

Approach To Tax

Financial Year April 2017 - March 2018

Introduction

This document sets out the tax strategy for the Kuwait Petroleum UK Group of Companies (Q8 UK Group), which consists of the following entities:

- Kuwait Petroleum (U.K.) Holdings Limited
- Kuwait Petroleum International Limited
- Kuwait Petroleum International Aviation Company Limited
- Kuwait Petroleum International Aviation Company (U.K.) Limited
- Kuwait Petroleum International Lubricants (UK) Limited
- Kuwait Petroleum Lubricants Limited (*dormant*)
- Kuwait Petroleum International Treasury Services Limited (*dormant*)
- The UK Branch of Kuwait Petroleum Corporation (*a company resident in Kuwait*)

The Q8 UK Group regards the publication of this document as complying with the duty under paragraph 16(2) of Schedule 19 Finance Act 2016 to publish the UK tax strategy for the current financial year.

Tax strategy and guiding principles

The Q8 UK Group is part of Kuwait Petroleum Corporation, one of the leading energy companies in the world. We operate in many jurisdictions and our business activities contribute to economic growth by creating and sustaining jobs, supporting markets and through the payment of taxes. We believe that responsible tax behaviour is an essential element in order to create value not only for ourselves but also for all of our stakeholders.

Our business activities in the UK and elsewhere generate a variety of tax liabilities such as corporate income taxes, indirect taxes (e.g. VAT and customs duties) and employment taxes. All of these taxes form part of our contribution to the economies in which we do business.

The Q8 UK Group appreciates that tax legislation can be subject to interpretation and we have appropriate checks and controls in place to ensure a defensible and optimal approach. A tax policy is in place describing the management of tax.

Tax risk management and governance

A tax control framework has been developed to ensure that the aforementioned approach to tax can be achieved in the UK. This framework is a tax management tool providing for an overview of risks and controls which should ensure that Q8 UK Group's tax position is controlled in a preventive and detective way.

Ultimate responsibility for tax lies with the Boards of Directors of the relevant Q8 UK Group companies and also with the Senior Accounting Officer. Responsibility also sits with the individuals who, under delegated authority, sign off on tax positions taken.

The above individuals are supported by an internal tax team. In addition, external tax advisors are engaged to support the management of corporation tax compliance and payroll tax compliance. Furthermore, external advice is taken to ensure complex tax issues are understood and adequate processes are put in place to manage tax compliance.

Attitude towards tax planning and appetite for risk

The Q8 UK Group does not engage in artificial tax arrangements and seeks to minimise the risk of uncertain tax positions. We conduct intra-group transactions on an arm's length basis in accordance with the internationally accepted transfer pricing rules and guidelines. Where it is appropriate to do so, the Q8 UK Group structures its affairs tax efficiently. Tax optimisation is based on the following principles:

- Commercial rationale
- Appropriate internal and/or external tax advice
- Advance certainty where appropriate

All decisions must be approved internally and our internal controls include the following checks:

- Authority to implement
- Peer review
- Proper tax compliance and accounting

The Q8 UK Group supports the OECD project on Base Erosion and Profit Shifting including country-by-country reporting to HMRC and other tax authorities. We adhere to transparency regulations.

Relationship with HMRC

The Q8 UK Group's intention is to maintain a high level of contact with HMRC. This will include proactively informing them of activities, obtaining guidance on legislation and issues identified and providing appropriate access to our staff and systems as required for tax audit purposes.

Any inadvertent errors in relation to tax filings are fully disclosed as soon as is reasonably practicable after they have been identified.

The Q8 UK Group maintains an open relationship with the HMRC Client Relationship Manager.