

# VEOLIA UK – TAX STRATEGY

## **BACKGROUND**

At Veolia it is our policy to conduct all of our business in an honest and ethical manner. Our Values outline the standards and behaviours that Veolia upholds as a company. By living our Values we can maintain the highest ethical standards in the conduct of our business affairs.

The following document sets out Veolia's tax strategy, underpinned by its tax operating principles and guidelines.

The tax strategy is set by the UK CFO and UK Tax Director. They will jointly monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness. In particular, they will ensure that the annual requirement to re-publish this strategy (between 9 and 15 months of the date of the previous publication) is adhered to.

The tax strategy is primarily of relevance to the Audit Committee the Risk Committee, and members of the Group Tax Department. It is also relevant to all finance, legal, and operational personnel at Veolia whose decisions have tax consequences.

The approach to managing our tax affairs, as set out in this strategy document, is approved by Estelle Brachlianoff, Senior Executive Vice-President UK & Ireland. It was last approved on 21 September 2017.

## **SPECIFIC HMRC REQUIREMENTS FOR A PUBLISHED TAX STRATEGY**

The Finance Act 2016 requires the published tax strategy of a business to cover four specific requirements:

- i) The approach to risk management and governance arrangements in relation to UK taxation.
- ii) The attitude of the group towards tax planning (so far as affecting UK taxation).
- iii) The level of risk in relation to UK taxation that the group is prepared to accept
- iv) The approach of the group towards its dealings with HMRC.

Veolia considers that the above items are all satisfactorily addressed in this published tax strategy and therefore that this document is compliant with the requirements of the Finance Act 2016 in respect of the year ended 31 December 2017.

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## **THE APPROACH TO RISK MANAGEMENT AND GOVERNANCE ARRANGEMENTS IN RELATION TO UK TAXATION**

Given both the scale and different aspects of our business, risks will inevitably arise from time to time. However, Veolia effectively manages these risks in a number of distinct ways:

The UK Tax Director is responsible for ensuring that appropriate policies, processes and systems are in place and that these are reviewed for operational effectiveness.

The UK tax department is adequately staffed, has clearly defined roles, and has the required skills and support to carry out their role effectively. Regular training will be provided to ensure they are capable of identifying and managing the tax risks faced as a result of the ever changing tax obligations both in the UK and overseas.

Appropriate proactive and real-time support and training is provided to all areas of our business operations such that commercial objectives can be maximised, risks can be minimised and appropriate tax incentives can be claimed in full. Commercial objectives will however on no occasion override compliance with tax laws and regulations, and Veolia takes a zero-tolerance approach to tax evasion.

Tax is a key driver when taking into account investment opportunities, to ensure that all decisions are made with the knowledge of all future associated tax costs. The UK tax department therefore will aim to be involved in all stages of material and/or tax sensitive transactions from initial planning through to post implementation.

The UK Audit Committee and UK Risk Committee will periodically review tax matters affecting the UK group, via updates provided by the UK Tax Director. Material tax concerns are included in the overall UK risk register. Additionally, a UK tax risks schedule is periodically provided to Veolia France for inclusion in an overall group tax risk register.

## **THE ATTITUDE OF THE GROUP TOWARDS TAX PLANNING (SO FAR AS AFFECTING UK TAXATION)**

Ensuring that we pay the right amount of tax at the right time is core to Veolia, and we make a significant contribution to the UK Exchequer each year.

We will however manage our tax costs through maximising the tax efficiency of our business transactions. Specifically, we recognise that there is sometimes more than one tax outcome in commercially motivated transactions. We will not however wilfully engage in tax schemes, or will not structure transactions in such a way that we believe are contrary to the clear intentions of the tax legislation concerned.

We will only use tax planning to support the business strategy and as such all decisions will have a sound commercial rationale, will be within the confines of the law and will take into account any impact that such actions will have on its external reputation.

Occasionally, advice may be sought from external advisors. This will only be the case when the UK Tax Director considers that there is not the requisite experience within the tax team to adequately address the issue, or that the issue is sufficiently large to warrant corroboration by an independent third party. The UK Tax Director will be solely responsible for any such appointments and shall have in mind any restrictions

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imposed under UK law on the use of the UK external auditor, or under EU law on the use of the joint external auditors of Veolia Environnement SA.

## **THE LEVEL OF RISK IN RELATION TO UK TAXATION THAT THE GROUP IS PREPARED TO ACCEPT**

The acceptable nature of tax risk we are prepared to take is inextricably linked to the level of business risk we are prepared to take. In this regard, various factors will always be considered including, but not limited to, the financial impact, the impact on corporate reputation / brand and the impact on relationships with external stakeholders.

From a purely tax perspective we would not look generally to carry out any transaction that we did not consider, based on experience, had a valid tax filing position nor had a 'more likely than not' likelihood of success.

## **THE APPROACH OF THE GROUP TOWARDS ITS DEALINGS WITH HMRC**

We engage with HMRC with honest, integrity, respect and fairness and in a spirit of co-operative compliance. We believe we have a transparent and open relationship with HMRC and will co-operate with them, to the extent possible, on a real time basis. Where appropriate, Veolia will also enter into consultations with HMRC to assist in the shaping of future legislation and tax policy. All information requests from HMRC – whether under a formal enquiry or otherwise - are processed in as timely a manner as possible in order to ensure that the information provided is accurate and complete.

We will, to the extent possible, discuss material tax issues with HMRC in advance where we consider that the tax treatment proposed by Veolia may not be agreed by HMRC. This will be via the annual 'Risk Review' meeting, or periodically throughout the year if more appropriate.

To ensure consistency of approach, all dealings with HRMC, where possible are dealt with by the UK tax department. On occasions, contact with HMRC is required to be made by others, but this is always with the full knowledge of the UK Tax Director. The above approach is also extended to other Government Agencies and, occasionally, overseas fiscal authorities.

In all of the above however, Veolia does expect an equal degree of professionalism and mutual respect in its dealings.