A. Tax governance

The principal management and policy-making body of the Carbon Trust is the Group Executive Committee which comprises of eight people including the 3 Executive Directors, the Directors of our key Business Units, General Counsel and Head of People and Marketing Director. The ultimate decision-making body is the Board of the Carbon Trust which comprises of six non-executives (including the Chair) and three Executives Directors. Accordingly, the Board has overall responsibility for the Tax Strategy and Policies.

The Board has delegated certain aspects of financial control to the CFO and senior members of the Finance Department. The day-to-day responsibility for taxation lies with the Finance team who work with operational colleagues and external advisers to ensure that tax reporting, compliance and risks are managed appropriately.

The Carbon Trust’s Tax Strategy is applied consistently to all companies within the worldwide group and, is regularly reviewed and updated where necessary to reflect changes in the Group’s business and approach to taxation generally.

The policies for conducting our tax affairs are aligned with the three-year strategic plan and are underpinned by robust standards of corporate governance and a comprehensive risk management framework. We are committed to managing our tax matters according to the following principles:

1. Comply fully with all relevant laws, rules, regulations, statutory reporting and disclosure requirements wherever we operate
2. Ensure that the tax strategy is at all times consistent with the relevant multi-year strategic plan, including Mission Impact goals, risk tolerance and our Values
3. Apply professional diligence and care in the proactive management of all risks associated with tax matters, and ensure that governance and assurance procedures are appropriate
4. Foster constructive, professional and transparent relationships with tax authorities, based on principles of integrity and collaboration

B. Risk management

Tax risk in this context deals with:

- Compliance risk - the risk that The Carbon Trust fails to meet its obligations to file returns and other tax related reports or correctly calculate, collect and pay tax to tax authorities at the appropriate time;
- Interpretation and transactional risks – including the risk that The Carbon Trust’s interpretation of the law and/or regulations is not correct or that transactions are implemented without full consideration of all the tax consequences.

The Carbon Trust group seeks to minimise its exposure to tax risks through involvement of the Finance department in all major business decisions that may have a potential tax implication, and major transactions, whether new or on-going, and for any material changes in business through regular communication in different forms between the Finance team and the business.

Different members of Finance are responsible for the tax and accounting of different business units and locations, with oversight provided by the Head of Finance and CFO. The Carbon Trust’s Finance department is staffed with appropriately qualified individuals, who along with their own knowledge, rely
on advice from externally advisers to keep them up-to-date with changes in legislation, interpretation and best practice.

If the tax treatment of specific transactions or other matters is uncertain, requires external consideration or confirmation, or involves a specialist area of taxation for which Carbon Trust’s Finance team does not have the necessary knowledge, then professional advice is sought from suitably qualified, external advisors. This is especially the case in overseas jurisdictions where most compliance related matters are managed by external professional advisors.

Internal control procedures and processes exist within the Finance department and its accounting system with the aim of ensuring taxation returns and submissions are accurate and complete and are subject to appropriate levels of internal review prior to their submission.

The identification, management and control of tax risk will be reviewed whenever required, including whenever the tax control environment changes. The CFO is responsible for ensuring policies and procedures are in place, maintained and adopted throughout the business.

C. Attitude to tax planning and level of risk

The Group is a responsible taxpayer in line with relevant jurisdictional legislation and guidelines, based on professionally executed tax compliance and legitimately advised tax planning.

Tax risk is one of the commercial risks that the Group is exposed to because of its worldwide activities. Management of tax risk aims to ensure that the Group pays and collects the correct amount of tax and meets local reporting and disclosure requirements whilst meeting its business objectives.

Our tax personnel and advisors seek to provide clear, timely and relevant tax advice. As a Group we will seek to claim available exemptions or tax reliefs where, in our view, the necessary conditions to make such claims are met.

The Carbon Trust does not enter into artificial arrangements in order to avoid taxation or to defeat the stated purpose of the legislation. As a general principle, we ensure that we have people and resources in every country where we do business commensurate with the activities carried on there. Throughout the Group, tax is paid in the country in which the value arising from our presence is earned.

Clear and robust conclusions are required on both the level of risk and how the risk should be managed to ensure compliance with its statutory obligations and in a manner which facilitates payment of the correct amount of tax. In circumstances where the correct amount of tax amount may not be clearly defined, or where an alternative interpretation or application of tax law might result in different tax outcomes, the risk will be assessed in a controlled manner, applying best judgement to determine the appropriate course of action. This will usually involve seeking advice from external professional advisers in support of our decision-making process.

D. Relationship with tax authorities

The Carbon Trust aims to have a constructive and transparent relationship with HMRC and the other tax authorities it interacts with. If the group undertakes significant, new transactions or new, material operations for which the taxation treatment is uncertain or if a change in legislation, interpretation or practice could impact an existing or past taxation treatment taken, the group will seek to obtain confirmation of such treatment from HMRC or the applicable tax authority. Further, any inadvertent errors in returns and submissions are fully disclosed as soon as reasonably practicable after they are identified.