



RSA UK Subgroup Tax Strategy 2022

Introduction

This tax strategy applies to the UK subgroup of companies of the worldwide group headed by Intact Corporation Inc (“Intact Group”).

The UK subgroup (“RSA Group”) is headed by Regent BidCo Limited, a UK company set up by the Intact Group which subsequently acquired the RSA Group on 1 June 2021. The RSA Group now comprises the legal entities and operations that were previously referred to as the “UK & International” in the former RSA Group. This includes legal entities in the UK, Channel Islands, Isle of Man, Ireland, Luxembourg, and the Middle East. References to Group or RSA hereafter refer to the RSA Group and not the wider Intact Group.

RSA regards the publication of this tax strategy as complying with its duty under paragraph 16(2) of Schedule 19 to the Finance Act 2016 to publish a group tax strategy.

Overarching statement

RSA Group’s overall tax strategy is to manage its tax affairs in a legally compliant, responsible and proactive manner.

Governance

Responsibility for tax strategy, policy and the management of tax risk rests with the Board of RSA Insurance Group Limited (‘the Board’). The Audit Committee (‘AC’) has delegated authority from the Board for oversight of the integrity of the Group’s financial statements and reporting process. In this context, Tax strategy and risk is part of the AC’s overall remit, with the committee receiving updates on significant tax risks and developments. This tax strategy was approved by the AC in November 2021, as part of the annual review.

The Board Risk Committee (‘BRC’) is authorised by the Board to oversee the risk management arrangements of the Group. The BRC ensures that the material risks facing the Group have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively. Tax risks are included within this process to the extent they are material to the Group.

The UK&I CFO has executive responsibility for all tax matters. The day-to-day responsibility for the operation of the UK & International tax function rests with the Head of UK Tax and Head of International Tax respectively, who report directly to the Chief Tax Officer in

Canada. The UK and International Heads of Tax are supported by tax teams which include tax professionals with appropriate qualifications, training and expertise.

The tax strategy is supported by a Group Tax Policy which sets out specific controls for managing and reporting on a wide range of tax risks across the RSA Group. The Group Tax Policy was approved by the Board Risk Committee (“BRC”) in January 2021 and will be implemented across the RSA Group in 2022. Each region is required to report tax risks to Group Tax and the Risk team on a quarterly basis with regular updates provided to the BRC and AC.

Tax risk management

The Group’s approach to tax risk management is to set a tax strategy that provides a framework for an aligned approach. Tax risks are identified, monitored and managed through a range of processes and controls. The diagram below summarises our overall approach to tax risk management.



Attitude towards tax planning and level of risk

Tax is considered as part of every major commercial transaction undertaken by the Group. When entering into commercial transactions, RSA seeks to manage its tax affairs efficiently in full compliance with the law. Tax planning and utilisation of tax incentives or other reliefs are only carried out where:

- there is a business and commercial objective
- they do not carry a significant reputational or stakeholder relationship risk;
- they are not contrary to the policy objectives of the relevant government; and
- they are within Risk Appetite

Tax filings are based on a sustainable interpretation of the law. RSA obtains third party advice where the tax position is uncertain, and the amount of tax is significant.

RSA is committed to paying all taxes that are legally due. The Group has zero tolerance for tax evasion and we are committed to preventing its facilitation by our employees or third parties.

In 2017, the UK introduced new legislation makes companies criminally liable if a person associated with the company facilitates tax evasion and the company did not have reasonable prevention procedures in place. RSA carries out risk assessments and has put appropriate procedures in place in order to comply with the law.

RSA operates a system of tax risk management and controls to reduce tax risk as far as practicable and to ensure that any residual tax risk is within Group appetite. Risk Appetite is set by the Board Risk Committee and tax risk is considered within that framework.

Low tax rate jurisdictions

RSA does not use entities in tax havens to divert taxable profits away from the UK or other territories.

We operate in the following jurisdictions which have a headline corporate tax rate of 10% or lower: Guernsey, the Isle of Man, Bahrain and the United Arab Emirates. In all of these jurisdictions, we operate trading companies/branches which are staffed locally and serve the local market.

The Group has various overseas holding companies which exist for historical reasons and are not used to avoid tax.

Transfer Pricing

RSA follows the OECD's principles on transfer pricing and other international tax matters to ensure we pay tax in the jurisdictions based on the economic value created. Our policy is that all cross-border transactions between RSA group companies are priced on arm's length terms and documented in accordance with the requirements of local tax legislation and OECD transfer pricing guidelines. Where, by exception, transactions are not on an arm's length basis, then an appropriate adjustment is made in the relevant tax return and fully disclosed.

Relationship with tax authorities

RSA aims to have an open and transparent relationship with the tax authorities in the key jurisdictions in which it operates. The nature of the relationship can, however, vary between jurisdictions depending on the tax authority approach to engagement with taxpayers.



In the UK, we engage with HMRC on a real time basis, holding regular meetings to cover developments in RSA's business, tax risks and interpretation of the law. We share details of significant transactions and changes in the business and seek to discuss any tax issues arising at an early stage.

HMRC have assessed RSA's UK business to be Low Risk as a result of their Business Risk Review ("BRR") in 2018. HMRC's BRR approach was updated in 2019 and four risk ratings now apply (low, moderate, moderate-high and high). This replaced the binary risk rating system (low or not low). RSA's next review is due in 2022 and will remain low risk until that review takes place.

When submitting UK tax computations and returns to HMRC, RSA discloses all relevant facts and identifies any transactions or issues where we consider there is potential for the tax treatment to be uncertain.

Total Tax Contribution

RSA Group is committed to complying with all statutory tax filing and payment obligations. The payment of taxes arising from our activities is an important part of the RSA Group's contribution to the societies in which we operate. The Group's total tax contribution in 2020 is disclosed in the RSA Insurance Group 2020 annual report.

Date of publication: March 2022