

## **Bertelsmann UK Group**

### **Publication of Group Tax Strategy as it relates to UK taxation under Sch. 19 Finance Act 2016**

#### **Financial year ended 31 December 2019**

Bertelsmann UK Ltd (BUK) and the companies listed on Appendix I are UK members of the Bertelsmann group of companies headed by Bertelsmann SE & Co KGaA (BKG), a German resident company.

Under Sch 19 Finance Act 2016 the UK group of BKG is required to publish its tax strategy as it relates to UK taxation for the year ended 31 December 2019 setting out:

- The approach of the group to risk management and governance arrangements in relation to UK taxation;
- The attitude of the group towards tax planning (so far as affecting UK taxation);
- The level of risk in relation to UK taxation that the group is prepared to accept; and
- The approach of the group towards dealings with HMRC.

BKG, as a worldwide group, has established a risk management, integrity and governance framework which applies to all its commercial and legal operations including taxation. The fundamentals of this framework are embodied in the Bertelsmann Essentials and the Bertelsmann Code of Conduct. These documents state that:

“Our businesses are managed in accordance with the spirit and the letter of the law” (Citizenship Core Values - Bertelsmann Essentials); and

“Compliance with all applicable local, national and international laws and regulations wherever we do business is critically important to the success of our companies worldwide” (Bertelsmann Code of Conduct).

The risk management, integrity and governance frameworks have been implemented through a series of policies and guidelines issued by BKG’s Executive Board including Group Tax Guidelines, which sets out how it expects group companies to manage their tax compliance risks. Specifically, the Group Tax Guidelines contain the following strategy objectives in relation to taxation:

- Ensure there are no criminal law risks for the Bertelsmann Executive Board and Directors of group companies;
- Ensure there is no damage to the reputation of the group; and
- Optimise the tax position but with unconditional observance of applicable laws.

The principles embodied in the Group Tax Guidelines apply equally to UK group members as they do to all other countries in which the group operates. However, in relation to the matters specifically required by Sch 19 Finance Act 2016 the UK group can augment these statements as follows.

## ***The approach of the group to risk management and governance arrangements in relation to UK taxation***

BKG's Executive Board has established overall risk management, integrity and compliance and governance guidelines. These cover a range of matters including taxation. The Executive Board is responsible overall for tax matters and has formed a Group Tax Department to establish a tax risk management process and to manage those risks on a day to day basis. That risk management framework creates clearly defined reporting lines to the Executive Board should a taxation risk occur.

The Group Tax Department includes experienced members of staff located in the UK in order to deal with UK taxation compliance for the UK Group. This requires the UK tax department to actively seek to identify, evaluate, monitor and manage taxation risks in order to ensure they remain aligned with the strategy contained in the Group Tax Guidelines. This is achieved by working closely with both the UK businesses and HMRC in order to understand the commercial transactions of the group and how they should be treated for UK taxation purposes. Should there be any significant uncertainty or complexity in relation to taxation risk, external advice may be sought. The UK tax department also works closely with the UK Group's Senior Accounting Officers in order to ensure each division is taking a consistent approach to taxation despite the group's diverse portfolio of companies.

## ***The attitude of the group towards tax planning (so far as affecting UK taxation)***

We are committed to compliance in all our taxation affairs which means paying the right tax at the right time. That involves disclosing all relevant facts and circumstances to HMRC and claiming applicable reliefs and incentives where available based on the commercial transactions of the group. We will seek to optimise the tax position but without adopting positions which rely on an unintended interpretation of the law. We will adopt the decisions of the UK or EU Courts in relation to UK taxation where relevant to our circumstances in order to ensure that our affairs are taxed consistently and fairly with other taxpayers. Where there is a genuine choice in achieving the same commercial objective the group will take the tax position in to account along with all other relevant non-taxation factors.

## ***The level of risk in relation to UK taxation that the group is prepared to accept***

BKG is a privately owned family corporation. Part of its share capital is owned by the Bertelsmann Stiftung. The Stiftung undertakes projects in education, social affairs, health, economics and culture. Bertelsmann takes the long term view in the management of its operations in order to secure the future of the family's investment and the Stiftung's activities. In accordance with our worldwide Group Tax Guidelines the UK group will not take positions on tax matters that may create reputational risk or jeopardise our good standing with the tax authorities. The adoption of high risk taxation positions is therefore incompatible with this objective. As such the group does not undertake any artificial transactions designed to seek a tax advantage or enter into any marketed tax avoidance schemes. In order to ensure that UK taxation risk is maintained at the required level the Group Tax Guidelines mandate that a range of taxation issues must be dealt with by the UK tax department including, inter alia, all M&A transactions and transfer pricing matters.

## ***The approach to the group towards dealings with HMRC***

The UK group of companies listed on Appendix I have a large business relationship with HMRC. This results in a formal risk assessment of the group by HMRC on a triennial basis. The UK Group values this approach as it allows HMRC to gain a deeper understanding of the UK companies and their commercial operations. It also provides a record of our governance and compliance history. Throughout the three year period the group holds regular (quarterly) meetings and calls with HMRC in order to discuss and deal with any issues in real time. We engage with HMRC throughout with honesty, integrity, respect and fairness and in a spirit of co-operative compliance. A regular and open dialogue with HMRC, working proactively, means both the UK Group and HMRC have greater certainty over our UK taxation affairs. Should HMRC raise any written queries on the UK Group we seek to respond promptly and completely. We will also volunteer information and presentations from time to time which may assist HMRC in understanding our business and be of relevance for their risk assessment procedures.

Bertelsmann regards the publication of this document as satisfying its obligations under section 19(4) Sch 19 Finance Act 2016 for the year ended 31 December 2019.

Gütersloh and London

December 2019

### **UK group companies of Bertelsmann SE & Co KGaA**

#### **For the year ended 31 December 2019**

Bertelsmann UK Ltd

#### ***Arvato***

Arvato Financial Solutions Ireland Ltd  
Arvato Financial Solutions Ltd  
Arvato Government Services Ltd  
Arvato Public Sector Services Ltd  
Arvato Ltd  
Arvato CRM Ltd  
Arvato Systems UK & Ireland Ltd  
Arvato SCM UK Ltd (previously Stok UK Ltd)

#### ***BMG Rights Management***

BMG Production Music (UK) Ltd  
BMG Rights Management (UK) Ltd  
BMG VM Music Ltd  
BMG Rights Management Services (UK) Ltd  
Chrysalis Holdings Ltd  
Deep East Music Ltd  
The Echo Label Ltd  
Infectious Music Ltd  
Loaded Records Ltd  
Mute Records Ltd  
Ram Records Ltd  
Sanctuary Records Group Ltd  
Stage Three Music (Catalogues) Ltd  
Stage Three Music Publishing Ltd  
Union Square Music Ltd  
World Circuit Ltd

#### ***Penguin Random House***

The Book Service Ltd  
Caterpillar Books Ltd  
Children's Character Books Ltd  
Dorling Kindersley Ltd  
Flaname 0 to 8 Ltd  
Frederick Warne & Co Ltd

Ladybird Books Ltd  
Little Tiger Group Ltd  
Little Tiger Press Ltd  
Mainstream Publishing Co (Edinburgh) Ltd  
Penguin Books Ltd  
Penguin Random House Ltd  
The Random House Group Ltd  
Salspot Ltd  
Snowdog Enterprises Ltd  
Snowman Enterprises Ltd  
Stripes Publishing Ltd  
Ventura Publishing Ltd  
Woodlands Books Ltd  
Virgin Books Ltd

## ***RTL Group***

Arbie Productions Ltd  
Dublin Murders Production Ltd  
Euston Films Productions Ltd  
FremantleMedia Group Ltd  
FremantleMedia Ltd  
FremantleMedia Overseas Ltd  
Fremantle (UK) Productions Ltd  
Retort Productions Ltd  
RTL AdConnect (UK) Ltd  
RTL Group Support Services Ltd  
SpotXchange UK Ltd  
Stylehaul UK Ltd  
UFA Fiction Ltd  
Yospace Enterprises Ltd  
Yospace Technologies Ltd

## ***Gruner & Jahr***

GJ International Media Sales Ltd  
Gruner & Jahr Ltd

## ***Others***

Bertelsmann Accounting Services Ltd  
Bertelsmann Corporate Services Ltd  
Prinovis UK Ltd  
Relias Learning Ltd  
Prestel Publishing Ltd