

Peabody Tax Strategy

1. Scope and aim

This strategy sets out Peabody's strategic and operational approach to tax risk management.

The strategy complements our corporate aims, promoting and embedding the highest standards of accountability, integrity and probity, and to set the appropriate policies and internal controls to support decision making.

This strategy is relevant for the entire Peabody Group. Due to the changing, complex and specific nature of taxation, this strategy will be revisited on an annual basis.

2. Objectives

Peabody is a responsible corporate taxpayer in line with HM Revenue and Customs legislation and guidelines, based on professionally executed tax compliance and legitimate tax planning.

Through the Board of Directors, we plan and structure our activities in a tax efficient manner to mitigate the exposure to direct and indirect UK taxation.

For the avoidance of doubt the taxes covered in this strategy are VAT, Stamp Duty/SDLT, Corporation Tax, Annual Tax on Enveloped Dwellings, Construction Industry Tax and Employment Tax. In this strategy, the definition of tax risk can cover any financial liability, known or unknown, agreed or in dispute, and either historical or future.

The ultimate decision making responsibility for Peabody's tax position remains with the Board of Directors, and the day to day management of the Group's tax position is that of the Chief Financial Officer. Further review is provided by the Director of Finance - Development, Regeneration and Commercial and the Head of Tax, as well as external advisors when it is deemed necessary.

3. Tax risk and governance

Peabody is committed to the pursuit of effective corporate governance throughout its business and services, establishing the principles and practice by which this can be achieved. Tax management activities will be undertaken with openness, transparency, honesty, integrity and accountability.

The identification, management and control of transaction, operational, compliance, management and reputational risk will be reviewed on an annual basis to ensure the adequacy and suitability thereof.

The Head of Tax is responsible for ensuring policies and procedures are in place, maintained and adopted throughout the business.

3.1 Transaction risks

Specific transactions undertaken by Peabody, particularly land acquisitions, can be complex areas which give rise to greater risks. Peabody will ensure that the risks are properly assessed, are appropriate and will be signed off by the Head of Tax.

Third party advice will be sought for transactions that are highly complex or may result in high tax losses for Peabody.

3.2 Operational risks

Peabody will manage the risks by applying tax law, legislation and decisions to routine everyday business operations.

3.3 Compliance risks

Risks associated with meeting tax compliance obligations will be eliminated by ensuring the processes are based on up to date knowledge and proper and efficient use of technology.

3.4 Management risks

Peabody will ensure that those charged with managing tax risks have the skills and ability to do so.

3.5 Reputational risks

Consideration will always be given prior to any tax planning commencing that may expose Peabody to reputational damage should it become public knowledge.

Peabody will manage each of the above by engaging in early communications with stakeholders, automating systems, undertaking training, attending technical updates and liaising with external advisors.

4. Tax planning

Within the group there are Registered Providers, both charitable and non-charitable, as well as other charitable entities. It is in the best interests of the Group to pursue activities that contribute, both directly or indirectly, towards the primary purpose charitable objectives of Peabody Trust.

Activities undertaken within Peabody Trust that contribute to its charitable purpose (or an investment – either capital or revenue) are afforded full exemption from Corporation Tax. Activities that are non-charitable are taxable, these activities should be undertaken in non-charitable subsidiaries of Peabody Trust.

Peabody will engage in efficient tax planning that supports the business. We will not engage in artificial tax arrangements nor will we be party to the artificial tax arrangements of a customer, supplier, or other third party.

Peabody will conduct transactions between group members on an arm's length basis. Where exemptions and reliefs are afforded to us, we will seek to apply them in the manner they are intended.

5. Transparency

Peabody will always adopt an open and collaborative approach to communicating with HM Revenue and Customs (HMRC). We will engage with HMRC at the earliest opportunity to resolve disputes and to achieve early agreement and certainty.

All matters with HMRC will be addressed through timely, compliant and transparent discussions, we will ensure that we do not expose the Group to any reputation damage or hinder our working relationship with the tax authorities.

6. Policy

The purpose of this strategy is to clearly communicate Peabody's responsibilities and governance standards as well as defining processes, controls and reporting.

Alongside this Peabody needs to demonstrate that the strategy is integral to the way our business operates and is embedded in our operations.

Post-merger we are in the process of combining and documenting tax policies and procedures that define how we operate tax internally, and these will support Peabody's strategy.

7. Monitoring and continuous improvement

This strategy and associated policies will be reviewed at least annually, and whenever there is a major change in underlying tax legislation, guidance or case law.

8. Legislation and regulation

The Finance Act 2016 requires that a published tax strategy should cover 4 main elements:

- How does the business approach tax risk management and governance?
- What attitude does the business have towards tax planning?
- What level of risk in relation to UK taxation that the business is prepared to accept?
- How does the business approach HMRC?

Peabody's tax affairs are subject to regulation and inspection by HM Revenue and Customs.