

# LPP Reserved UK Limited's tax strategy

## Introduction

Finance Act 2016, which received Royal Assent on 15 September 2016, introduced legislation which requires groups of a certain size to publish their tax strategy, or parts of their strategy, which are relevant to UK taxation. This document sets out LPP Reserved UK Limited's ('LPP UK') approach to UK taxation in accordance with the requirements of Paragraph 16(2), Schedule 19, Finance Act 2016. The published tax strategy must cover the following areas (all in relation to UK taxation):

- Approach to risk management and governance arrangements
- Attitude towards tax planning
- Level of risk tolerated
- Approach toward dealing with HM Revenue and Customs ('HMRC')

The purpose of this document is to set out LPP UK's policy and approach to UK taxation. This document has been approved by the Board of LPP SA and applies to the accounting year ending 31 December 2017. We review our tax strategy annually, and any amendments will be approved by the Board.

## LPP Reserved UK Limited

LPP UK is the UK subsidiary of LPP SA, a large Polish clothing producer ('LPP Group') listed on the Warsaw Stock Exchange since 2001. Within 20 years of experience in designing and selling clothes and accessories, the LPP Group have created the largest garment company in Central and Eastern Europe, managing five recognisable brands: Reserved, Cropp, House, MOHITO and SiNSAY. LPP Group manage a network of approximately 1,700 stores in 20 countries in Central and Eastern Europe as well as recent expansions in West Europe and the Middle East. The formation of the UK company ('LPP UK') in 2015 represented the Group's first venture into the UK market and the first 'Reserved' store in the UK was opened in September 2017.

LPP Group's business activities are subject to various taxes, including corporate tax, employment tax and property taxes. Employees' taxes and indirect taxes such as VAT are also collected and paid. These taxes contribute to the societies where we operate.

At the LPP Group we are committed to creating long-term shareholder value through the responsible, sustainable and efficient delivery of our key business objectives. We therefore adopt an approach to tax that supports this strategy and balances the interests of our key stakeholders – employees, suppliers, customers, investors and the wider community. We aim to pursue a tax strategy that is aligned with LPP Group's overall business strategy and code of conduct as we consider that this will protect and enhance shareholder value and uphold LPP Group's reputation.

## Approach to risk management and governance arrangements

The UK approach to tax is managed by the parent company, LPP SA. All strategic decisions are made by the Management Board of the parent company and the day-to-day responsibility for the management of the UK Company lies with the Vice President of the Management Board. Strategic and commercial decisions which are made at the parent company level are then communicated to

LPP UK through the subsidiary's 'country manager'. For the UK this role is also undertaken by the UK's Retail Operational Manager. The UK Company is therefore responsible for their own operational functions.

The tax function at LPP SA is carried out by the accounting team and legal departments who work together regarding the tax policy for the LPP Group. All subsidiaries are allocated a specified accounting team and compliance with local tax rules is then managed by the local team. There are a number of tax risks that have been identified for the whole LPP Group which are considered to also apply to the UK entity and these mostly relate to non-registered suppliers for VAT purposes and the complex international corporate tax environment. It is also considered that tax risks can arise from unclear regulations and from differences in interpretation of tax law in different jurisdictions, but most significantly where governments apply diverging standards in assessing intragroup cross border transactions. However, regarding LPP UK, the tax risks are considered to be relatively minor based on the small size and lack of complexity of the operations in the UK.

These risks are managed by various internal systems and controls, including specialist software, internal reviews of tax procedures which are updated as necessary, and annual reviews of the LPP Group transfer pricing policy. The existing expertise and ongoing professional training and development of staff within the local accounting departments is also key in managing risks. In the event of a particularly complex transaction, specialist teams are created consisting of accounting experts, lawyers and external tax advisers. External advisers are used when handling high value transactions or transactions that are considered to contain higher elements of tax risk. In determining when a transaction falls within this definition, the parent company will analyse the transaction, taking into account the associated tax risks, before making a decision.

### Attitude to tax planning

LPP UK have a low risk appetite in respect of taxation and seek to minimise the risk of uncertainty or of disputes. LPP UK aim to comply with all relevant national laws, regulations and reporting requirements in the UK. The company will seek to use 'acceptable' tax incentives and reliefs where appropriate, however, it is not LPP Group's policy to adopt any aggressive tax planning. In regards to international tax aspects, including cross border transactions, LPP UK seek in all circumstances to adhere to guidance published by the Organisation for Economic Co-operation and Development ('OECD') and HMRC.

The UK tax strategy is to remain at all times consistent with the LPP Group approach. Support is sought from external tax advisers when there is a recognised need for specialist guidance regarding complex or uncertain tax matters.

### Level of tax risk

LPP SA does not set any levels of acceptable tax risk and the LPP Group has no specific strategy regarding tax policy. As the LPP Group, the aim is to comply with local tax rules and interpretations of tax law and this is expected of the UK entity. Stakeholders expect the activities of the LPP Group to be carried out in accordance with national laws, including tax law, and do not influence the attitude of the business to tax risk.

## Approach toward dealing with HMRC

The LPP Group seeks to maintain an open and honest relationship with tax authorities worldwide. Due to its comparatively recent arrival within the UK, LPP UK does not as yet have such a relationship with HMRC and a HMRC Customer Relationship Manager ('CRM') has not as yet been appointed. It is the LPP Group and UK company's intention to create such an open and honest relationship with HMRC in the UK. LPP UK are keen to work collaboratively with HMRC in order to establish a transparent and constructive relationship with the UK tax authorities. LPP UK aim to act in accordance with all relevant laws and disclosure requirements as necessary to ensure compliance with UK tax law.