

Tax Strategy

Introduction and Scope

The tax strategy applies to Breedon Group plc and all its subsidiaries (“the Group”). No deviations are permitted from these requirements.

The Group’s tax strategy can be summarised as to comply with all relevant regulations whilst managing the total tax burden and seeking to maintain a stable effective tax rate.

The Chief Financial Officer holds ultimate responsibility for the tax strategy, being the Group’s Senior Accounting Officer. The Head of Tax supervises all tax matters and reports to the Group Financial Controller. Implementation of the tax strategy is delegated to the Head of Tax, the Group Financial Controller and the Divisional Finance Directors.

This document sets out the four elements of our tax strategy demonstrating how compliance with all relevant tax laws and regulations is achieved, together with the guiding principles and the expected standards of conduct to be followed by colleagues in relation to tax affairs.

Key Principles

The Group’s tax strategy is built upon four key principles that reinforce the Group’s responsibilities to its internal and external stakeholders. These are:

- 1) To comply with all relevant tax regulations
- 2) To ensure ethical tax practice is maintained and tax planning is undertaken responsibly
- 3) To engage proactively and transparently with relevant tax authorities
- 4) To manage tax risks effectively and maintain a high standard of tax governance

1. To comply with all relevant tax regulations

The Group employs an in-house team of experienced tax professionals, led by the Head of Tax, who oversee tax compliance processes across the Group, and ensure tax returns are submitted on time and tax payments are made to statutory deadlines.

Tax returns covering the taxes relevant to the Group and across the tax jurisdictions in which the Group operates, are prepared in line with documented processes, controls, and checklists. The processes and controls are designed to provide a framework for the preparation, review and approval of returns, and roles and responsibilities within each tax compliance process are clearly defined. This ensures that returns are prepared by individuals with appropriate knowledge and experience and incorporates a hierarchy of reviews and approval requirements to ensure returns are completed as accurately as possible.

The Head of Tax is consulted on all significant business transactions, including acquisitions, disposals, joint ventures, re-organisations and changes to the Group’s Corporate structure. External advice from competent tax professionals is obtained for any complex transactions, and in relation to any uncertain tax positions.

2. To ensure ethical tax practice is maintained and tax planning is undertaken responsibly

The Group endeavours to structure its affairs in a tax efficient manner where there is commercial benefit in doing so, with the aim of supporting investment in the business and capital expenditure programmes.

The Group's tax affairs are administered in a way which follows both the spirit and letter of the law, and we aim to ensure that our actions do not adversely impact our reputation as a responsible taxpayer. This includes seeking to declare profits in the place where their economic substance arises, not using tax havens or artificial structures to reduce tax liabilities, and not pursuing aggressive interpretation of the tax legislation.

The Group is committed to undertake tax planning in a responsible manner. The potential tax risk involved in any tax planning opportunity is carefully considered in the decision-making process. All tax planning considerations are reviewed by the Head of Tax to assess possible tax impacts of any proposed planning. This involves consulting HMRC guidance, seeking tax planning clearances when appropriate, tax legislation and taking appropriate tax advice and support from reputable professional firms to ensure the Group remains tax compliant.

The Group has a low tax risk status with HMRC and maintaining the Group's reputation as a responsible taxpayer is a high priority for the Group.

3. To engage proactively and transparently with relevant tax authorities

The Group values a positive and collaborative working relationship with the tax authorities in both the UK and Ireland and seeks to cooperate in an open and transparent manner in all circumstances. Proactive engagement with the relevant tax authority, particularly in areas of complexity, is achieved by maintaining regular contact with a dedicated point of contact. In the UK, this is the Group's HMRC Customer Compliance Manager.

Where queries are raised by a tax authority, these are dealt with on a full-disclosure basis with the aim of either satisfying the tax authority of full compliance with the legislation or acknowledging errors and implementing improvements to tax processes and controls where appropriate. All responses to queries are sent within the specified time frame and with sufficient detail to allow the tax authority to fully understand our response and resolve the query.

In the event of errors being identified internally, these are communicated to the relevant tax authority in a timely manner, with full disclosure being provided.

4. To effectively manage all tax risks and maintain a high standard of tax governance

The parameters which govern the Group's approach to tax risk are set by the Board, which has delegated responsibility for tax governance to the Audit & Risk Committee of the Board (the "ARC"). Tax governance is upheld by adhering to the key principles within this tax strategy, which is regularly reviewed by the ARC.

The ARC is kept informed of all material developments relating to the Group's tax position. The Head of Tax oversees tax compliance activities on a day-to-day basis and reports to senior management.

There is an integrated approach to governance across the business through management control, policies, procedures and training. Risks inherent in the calculation, collection and payment of tax are mitigated by documented policies and procedures which are in place to cover tax compliance processes and include clearly defined roles and responsibilities. Controls are monitored throughout the year in accordance with Senior Accounting Officer requirements in the UK and updated in the event of any control weaknesses being identified.

The Group Tax Team works together with the finance teams and wider business to manage the Group's tax risks in a controlled and proactive manner. The Group has established and maintains appropriate tax accounting policies and compliance processes to ensure tax returns are complete and correct, and that tax payments are made in a timely manner. Corporate tax compliance is supported by reputable third-party service providers.

Tax risks are managed through the Group tax risk register which is maintained and regularly reviewed by the Head of Tax. Tax risks generally arise from changes in the business structure or systems, and changes in the tax legislation.

To mitigate risks arising from business changes, the Head of Tax is consulted on all significant business and system changes and provides continued input throughout the full change process.

Changes in tax legislation across the tax jurisdictions in which the Group operates are monitored by the Group Tax Team. This is achieved by regular updates provided by external advisers, reviewing literature on current tax topics published by professional bodies, attendance at training events presented by tax experts, and targeted communications issued by relevant tax authorities. Any relevant changes or proposed changes to the legislation are communicated across the business to ensure all relevant personnel are fully aware of the impact and any process changes can be implemented as necessary.

Corporate Criminal Offence of Failure to Prevent the Facilitation of Tax Evasion

The Group has a Prevention of Facilitation of Tax Evasion policy. This confirms the Group's zero tolerance approach to acts of criminal facilitation of tax evasion and commitment to act fairly, professionally and with integrity in business dealings.

Total Tax Contribution

The Group makes a significant contribution to the economies in which it operates through taxation, either borne by the Group or collected on behalf of and paid to the relevant tax authority. In 2021, total taxes borne and collected by the Group amounted to c.£210m (2020: c.£160m).