

# AXTER LTD

## APPROACH TO TAX

### 1. BACKGROUND

#### 1.1 Axter Ltd / Bouygues Group

Axter is part of the multi-national COLAS group of companies which markets its products in more than 50 countries worldwide. COLAS in turn is part of the larger Bouygues Group, which is ultimately based in France.

Axter is a distributor of high quality, fully integrated, robust, innovative membranes for roofing, waterproofing basements and for civil engineering structures to suit a variety of aesthetic and performance criteria. Complementing its waterproofing expertise, Axter supplies a wide range of domed and continuous roof lights as well as roof ventilation, access, smoke and fire evacuation units. Further, a recent introduction to the range has been the General Solar PV range of fully integrated photovoltaic modules.

Axter distributes a combination of products which are sourced from other parts of the COLAS / Bouygues Group, and from unconnected third party manufacturers.

Operating in nearly 90 countries, Bouygues is a diversified industrial group whose businesses are organised around three sectors of activity (the 'Group'): construction, telecoms and media. The Group has 117,997 employees, a market capitalisation at 31 December 2016 of euro 12bn and is a member of the CAC 40 listed on the Paris Stock Exchange.

Bouygues's values are presented and elaborated in the Group's Code of Ethics as well as in its Human Resources Charter. The Bouygues Group's corporate social responsibility policy and initiatives are described in chapter 3 "Human resources, environmental and social information" of the Registration Document. The Group's values are public, shared with the various stakeholders of the business, and applied to its tax governance. Axter Ltd abides by and applies these Group level values.

Axter Ltd has therefore produced and made available to the public this document in compliance with the requirement of Schedule 19 of the UK Government's 2016 Finance Act for those Group entities operating in the UK. Axter Ltd is a "qualifying company" as defined by para 5 of Schedule 19.

There are three key principles that Axter Ltd complies with, which are in accordance with the principles adopted by the Bouygues Group for its companies in the UK comply with.

- 1) To comply with all statutory requirements
- 2) To have strong and robust tax governance at every level, and to
- 3) Minimise exposure to UK tax risk.

Our business activities generate a substantial amount from a variety of taxes within the UK. We pay corporation tax, and where appropriate withholding taxes, import taxes, stamp duties, employment and other taxes. In addition, we collect and pay employee taxes as well as indirect taxes such as excise duties and VAT for the UK Exchequer.

## 2. APPROACH TO TAX RISK MANAGEMENT & GOVERNANCE

The approach of Axter Ltd in the UK to tax risk management and governance is to meet the three key principles set out by Bouygues SA in the guidance it provides to its UK entities.

### 2.1 To comply with all statutory requirements

- We respect the law in the UK, our place of business. This means that we comply with our legal obligations for tax, that we aim to file our tax returns on time with full and adequate disclosure of all relevant matters, and that we assess and pay our taxes on time.
- We do not take an aggressive approach to tax planning or compliance. This means that we will only undertake transactions that we are prepared to fully disclose and that we only undertake transactions that have a strong underlying commercial motivation, and that are not artificial or contrived.
- We conduct intragroup transactions on an arm's length basis and comply with our obligations under transfer pricing rules in the jurisdictions where we operate.

The Group's approach is to comply strictly with local laws and strives to be tax compliant in each country where the Group operates. This approach reflects the Group's Code of Ethics: *"Group entities respect local tax regulations and all applicable tax agreements in the regions where they operate"*. Axter Ltd complies with the Group's approach.

### 2.2 Strong and robust governance at every level

The Group's approach is set out at the level of Bouygues SA, the Group's parent company headquartered in France.

In Axter Ltd, the Managing Director, Mr Phillip Wilcox-Moore owns and implements the Group's Approach to Tax in the UK. He is also responsible for ensuring that policies and procedures that support the Group's approach are in place, maintained and used consistently, and that the finance team has the skills and experience to implement the approach appropriately.

The taxes we pay and collect from other taxpayers such as our employees form a significant part of our overall economic contribution to the United Kingdom.

### 2.3 Minimising exposure to tax risk

We follow a detailed risk management system as part of our internal control processes at the level of the Group, and this is followed by Axter Ltd. As part of that we identify, assess and manage tax risks and account for them appropriately. We implement risk management measures including controls over compliance processes and monitor their effectiveness, with the aim of continual improvement.

As regards transfer pricing, Axter Ltd purchases construction materials from other group companies in other jurisdictions, and also obtains management services rendered by the parent company and intermediate companies down the corporate hierarchy, brand licensing and there may be occasional intra-group sales of assets. Their price is set on an arm's length basis in accordance with OECD principles. These transactions including their pricing are reflected annually in our tax returns and supporting transfer pricing documentation.

### 3. APPROACH TOWARDS TAX PLANNING

#### 3.1 Operational driven approach

As stated above, the Group's aim is to achieve its commercial and industrial objectives so as to make profits on behalf of its stakeholders. It therefore only establishes in a country such as the UK (whether through a one-time project or recurring business) if this is necessary to bring the best quality of service possible to the customers in the country considered, and thereby achieve their commercial and industrial objectives.

Axter Ltd is established in the UK, and does not have any operations in any other jurisdictions.

- We do not use different jurisdictions to gain a tax advantage or otherwise engage in artificial tax arrangements.
- We adhere to relevant tax law and we seek to minimize the risk of uncertainty or disputes with local tax authorities. To that end, as part of our risk management process we seek where appropriate external tax advice to determine the appropriate application of rules.

We note that tax incentives and/or exemptions are sometimes implemented by the UK and other governments in order to support investment, employment and economic development. Where they exist we seek to understand their impact and, if appropriate, apply them in the manner intended.

As an entity, Axter Ltd in the UK is suitable for carrying on our business activities, for complying with the prevailing regulatory environment, and sometimes to meet the requirements of our joint venture partners.

#### 3.2 Global transparency

We recognise that there is a demand from public opinion in the UK and elsewhere for greater tax transparency. We aim to address this through clear and informative tax disclosures in line with OECD (Base Erosion Profit Shifting, action 13) and EU (Shareholders' Rights Directive) proposals. Bouygues Group therefore reports information relating to income taxes in its Registration Statement, such as the effective tax rate, a tax proof and total income taxes paid by the Group worldwide.

#### 3.3 Responsibility to pay tax where profits arise

Axter Ltd's business operations take place wholly within physical locations within the UK, and therefore we pay taxes in the UK where our profits are earned.

### 4. LEVEL OF TAX RISK THAT THE AXTER LTD IS PREPARED TO ACCEPT

In accordance with the Group's Code of Ethics, the degree of tax risk allowed is minimal. The Group does not engage in operations likely to bear an identified tax risk, whatever the economic benefit at stake. Axter Ltd abides by these Group policies. To that end, Axter's finance team proactively evaluates, manages and monitors potential risks to ensure they are properly mitigated. Where a significant uncertainty or complexity arises, they seek external advice and liaise with HMRC where appropriate.

From time to time Axter Ltd's tax positions may be challenged by the Tax Authorities, (potentially due to divergence of interpretation). In such a case, the finance team, together with their professional advisers, ensure that Axter's interest is protected in accordance with the relevant legislation, published guidance and external advice..

Over and above its compliance with UK tax law neither the Group nor Axter Ltd undertakes activities the tax implications of which might lead to reputational damage in the areas of business, investment and public opinion.

## **5. THE APPROACH OF AXTER LTD TO DEALINGS WITH HMRC**

We seek to build and sustain relations with the UK Government, including HMRC, that are constructive and based on mutual respect. We work collaboratively wherever possible with HMRC to resolve disputes and to achieve early dialogue and agreement for certainty purposes. We do our best to respond appropriately and on time to HMRC requests for information regarding transactions or business processes.