

Tax Principles & Strategy

This Tax Strategy is published for and on behalf of TT Electronics Plc and its subsidiaries in compliance with paragraph 16(2) Schedule 19, Finance Act 2016 for the financial year end 31 December 2020.

TT Electronics tax principles of operation

The TT Electronics group aims to always be tax compliant and operates tax and transfer pricing strategies that reflect the substance of the business. All taxes and charges are paid according to local laws and regulations in the countries where the Group operates. The Group, as a good corporate citizen, regards taxes paid as an important part of its social responsibility.

The overall aim of the Group's tax strategy is to support the Groups business operations by ensuring a sustainable tax rate, mitigating tax risks in a timely and cost efficient way and complying with tax legislation in the jurisdictions in which the Group operates. The Group applies a conservative approach to tax and seeks to comply with the OECD Transfer Pricing guidelines, which should ensure that profits are taxed where value is created and business risks are managed.

The TT Group is present in many countries and by its presence contributes to Government and the wider society through various taxes and charges such as corporate income taxes, duties, payroll taxes and also indirectly through VAT and sales taxes levied on goods sold to customers.

Total tax level for TT Electronics

The TT Electronics Plc consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board and adopted by the European Union.

The Group's total tax charge is a result of the reported profits of all Group companies and the effective corporation tax rates applicable in each country the group operates within. These rates vary from country to country. In addition to differences in tax rate between jurisdictions the main differences between the statutory rate of tax and the actual tax charge are: items not deductible for tax purposes or income not taxable, adjustments to current tax in respect of prior periods as tax audits are settled and current year tax losses and items for which deferred tax is not recognised.

The Group aims to pay the right amount of tax in each country and detailed information about the Group tax rate is presented annually in the Group's Report and Accounts.

Tax risks and external advisors

TT Electronics' approach to tax is to maintain an independent and objective position with respect to tax matters. Within the Group tax exposures and tax risks arise for numerous reasons, however such risks are much more likely to arise in situations involving more than one tax

jurisdiction. Differences in interpretation of legislation (e.g. EU Law), of global standards (e.g. OECD guidance) and of commercial transactions undertaken by the group between different tax authorities are one of the main causes of tax exposures and tax risks for the group. In many cases this can be handled in-house by the Group's own tax department but in certain situations external tax advisors are also used.

Transparent dialogue with tax authorities

The Group pays its taxes at the appropriate time and provides all required information to the appropriate tax authorities, without delay, in order to accurately establish the Group's tax liabilities. In addition the Group seeks to maintain good professional and transparent relationships with the tax authorities.

TT Electronics adheres to local rules and regulations on documentation retention requirements. As a minimum each taxpaying entity within the Group documents and retains all information required to determine the taxable profit and related tax payments.

To the extent possible, the group prepares transfer pricing documentation for its various intercompany transactions in order to meet local transfer pricing documentation requirements of the countries in which Group subsidiaries are located.

Governance

The Group in conducting operational business activities may have choices on the structure of the transactions used which have different taxation implications and tax cost. The choices the group makes in respect of transactional structure will be in accordance with the Group Tax Planning Policy.

The Group Tax Function at TT Electronics has sole responsibility for initiating and documenting policies and guidelines for specific tax matters in the Group. The overall tax principles and strategies are discussed and reviewed by the Auditing Committee and thereafter approved by the Board of Directors.