

Scope

This strategy applies to AGC Chemicals Europe Limited (“AGCCE”), a limited company registered in England and Wales. AGCCE is a subsidiary undertaking of AGC Inc., a company incorporated in Japan. This strategy has been published in accordance with paragraph 22(2) of Schedule 19 to the Finance Act 2016 (duty to publish a company tax strategy for a UK qualifying company) and AGCCE regards the publication of this strategy as complying with the duties of this legislation.

This strategy relates to the financial year ending 31 December 2016 and applies from the date of publication until it is superseded. References to ‘UK Taxation’ are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax. References to ‘tax’, ‘taxes’ or ‘taxation’ are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which AGCCE has legal responsibilities.

Aim

As a member of AGC Inc. Group, we engage in the manufacture and distribution of industrial chemicals in the United Kingdom. AGCCE is committed to full compliance with all statutory obligations and full disclosure to relevant tax authorities. AGCCE’s tax affairs are managed in a way which takes into account the group’s wider corporate reputation in line with AGCCE’s overall high standards of governance.

Governance in relation to UK taxation

- The local accounting and tax division of AGCCE is responsible for formulating tax strategies in conjunction with the group. The division communicates with AGC Inc. Group in relation to the development of these strategies. AGCCE obtains advice and technical support from reputable accounting firms and others as required in relation to those tax strategies. In formulating the strategy AGCCE fully considers the company’s tax and economic risks. Ultimate responsibility for AGCCE’s tax strategy and compliance rests with the Board of AGCCE with involvement from the directors of AGC Inc.
- Day-to-day operations are executed by the staff in charge of accounting and tax affairs

at AGCCE's Finance Team and are supervised by the Chief Executive Officer of AGCCE.

- The staff in charge of accounting and tax affairs have the skills and experience required to perform their tasks properly. Where necessary AGCCE staff will engage with and obtain advice from reputable tax advisers.
- The Chief Executive Officer of AGCCE makes the ultimate decisions on important tax issues and these decisions are reported to AGC Inc. Group.
- The UK Directors of AGCCE ensure that AGCCE's tax strategy is one of the factors considered in all investments and significant business decisions taken.
- The Finance team at AGCCE reports to the UK Directors on AGCCE's tax affairs and risks during the year.

Risk Management

- AGCCE has an internal financial procedures manual which sets out the established procedures for all processes such as ordering stock, taking on new customers, posting and paying invoices, ordering fixed assets and authorising employee expense claims. This manual was prepared by the Finance team and is adopted by all staff at AGCCE. The company has sufficiently robust control processes in place to accurately record transactions. As part of the annual external audit process, internal controls are tested in line with International Standards on Auditing.
- AGCCE seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations.
- Processes relating to different taxes are allocated to appropriate process owners, who carry out a review of activities and processes to identify key risks and mitigating controls in place. For example, the accuracy and completeness of payroll taxes are monitored by the Finance department and key tax accounts such as VAT are reconciled by the Finance team. These key risks are monitored for business and legislative changes which may impact them and changes to processes or controls are made when required.

- Appropriate training is provided for staff who manage or process matters which have tax implications. Staff will attend external technical events as necessary.
- Advice is sought from external advisers where appropriate on tax planning or tax compliance matters. Any complex VAT or customs duty issues are dealt with by local specialist VAT consultants as and when necessary.
- The company out-sources the preparation and filing of the company's annual corporation tax returns to a reputable firm of chartered accountants. This ensures that the company is kept up to date as far as possible with emerging tax issues and tax legislation changes. That firm will deal with any questions or enquiries received from HMRC although the frequency of this is very low.
- In addition, AGCCE are involved in a group wide software system which collates details for the group ensuring oversight on a group level and an additional level of risk protection.

Attitude towards tax planning and level of risk

AGCCE manages risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax at the right time.

When entering into commercial transactions, AGCCE seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, UK tax legislation and where appropriate overseas tax legislation. AGCCE does not undertake tax planning which has little or no commercial substance or which is artificial in any way.

The level of risk which AGCCE accepts in relation to UK taxation is consistent with its overall objective of achieving certainty in the group's tax affairs. Tax risks associated with commercial transactions will be identified by the Finance team in conjunction with the Chief Executive Officer and external advisers and are assessed on a case-by-case basis.

At all times AGCCE seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the UK Directors of AGCCE are ultimately responsible for identifying the

commercial and economic risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage those risks, having regard to the materiality of the amounts and obligations in question.

The Group recognizes the BEPS Action Plan (a countermeasure against Base Erosion and Profit Shifting), established by OECD/G20, as an important international tax framework for preventing international tax avoidance and excessive tax planning, and for ensuring tax transparency through tax information disclosure.

The AGC Group also understands that arbitrary tax avoidance or lack of tax compliance may result not only in immediate financial risks such as tax litigation and penalties, but also poses a risk to the AGC Group's reputation in addition to a risk of adversely affecting economic and social development or damaging relationships with the countries and regions in which the Group operates.

As a global business entity with social responsibilities, the AGC Group is committed to closely monitoring trends in international tax frameworks and responding to any changes in a timely manner. In addition to aiming to improve its corporate value through these efforts, the AGC Group also considers these efforts to be vital in fulfilling its social responsibilities as a global business entity.

Relationship with HMRC

AGCCE seeks to have a transparent relationship with HMRC ensuring that relevant information in respect of developments in AGCCE's business, current, future and retrospective tax risks, and interpretation of the law in relation to all relevant taxes are made available as and when required.

For corporation tax matters, local reputable tax advisers help to maintain the company's good working relationship with HMRC.

AGCCE files tax returns and pays taxes in a timely fashion and provides information appropriately to HMRC either at its request or under the Self-Assessment regime. The company has what it considers to be a good relationship with HMRC measured by the very low frequency of questions, enquiries or HMRC visits. AGCCE seek to respond in good faith to any enquiries or other correspondence raised by HMRC.

AGC Chemicals Europe Limited
UK Tax Strategy
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If our views are different from those of HMRC, we will explain our views and the basis for them in good faith to find solutions. When submitting tax computations and returns to HMRC, AGCCE discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain.