

Title Tax Governance and Risk Management policy				Scope Stena AB Group
Doc No 5.0	Security Class Confidential	Date 2018-12-14	Approved by Stena AB Board	Owner Head of Tax



# Tax Governance and Risk Management Policy

## Stena AB Group

### Document Log

Revision	Date	Author	Approved by	Comment	Version valid to latest
5.0	2018-12-14	Mats Carlsson	Stena AB Board		2020-04-30

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## 1 Introduction - Policy scope and objectives

### 1.1 Tax Management Vision

The Stena AB Group (“the Group”) has a mission on tax to take care of our stakeholders in such a way that we nurture a growing trust and generate more and better business. The mission for tax will be achieved by following all of our values and implementing our strategic objectives on tax as set out in the Stena AB Group Tax Strategy document. This Tax Governance and Risk Management Policy document outlines how we will implement our strategic objectives in practice.

Both documents will be revised and updated on an annual basis by the Stena AB Group’s Head of Tax, who is also responsible for ensuring that these are communicated internally through the appropriate channels.

### 1.2 Tax Governance and Risk Management Policy Objectives

Each business unit has its own culture and values, which must be respected and understood. Experience shows that good values create good strategies. We are convinced that we will succeed if we follow our values.

Our customers and wider stakeholders are the forefront of our business and decision-making and we have to ensure that our strategic objectives and values on tax are understood by our employees and implemented effectively in our business processes. This policy document is in place to outline how we will ensure effective implementation. Underpinning this policy document is a framework and structure for an efficient and reliable internal tax function for the Group. This formal process will be focused on pro-actively managing the Group’s worldwide tax position in respect of direct and indirect taxes, on a timely and ongoing basis.

This policy is communicated internally to ensure the Group complies with all applicable current tax and reporting regulations, and pays the correct amount of tax due in accordance with local laws and regulations in the territories where the Group operates. Furthermore this policy also defines the Group’s agreed tax and risk profile. Finally, it also documents the associated monitoring processes and roles and responsibilities to ensure that key controls are carried out properly and on a timely basis.

The contents of this policy document includes:

- **Governance** - a summary of tax ownership and governance.
- **Principal risks** - and the policy for addressing risk. These policies provide the first step in defining how the strategic components of the risk management framework will be implemented in business operations
- **Risk identification and reporting** – including assessment of risk
- **Control and Monitoring Activities** – Control Standards which will support the Principal Risk Policies and outline the control standards by which the policy intent will be delivered.

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This policy sits within our overall tax risk management framework which comprises of the following:

- **Tax Strategy** (*The Stena AB Group Tax Strategy document*) - This outlines our strategic tax objectives and how we set out to achieve these in line with our wider business and growth strategy.
- **Tax Governance and Risk Policy** (*this document - see above for a description of this policy's contents*)
- **Tax Operating Model** – the daily activities that ensure that tax risks are minimised, and opportunities are maximised within our business operations, supported by documented policies and procedures, roles and responsibilities, and manuals where relevant (*see appendix*).

## 2 Governance, structure and organisation

Please see appendix for a diagram of the Stena AB Group structure. This group structure diagram is maintained by the Stena AB Group Accounting function and updated quarterly for any applicable changes.

### 2.1 Governance - Stena AB Tax Department, “Stena Tax”

Stena Tax is ultimately responsible for the Group’s internal tax function, including providing and coordinating international and local tax arrangement, tax compliance and reporting of the tax figures in the quarterly and annual accounts, as well as the internal reporting figures. Moreover, Stena Tax has a responsibility to review and advise on indirect tax matters as well as employee taxes/levies and to secure that proper processes are in place to safe guard the compliance in respect of these taxes and levies.

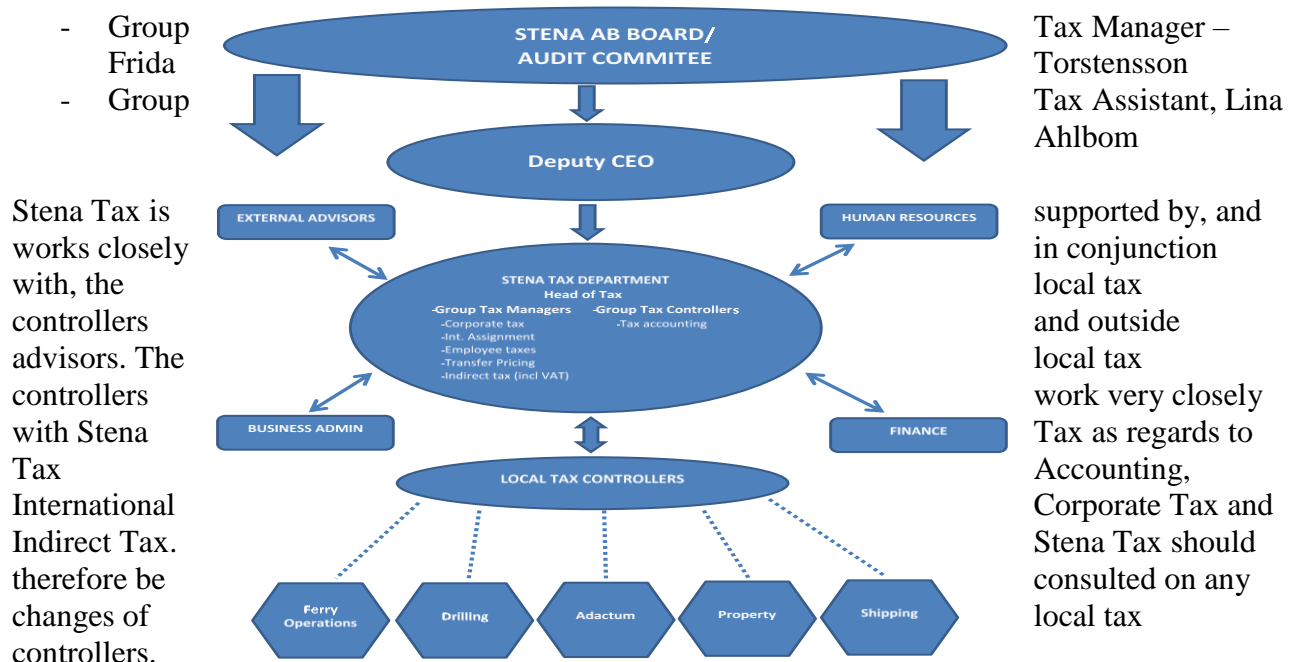
The Group’s tax arrangement and compliance are strongly influenced by Swedish and international regulations which require regular review of the Group structure in order to ensure that this structure continues to be tax efficient from a Swedish and international perspective while still meeting all the regulatory requirements. Because of this, the Head of Tax is responsible for monitoring the legal structure based on commercial objectives.

### 2.2 Stena Tax Roles

All tax function members should act proactively to operate and continually improve the tax risk assessment process. Members of Stena tax team include:

- Head of Tax – Mats Carlsson
- Group Senior Tax Manager – Corporate Tax & Int. Assignment, Anette Engberg
- Group Senior Tax Manager – Transfer Pricing, Lisa Wåhlin
- Group Tax Controller, Elin Melinder

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## 2.3 Stena Tax Responsibilities

In addition to the above, Stena Tax is responsible for:

- maintaining and documenting the tax, legal and commercial substance of the intercompany structure and all major external and internal transactions, including intercompany transfer pricing; see the Stena AB Group Transfer Pricing Policy.
- the income tax calculations for all reporting purposes, including arrangements as well as controlling the timely computation of quarterly and annual local, current and deferred tax and the additional tax information such as cash tax paid, net operating losses and capital losses (where appropriate)
- the Swedish direct and indirect tax compliance and coordinating the foreign direct and indirect tax compliance
- Stena Tax is the primary relationship manager for communication with tax authorities;

Income tax is relevant for every major transaction and reorganisation, so Stena Tax shall be involved as early as ever possible. In order to achieve this, Stena Tax:

- will have regular contacts with Stena AB's (Senior) management:
- will receive the minutes of all board/arrangement meetings, review them and report back, to be mentioned in the next minutes;
- will review quarterly and annual figures and report back to senior and local management;

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- will discuss and promote the importance of a tax efficient structure and its benefits and obligations, including the related tax maintenance and compliance, with senior and local management;
- will coordinate and review all tax accounting and compliance work performed by the local tax controllers or outside advisors.

Stena Tax is also responsible for supporting the Group companies indirect tax obligations, including VAT and other indirect taxes, transaction taxes and employee taxes and social security contributions including international assignment, see Stena AB Group International Assignment Policy. The Group's companies are ultimately responsible for the indirect taxes and the role of Stena Tax will be to increase the awareness of these taxes in the Group's companies and to advise and assist in their tax arrangement and compliance. As regards employee taxes the ultimate responsibility is with the HR function in the Stena AB Group. Stena Tax has a role in respect of these taxes similar to the one they have in respect of indirect taxes.

Stena Tax should be represented in transaction discussions and meetings, with or without external advisor (as appropriate).

## 2.4 Local Tax Controllers

The local tax controllers, being the CFO's or controllers of the Group's companies, will be responsible for:

- keeping Stena Tax informed about any development (transactions, reorganisations etc.) in their companies which could have tax implications and would, therefore, be relevant for Stena Tax;
- the timely computing of their quarterly and annual local, current and deferred income tax and the additional tax information such as cash paid for income tax and tax loss carry forwards;
- make sure that their companies comply with indirect tax regulations and the timely compliance in respect of these taxes
- preparation and maintenance of a tax calendar of all corporate tax filings, due dates and tax payments made in order to secure that the Group company (-ies) comply with dates and deadlines (as decided by Stena Tax);
- for the Swedish companies: the timely preparation of their income tax returns;
- for the non-Swedish companies: assisting the outside advisors in the timely preparation of their income tax returns;
- participating in the Stena AB Tax Controllers Meetings and, as the case may be, in Stena AB Tax Strategy Meetings;
- inform Stena Tax on any material changes in their intercompany transfer pricing for goods and services.

Tax Controllers Meetings will be organised once or twice a year. They can be combined for all the Swedish and foreign companies, or separate for companies in Sweden /outside Sweden respectively.

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The purposes of these meetings are:

- to exchange information and increase communication both ways between Stena Tax and the tax controllers;
- to review and discuss tax issues of common interest;
- to be educational in transferring business information to Stena Tax and tax information to the tax controllers;
- to increase the tax awareness and the tax involvement of the local management;
- to review and discuss the companies' audit reports and major differences between commercial and tax figures.

## 2.5 External Advisors

Stena Tax will engage with external tax advisers where tax law is unclear to ensure compliance and that we meet our statutory and legislative tax obligations.

We will work with external advisors within clearly defined commitments and responsibilities, which will be documented in service level/engagement letters, based on agreed service framework agreements (more information is available at the Stena Tax Intranet Site).

Due to the lower level of tax experience and expertise in some of the group companies, the role of the foreign tax advisors will be more extensive and will furthermore include, in close cooperation with the local tax controllers:

- review of quarterly and annual tax charge (together with Stena Tax and the local tax controller);
- prepare and update the country tax profiles also from Sweden (see below) and rolling issues lists;
- efficient and timely tax compliance (including the preparation of income tax returns);
- substance/maintenance issues, together with Stena Tax and the local tax controllers.

## 2.6 Stena Tax Forum Meetings

The purpose with the Stena Tax Forum Meetings is to focus on business and tax strategic issues, with a more project orientated approach than in previous similar meetings. Such meetings will be held when appropriate, e.g. three times a year and the core group will be small, with two to three representatives from Stena AB Group management and two to three key advisors. Depending on the topic for a particular meeting, additional participants (Group internal and/or external) may be invited to participate.

Prior to all such meetings information and briefings will be distributed to the participants and they are expected to read and consider the information in advance to the meeting. Minutes, including copies of any presentations, from each meeting will be prepared and circulated among the participants.

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## 2.7 Stena Tax Intranet Site

The Stena tax intranet site is developed and used as a joint information sharing, communication and library tool for Stena Tax and the tax controllers. The site will be managed and maintained by Stena Tax. Access and posting rights will be limited as appropriate for the various users.

## 3 Tax Risks

The following is intended to summarise at a high level the tax risk landscape i.e. the types of tax risk that the Group is exposed to, and at a high level how control is operated to mitigate the high level risks.

### 3.1 Tax Risk Statement

This policy includes a risk statement which outlines the level of risk that the Group is willing to accept, and agreed escalation procedures if the level of any identified risks is considered to be too high.

The Group is committed to maintaining the highest possible standards of integrity and compliance with applicable tax laws, regulations and any codes of conduct in the jurisdictions where it operates. As further outlined in this document, the Group does not engage in actions that could entail breaches of tax law, engage in abusive or artificial tax arrangement, engage in any action likely to be construed as tax evasion, or aiding or allowing its customers to use its services to evade tax.

### 3.2 Principle Tax Risks and associated controls

**Compliance Tax Risk** – The risk that what has been done is not reported to the tax authorities on a timely, complete, accurate and transparent basis.

*Associated Control* - The local tax controllers are responsible for informing Stena Tax immediately of any tax investigations/tax audits that are announced or taking place. It is the responsibility of Stena Tax to decide whether and to what extent they want to participate in such investigations. Any material agreements/settlements and/or filing of material documents, with the tax authorities should always be approved in advance by the Stena AB Head of Tax. The local tax controllers are also responsible for informing Stena Tax in advance of any proposed material changes in their intercompany transfer pricing for goods and services. Stena Tax is responsible for advising the companies of potential tax issues related to the proposed changes.

**Financial Reporting Risk** – This risk entail that the reported results are not in accordance with applicable accounting standards or include inconsistent tax assumptions. The risk that the tax charge computed is materially inaccurate in either local accounts or group reporting.



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*Associated Control*- This will be managed by ensuring that Stena Tax monitors changes in the relevant tax law and practice, and undertake regular training in order to assess any consequences for Stena AB Group, with a minimum aim of mitigating any adverse impact. New applicable accounting standards (group or local) used by Stena AB Group require regular review, reporting and coordination with Stena Tax, regarding the tax charges in the accounts and the reliability of their calculation and of the internal tax function, which forms part of the tax compliance responsibilities. Local tax controllers should report any changes in local GAAP to Stena Tax.

**Strategic and Transactional Tax Risk** – The risk that unexpected tax consequences arise as a result of failure to take timely tax advice in relation to a business decision, or that a transaction was not implemented precisely as intended.

*Associated Control*- In as far as appropriate, Stena Tax will develop tax due diligence checklists that can be used for major reorganisations, acquisitions and disposals. It is also the responsibility of the Stena AB Head of Tax to involve the Stena AB Head of Accounting, or the other way around, in significant transactions, in order to ensure their proper treatment for financial reporting purposes. Local tax controllers are responsible to inform Stena Tax about any deviation from the agreed implementation plan.

**Operational Tax Risk** – The risk that tax is not appropriately managed through the ordinary day to day operations of the business, including the launch of new products, the appropriate consideration of ‘business as usual’ matters, or the need to have appropriate tax oversight and resource.

*Associated Control*- Stena Tax will ensure that the business understand that the tax team must be involved throughout from arrangement to implementation to avoid failure in implementation, documentation or maintenance without corrective action. Stena Tax will therefore provide appropriate input as part of regular meetings with business areas, to ensure a clear understanding of the tax consequences. In relation to other day to day material tax risks, Stena Tax has an established risk process which identifies the owners of areas of tax risk which are mitigated by specific key controls.

**Reputational Tax Risk** – The risk that commercial operations are adversely impacted by media publicity regarding tax, or the tax affairs of the Stena AB Group, or that significant management time is required to deal with an increase in enquiries – whether from local tax authorities – or other regulatory or governmental body.

*Associated Control* - Reputational risks related to tax are becoming increasingly important and should be managed. Hence, due consideration will be given to the Group’s reputation, brand and corporate and social responsibilities when any tax initiative is considered. Accordingly, transactions with significant reputational risks must be reviewed by the Stena AB Head of Tax and approved by the deputy CEO. According to the established Communication plan, the deputy CEO is responsible for responding to tax questions from external stakeholders, including the media. However, the avoidance of all tax disputes is realistically, not always possible, and so consistency and transparency across the Stena AB Group is essential. We will ensure that we establish strong relationships with tax authorities, and conduct thorough documentation, particularly of facts, to ensure that we can provide clear and transparent explanations of our position.

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**External Tax Risk** – The risk that external developments in tax are not influenced to benefit our positions, or present an unforeseen cost to the business.

*Associated Control*- An appropriate level of awareness of tax risks and relevant tax developments will exist in the business, with Stena Tax ensuring that they keep updated on any recently adopted, or upcoming, legislation or case law updates. This will often allow a degree of foresight to plan ahead and adapt in light of any influential changes.

## 4 Risk Identification and Reporting

A risk is an uncertain event that, should it occur, would have an adverse effect on achieving our business goals.

### 4.1 Identification and evaluation of tax risk

To assist with the risk identification process a risk process for corporate tax, indirect taxes and employment taxes has been prepared that highlights the key tax risks and mitigating controls that the company is exposed to, taking a top down approach to the assessment.

The local tax controllers are responsible for informing Stena Tax of any significant actual or potential tax exposures, such as major transactions with tax implications (internal reorganisations of assets or companies, purchases or sales of significant assets/businesses/companies, major financial transactions, major audit adjustments, tax audits and litigations, etc.). This should be done as early as possible on an individual transaction basis, or at the latest before the close of the immediate following quarter. The information process should be documented in an e-mail or, if applicable, reported through the Stena AB Group reporting system.

It is the responsibility of the Stena AB Head of Tax to ensure that these (potential) tax exposures are further investigated internally and/or using outside advisors, and that any tax advice or considerations are properly documented and reported back to the relevant local tax controller on a timely basis.

## 5 Control Activities and Monitoring

### Tax Risks and Controls Matrices

The documented controls are monitored and assessed by the control owners on a regular basis.

### Internal Audit

The internal audit function has the right and the obligation to review any areas of tax.

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The internal audit function should report to Stena Tax any tax risks identified and/or any other tax related findings.

On occasion, Stena Tax will utilize the internal audit function to review certain identified items of tax risk and/or areas of tax risk.

### External Audit

Taxes are also an important part of the yearly audit process. Stena Tax will support our external auditors with relevant information and communication to safeguard a smooth and accurate audit in accordance with the yearly audit plan.

## 6 Tax Operating Model- Applying the Policy

### *Policy Implementation Documentation*

*As referenced throughout this policy there are a number of guidance documents and templates that collectively assist the Tax Team, and those with responsibilities for tax to implement the Tax Strategy and the Tax Governance and Risk Policy. Whilst it would be impractical to attach all as an appendix to this document a summary of these documents will be provided by Stena Tax / Internal audit department / Local tax controller*

## 7 Supporting documents

1. Stena AB Group Tax Strategy
2. Stena AB Group Transfer Pricing Policy
3. Stena AB Group International Assignment Policy