

SAPUTO DAIRY UK LIMITED AND SUBSIDIARIES TAX STRATEGY DOCUMENT YEAR ENDING 31 MARCH 2021

Dairy Crest Group Plc was acquired by Saputo Inc on 15 April 2019, and as part of this acquisition, Saputo Dairy UK Limited was incorporated as the new UK parent company of Dairy Crest Group Plc (now Dairy Crest Group Limited) and its subsidiaries. As part of the multinational Saputo Inc group, Saputo Dairy UK Limited and subsidiaries (hereby collectively known as the 'UK Group') are aligned with the wider Saputo Inc guiding principles and Code of Ethics.

The business of Saputo Dairy UK Limited and its subsidiaries is conducted almost entirely within the UK tax jurisdiction and the main taxes dealt with by the UK Group are Corporation Tax, Value Added Tax, Pay As You Earn and National Insurance contributions, with occasional liabilities arising to Stamp Duty Land Tax and Excise Duties.

The objectives underpinning the management of the UK Group's tax affairs are fourfold: to support the commercial objectives of the UK Group's trading activities, to meet its liabilities for payment of taxes and other tax compliance obligations on time, to maintain its reputation in meeting its corporate and social responsibilities, and to promote certainty with regard to its tax liabilities. The UK Group's tax strategy for delivering these objectives falls under the following four headings:

Management of tax risk and governance

Responsibility for delivering the UK Group's tax strategy lies ultimately with the Board of Directors of Saputo Dairy UK Limited (hereby known as 'the UK Board'). Day-to-day management of tax matters is conducted by the UK Group Finance function, primarily the UK Tax Manager and the UK Tax Accountant, under supervision of the UK Finance Director and of the Saputo Inc Group Senior Vice President, Taxation. 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.

The UK Board maintains control over the UK Group's tax exposures with a tax risk register which is maintained in conjunction with the Saputo Inc's Internal Audit department and is reviewed in detail each year, with conclusions being reported to the UK Board, as appropriate. 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 UK Tax Manager and the UK Tax Accountant to confirm the accuracy and timeliness of submissions and payments to HMRC.

Approach to tax planning

The UK Group recognises that it has a responsibility to pay an appropriate amount of taxes in the UK and aims to balance this with its overall responsibility to structure its affairs in an efficient manner.

The UK Group's tax planning is driven by the commercial objectives of the group, in particular the costs of maintaining state of the art production facilities and the innovation of products, packaging and processes. The UK Group will, 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 the UK Group's policy to enter into transactions with commercial basis and not solely to obtain a tax benefit or where UK tax mitigation is the primary objective.

Level of tax risk

Exposure to tax risk runs counter to the UK Group's aims of obtaining certainty around tax liabilities and maintaining its reputation. Accordingly a project, activity or arrangement that would involve an important degree of tax risk must be approved by the UK Board, which would grant such approval only if satisfied that the commercial basis for it is sound and that the expected tax treatment is understood to be in line with intended policy objective and that should not be considered abusive. External advice is sought where appropriate.

Conduct of relations with HMRC

The UK Group seeks to maintain an open and transparent relationship with HMRC, to whom it will provide regular updates of major developments in its business. HMRC publications are referred to in order to avoid taking tax positions that are contrary to the views of HMRC. Where appropriate, and where there may be any uncertainty, the UK Group would seek to engage proactively with HMRC to disclose, discuss and resolve issues on the tax treatment of major transactions.

The UK 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 UK Tax Manager or, for routine employee tax matters, the UK Payroll Manager. The former deals with HMRC enquiries in the first instance but any response to a substantial matter is authorised by the UK Finance Director and the Saputo Inc Group Senior Vice President, Taxation. In certain circumstances, the UK 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 Saputo Dairy UK Limited's Board of Directors and updated annually.

Footnote: Our published UK tax strategy, which has been approved by the Board of Saputo Dairy UK Limited, satisfies Schedule 19 of the UK Finance Act 2016, in respect of our financial year ending 31 March 2021.