code of conduct, Holmen shall in countries, in which Holmen operates, comply with applicable law and regulations regarding tax and anti-money laundering measures. Holmen's employees must not accept, support or facilitate breach of regulations regarding taxation and money laundering.

The level of tax risk the group is willing to accept is low.

## 5. Relationship with HM Revenue & Customs

Igesund 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. The aim would be to strive for early agreement on transactions and disputed matters, and to achieve certainty wherever possible.

With regard to tax risks, whether current, future or past, the aim is to achieve certainty on the position of HMRC by, if possible, consultations, agreements or rulings. Iggesund may initiate contact with HMRC when Iggesund enters into or anticipates transactions that may have significant tax implications.

Certainty on HMRC's position and how to interpret tax legislation can also be acquired by consulting guidelines and similar information provided by HMRC.