

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 2020

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 2020 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 2020.

Gütersloh and London

December 2020

UK group companies of Bertelsmann SE & Co KGaA

For the year ended 31 December 2020

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

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
Naked Television 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

Others

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