

# Taxation Risk Management Policy

Policy Owner: Finance Director



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## 1. Objective of Policy

The objective of IPB Insurance CLG ('IPB') ('the Company') is to pay the amount of tax legally due by it and to observe all applicable rules and regulations in the markets in which it operates whilst discharging our responsibility to Members to control tax costs. We are committed to engaging in open and constructive relationships with the relevant tax authorities and we aim to provide transparent and accessible communication to enable all stakeholders to understand our tax strategy.

## 2. Context

### Tax conduct and principles

The global financial crisis has increased scrutiny from stakeholders who question whether businesses are contributing appropriately through the tax system to the societies where they operate. We believe that a fair and effective tax system is in the interests of taxpayers and society at large.

We recognise the importance of our social and economic impact on the communities in which we operate and our total economic contribution, including tax, can be a significant element of wealth creation for those communities. Our economic contribution includes jobs, investments, buying goods and services, dividends, knowledge and skill transfers. Our tax contributions include corporate income tax which includes corporation tax and dividend withholding tax arising on investment transactions, dividend withholding taxes arising where investment income is generated outside of Ireland, insurance levies and insurance fund contributions, VAT, payroll and other taxes we pay or collect on behalf of governments.

## 3. Our Commitment

The Company pays tax in accordance with all relevant laws and regulations in the territories in which we operate.

Our approach is focused on six key principles:

1. The Company is committed to the effective, balanced and active management of our tax affairs to deliver our business strategy and to create sustainable value for our Members and customers.
2. The Company pursues open working relationships with all tax authorities and as part of this aim, The Company adheres to a policy of disclosure to relevant tax authorities in respect of all tax matters.
3. The Company conducts its business on sound commercial principles and, in doing so, takes account of all relevant costs, including tax.
4. To the extent the Company undertakes tax planning, it only takes place in circumstances of commercial substance and where we can operate to a high standard of certainty. The Company will not engage in any artificial tax arrangements.



5. The Company is committed to acting with integrity and transparency in all tax matters as part of our corporate responsibility.

6. Due consideration will be given to the Company's reputation, brand, corporate and social responsibilities when considering tax initiatives, as well as the applicable legal and fiduciary duties of Directors and employees of the Company and will form part of the overall decision-making and risk assessment process.

## 4. Scope of this policy

For the purposes of this Policy, tax is defined as all financial charges or levies (direct and indirect) including levies, contributions to insurance funds, corporate income tax, VAT, payroll and other taxes applied by a Tax Authority.

This Policy applies to all Directors and employees who are involved in or whose actions impact the management of the Company's taxation affairs. In particular, this includes:

- The Board of Directors and Leadership Team
- Members of the Finance Team
- Any other employee that has responsibility for managing or supporting tax matters
- External Professional Tax Advisers and Auditors

### Out of scope

The Company does not offer tax advice to customers or staff members.

### Consequences of Non-Compliance

Failure to manage taxation risk properly may result in a failure by the Company to comply with tax laws in the jurisdictions in which it operates. This in turn could result in Revenue and regulatory sanctions and fines.



## 5. Governance

The Board of IPB approves the Company's Tax Risk Management Policy and tax strategy and monitors compliance, the outputs of which supports management of the process associated with the annual formalisation of the Directors Compliance Statement required by the Companies Act 2014. The Board delegates but does not abrogate authority to the Finance Director ('FD'), who is responsible for the activities of the Tax Function in accordance with the table depicted at page 7 of this Policy.

The Tax Function (which is part of the Company's Finance Function) is primarily responsible for managing taxation risk in the Company. The Tax Function uses external professional advice from a top tier taxation advisory firm for guidance on taxation matters across the Company.

The Company's tax status is reported regularly to the Risk Committee, Audit Committee and Board. The Audit Committee is responsible, on behalf of the Board for monitoring all significant tax matters including adherence to the Tax Risk Management Policy. The Risk Committee considers the Company's taxation risk appetite and monitors adherence to the risk appetite.

The Risk Appetite Statement explicitly identifies "tax risk" as a "Minimised Risk Type" defined as: "Certain risk types do not generate value yet are intrinsic to the conduct of business and are impossible, impractical or uneconomic to completely avoid. The Company takes all reasonable steps to minimise these risk types".



## 5. Governance – cont'd

The key roles and responsibilities are set out in the table below:

Roles:		Responsibilities:
<b>Board of Directors</b>		<ul style="list-style-type: none"> <li>• The development, approval and ongoing review of the Company Taxation Risk Management Policy.</li> <li>• Provide oversight that the Company's Taxation Risk Management Policy is being effectively implemented</li> </ul>
<b>Finance Director</b>	Tax Function	<ul style="list-style-type: none"> <li>• Review and final sign-off on all taxation returns before submitting to the relevant tax authorities.</li> <li>• Provide taxation information to the Board, Risk and Audit Committees, as required.</li> <li>• In preparing the Annual &amp; Stakeholder Report, the FD should ensure that tax messages are correct, complete and supported with documented positions where necessary.</li> <li>• Has overall responsibility for managing the relationship with the external third party tax advisor and their deliverables.</li> </ul>
<b>Professional taxation advisors</b>		<ul style="list-style-type: none"> <li>• Provide proactive strategic taxation advice to the Company across all taxation types.</li> <li>• Review all taxation heads periodically to ensure compliance with the relevant taxation regulations including (Corporation tax, VAT, Payroll taxes, Levies and Stamp Duties).</li> <li>• Provide advice on ad-hoc taxation matters to the Company as they arise.</li> <li>• Liaise with the relevant tax authorities on all taxation queries.</li> <li>• Preparation of all corporation and deferred tax calculations on an annual basis based on inputs from the Head of Finance and in accordance with the Company accounting policy.</li> <li>• Recommend preliminary corporation taxation payment amounts on an annual basis.</li> </ul>
<b>Head of Finance &amp; Finance Team Members</b>		<ul style="list-style-type: none"> <li>• Provide all the inputs required by the external professional advisors to prepare the corporation tax returns.</li> <li>• Calculate all non-corporation tax charges including VAT, Payroll taxes, Dividend Withholding Taxes, Levies and Stamp Duties in accordance with the Company accounting and taxation policy, as appropriate.</li> <li>• Provide timely, complete and accurate tax packs to the external advisors to facilitate the preparation of the corporation tax returns.</li> <li>• Share relevant information in update calls and meetings with external professional advisors.</li> <li>• Assist external professional advisors with questions and clarifications required as part of the reporting process.</li> <li>• Prepare the tax section for the Annual &amp; Stakeholder Report which will be compiled as part of the Annual &amp; Stakeholder Report annual compilation process.</li> </ul>



## 5. Governance – cont'd

All tax-related decisions should consider the likelihood of financial return, potential reputational risk and financial risk. The framework and thresholds for making these assessments are illustrated in diagram 1 below.

The level of authorisation and decision making is as follows:

- **Low-Risk Area (Green):** Managed by the Head of Finance.
- **Medium-Risk Area (Amber):** Managed as set out in the Low-Risk Area plus second opinion is required either from the relevant tax authorities and/or external advisers. All risks falling within this area should be referred to the FD for information.
- **High-Risk Area (Red):** Medium-Risk Area controls apply plus specific approval by Board of Directors.
- **Short term reputation issues (STR)** fall within the Medium-Risk area, regardless of the value. This is something that might appear in the press for a day or two.
- **LTR: Long-term reputation issues (LTR)** fall within the High-Risk area, regardless of the value. A LTR issue is something that might damage the Company's reputation, which for example could have an impact on customer loyalty.

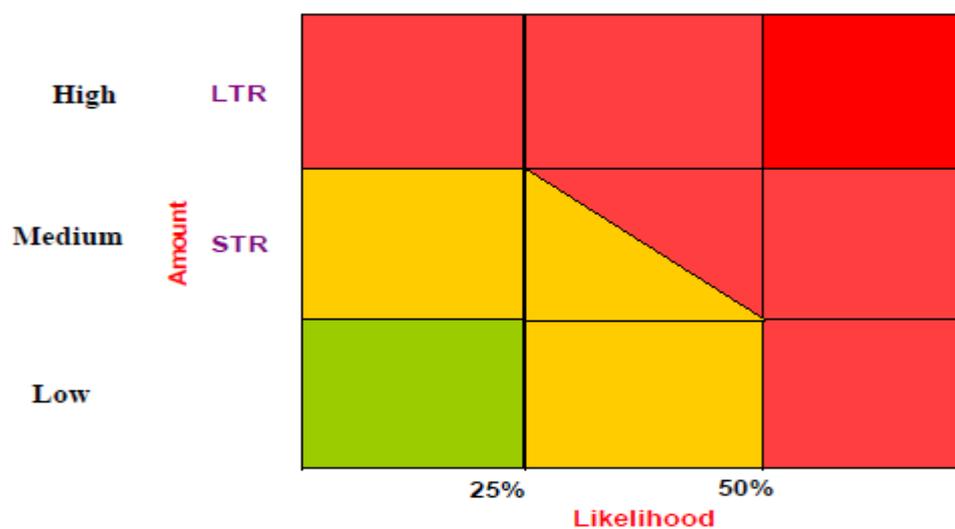
In assessing reputational risk, the Company is committed to mitigating negative reputational damage. The following types of tax risk should be considered as part of the process of considering the potential for reputational risk:

- Financial and legal risk – from the adoption of over-optimistic or over-aggressive tax positions which carry a significant risk of successful legal challenge, under current or future specific or general anti-avoidance provisions
- Compliance tax risk - the risk that what has been done is not properly reported to the appropriate authorities;
- Operational tax risk - the risk that tax pitfalls and planning opportunities are not properly identified at a time when commercial decisions can still be influenced;
- Planning tax risk - the risk that the tax consequences of a transaction will ultimately be found to have a greater net cost, or smaller net benefits, than was planned for when the transaction was undertaken.



## 5. Governance – cont'd

Diagram 1:



- The amount (as illustrated in the diagram above) has not been defined as the materiality of each situation needs to be determined by the FD having considered all the facts, such as:
  - The total amounts of taxation payable under the taxation type.
  - The total amounts of taxation at risk.
  - The turnover and pre-tax profits of the Company.
- Likelihood refers to the probability of a contravention of tax code.



## 6. Tax Principles

All individuals included in the scope of this Policy should adhere to the following principles:

1. Ensure that the Company complies with all relevant laws and regulations.
2. Seek to minimise the amounts of tax payable, however, where there is doubt we will disclose our doubt to the tax authority for determination.
3. Consider the context of this Policy and balance the interests of all stakeholders in making tax decisions and conducting tax affairs.
4. Undertake appropriate training or consult experts to ensure understanding of the applicable tax laws and regulations that apply.
5. Ensure that the Company's systems, processes and controls enable full completion of the Company's tax obligations.
6. Apply diligent professional care and judgment to arrive at well-reasoned conclusions.
7. Ensure all decisions are taken at an appropriate level and supported with documentation that evidences the facts, conclusions and risks involved.
8. Understand and abide by the IPB Communications Policy at all times and engage the Head of Marketing & Communications when any tax issues arise in the territories in which the Company operates which may have any reputational risk.
9. Act in a truthful, professional, courteous, timely and co-operative manner when dealing with all tax authorities to ensure open working relationships.
10. Supply to any tax authority information that is complete and accurate, in a timely manner.
11. Manage records in line with the Company's Information Management and Security Policy and maintain and disclose documentary evidence in accordance with regulatory and legal requirements.
12. Seek to understand the tax implications of any major changes to the business and reflect all financial implications accurately in the accounting records, in line with the relevant accounting rules.
13. Manage the Company's tax affairs in compliance with the Business Code of Conduct and communicate any suspected incidences of non-compliance with this Policy to an appropriate person (e.g. line manager / Compliance Team / confidential helpline).
14. Ensure adherence to the Company's Authorities & Signatories Document.
15. Instruct any external organisations performing tax services on behalf of the Company to act in accordance with the principles set out in this Policy so that they can discharge their obligations in a manner that is consistent with the Policy.
16. The Tax Function should monitor changes in relevant tax law and practice and undertake regular training to ensure implementation and adherence and assess any consequences for the Company, with the minimum aim of mitigating any adverse impact.
17. The fundamental principles of honesty, integrity, transparency and best practices must be observed at all times when dealing with taxation matters.



## Tax Principles (cont'd)

The IPB Whistleblowing (Speak-Up) Policy and procedures are available to employees if concerns emerge that the principles outlined above are not being observed following an escalation of these concerns to the FD or any person on the IPB Speak Up Advocates panel.

## 7. Business Partnering

Within the context of the commercial needs of the Company being paramount, the Tax Function (supported by the Company's professional taxation advisors) will work to provide clear, timely, relevant and business-focused assistance for any business decisions which may have tax implications. Where alternative routes exist to achieve the same commercial results, the most tax-efficient approach in compliance with all relevant laws should be recommended.

The prominence of the commercial needs will in no circumstances override the requirement for compliance with all applicable laws. The Tax Function will therefore provide appropriate input as part of the approval process for business proposals to ensure a clear understanding of the tax consequences. The Tax Function will also then ensure accurate representation in tax returns and accounts. The Tax Function must be involved in the planning, implementation and documentation for:

- All business acquisitions and disposals
- All changes in corporate structure
- All significant business transactions
- All significant new processes affecting tax compliance.

The FD should be part of this engagement with the non-financial areas.

All decisions should consider the financial return, potential reputational risk and financial risk. The framework and thresholds for making these assessments are illustrated in section 5 - diagram 1.

A detailed assessment of the risk of the tax decision in the medium and high-risk areas as defined in section 5 - diagram 1 must be presented to the tax decision owner. The risk assessment should include but not be limited to:

- A full description of the issue including a clear summary statement of the facts.
- An assessment of the financial costs and benefits of all potential scenarios.
- An assessment of the non-financial costs and benefits including an assessment of the nature and amount of resources to secure the benefit.
- An assessment of the probability of the risk crystallising.
- Commentary on the likely process of dispute resolution.
- Recommendations.



## 8. Reporting

The Tax Function is primarily responsible for drafting standard taxation reporting for the business. The table below outlines the specific reports required and the department that is primarily responsible for the reporting together with any other departments which may have some delegated responsibilities in relation to preparing these reports.

<b>Report Name</b>	<b>Description</b>	<b>Primary preparer units</b>	<b>Unit(s) with delegated responsibility for aspects of the report</b>	<b>Ultimate approver</b>
IPB Monthly Financial Report	<p>This report provides details of the following:</p> <ul style="list-style-type: none"> <li>• Taxation charges for the period and YTD.</li> <li>• Taxation assets and liabilities at each period end.</li> </ul>	FD, Head of Finance	Leadership Team	CEO & Leadership Team with recommendation for Board Approval
IPB Annual & Stakeholder Report	<p>This report provides details of the following:</p> <ul style="list-style-type: none"> <li>• Taxation charges for the financial year.</li> <li>• Taxation assets and liabilities at each period end.</li> <li>• Provides details of the taxation contribution of the Company for the period.</li> </ul>	FD, Head of Finance	Leadership Team	CEO & Leadership Team with Audit Committee recommendation for approval by the Board and Members
Corporation Tax Computation	<p>This calculation prepared by the Company's external tax advisers calculates the Company's liability to Corporation Tax for each year. The report analyses the Company's profit/loss and adjusts the tax liability for any amounts which may or may not be deductible for tax purposes.</p>	External Tax Advisers	Finance, Leadership Team	FD and Head of Finance with recommendation for Board Approval as part of the annual Statutory Accounting process.



## 9. Taxation calendar process and controls

The Company must submit all returns by their due dates in line with local tax law and the Tax Function is accordingly required to.

- Centrally maintain a calendar of taxation due dates (for all tax types) which is updated as required.
- Ensure that robust reporting processes and controls are in place to reliably complete the requisite tax returns following the appropriate signoffs and review procedures.
- Develop and maintain detailed process and control documents to support tax return preparation, review and approval.

## 10. Policy review and approval process

This Policy Document reflects the current policy and process in place and should be updated if the process changes or if new requirements arise in relation to this process. These updates should be carried out within a reasonable timeframe from when the change to process is agreed.

This Policy Document will be reviewed on an annual basis to ensure that it is up to date and no amendments are required arising from developments during the year e.g. new resources, systems, legislation etc. New versions of this Policy Document should be saved down with revision history updated with a summary of the changes. Once updated, the Policy Document is issued to the FD and Board of Directors for approval and the approved Policy Document is issued by e-mail to relevant staff as follows:

Distribution List
Board of Directors
Audit & Risk Committees
Leadership Team
Management Team
Head of Finance
Head of Compliance



## 11. Advice and guidance

Should any person have specific queries about this Policy, or requires advice on implementing it, they should speak with their line manager and, if not adequately addressed, those queries should be brought to the attention of the FD or Head of Finance.

In the event of any disagreement over the interpretation of the Policy, the FD, or nominee thereof, in consultation with the CEO, will convene to make a final determination.

## 12. Glossary

Term	Definition
Allowance	Deduction or exemptions generally made in computing income taxes, inheritance and gift taxes and some forms of sales taxes.
Arm's Length Transaction	A transaction among parties, each of whom acts in his or her own best interest.
Assessment	Act of computing the tax due.
Avoidance	A term that is difficult to define but which is generally used to describe the arrangement of a taxpayer's affairs that is intended to reduce his tax liability and that although the arrangement could be strictly legal it is usually in contradiction with the intent of the law it purports to follow.
Benefits in Kind	Term which refers to earnings, usually from employment, other than in cash, as part of compensation for services rendered.
Capital Gain	A gain on the sale of a capital asset.
Consolidated Tax Return	A combined tax return in the name of the parent company filed by companies organized as a group.
Corporate Income Tax	Income tax on the income of companies
Credit, Tax	Allowance of deduction from or a direct offset against the amount of tax due as opposed to an offset against income.
Effective Tax Rate	The rate at which a taxpayer would be taxed if his tax liability were taxed at a constant rate rather than progressively. This rate is computed by determining what percentage the taxpayer's tax liability is of his total taxable income.
Fiscal Year	Any 12-month period which is set for accounting purposes for an enterprise.
Indirect Tax	Tax imposed on certain transactions, goods or events. Examples include VAT, sales tax, excise duties, stamp duty, services tax, registration duty and transaction tax.
Marginal Rate of Tax	Tax rate applicable to the top slice or bracket of a taxpayer's income or other taxable income, where the relevant tax on such items is levied at progressive rates.



## 12. Glossary – continued

Payroll Tax (PAYE, PRSI, USC)	Tax charged on an employer's payroll (i.e. gross salaries, wages and other remunerations) paid to employees without regard to their domicile, family status or other individual circumstances.
Property Tax	Group of taxes imposed on property owned by individuals and businesses based on the assessed value of each property.
Rates	Local taxes levied in Ireland are levied on the occupiers of real property on the basis of the annual rental value of the property.
Tax	The OECD working definition of a tax is a compulsory unrequited payment to the government.
Taxable Year	The period (usually 12 months) during which the tax liability of an individual or entity is calculated.
Tax Authorities	The body responsible for administering the tax laws of a particular country or regional or local authority.
Tax Clearance Certificate	Document issued to a taxpayer by the tax authorities certifying that the taxpayer has either paid all taxes due or that he is not liable to any taxes. In certain countries, a tax clearance certificate must be produced before a person can leave the country.
Taxpayer Identification Number	In some countries taxpayers are given an identification number which must be used when filing a tax return and assessing taxes and for all other correspondence between the taxpayer and the tax authorities.
Tax Planning	Arrangement of a person's business and /or private affairs to minimize tax liability.
Tax Threshold	Level (of income, capital, sales, etc.) at which tax commences to be levied.
Underlying Tax	Tax which is charged on corporate income out of which dividends are paid, but which does not appear as a direct deduction or withholding from the dividend itself.
Value Added Tax (Vat)	Specific type of turnover tax levied at each stage in the production and distribution process. Although VAT ultimately bears on individual consumption of goods or services, liability for VAT is on the supplier of goods or services. VAT normally utilizes a system of tax credits to place the ultimate and real burden of the tax on the final consumer and to relieve the intermediaries of any final tax cost.
Withholding Tax	Tax on income imposed at source, i.e. a third party is charged with the task of deducting the tax from certain kinds of payments and remitting that amount to the government. Withholding taxes are found in practically all tax systems and are widely used in respect of dividends, interest, royalties and similar tax payments. The rates of withholding tax are frequently reduced by tax treaties.