RSA Group Tax Strategy

Introduction

This tax strategy applies to the worldwide group of companies headed by RSA Insurance Group plc (together referred to as 'RSA' or 'the Group'). RSA Insurance Group plc 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 the group tax strategy.

Overarching statement

RSA seeks to act with integrity and have a positive impact on society. In this context, RSA's overall tax strategy is to manage its tax affairs in a responsible and proactive manner that is consistent with our Corporate Responsibility Strategy and in line with Group Risk Strategy and Appetite.

Governance

Ultimate responsibility for tax strategy, policies and the management of tax risk rests with the Group Board ('the Board'). The Group Audit Committee ('GAC') has delegated authority from the Board for oversight of the integrity of the Company's financial statements and reporting process. In this context, Tax strategy and risk is part of the GAC's overall considerations and the committee receives updates on significant tax risks and developments. This tax strategy was approved by the GAC in November 2020, 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 Group CFO has executive responsibility for all tax matters. The day-to-day responsibility for the operation of the Tax function rests with the Group Tax Director, who reports directly to the Group CFO. The Group Tax Director is supported by the Group and regional tax teams in core territories. The tax teams are staffed by tax professionals with appropriate qualifications, training and expertise.

Our 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 group during 2021. 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 GAC.

Tax risk management

The Group's approach to tax risk management is to set a tax strategy that provides a framework for an aligned global 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.

Group Tax Strategy

Group Tax Policies

Tax Risk Framework		
Key Tax Risks	**Risk Management**	
➢ Financial Reporting ➢ Tax filings ➢ Transactions ➢ Law change ➢ Reputation ➢ Transfer Pricing	✓ Financial Control Framework ✓ Senior Accounting Officer Controls ✓ Maintenance of tax risk register ✓ Review internal and external transactions ✓ Qualified and Experienced Tax team ✓ Business Partnering Roles	✓ Obtain External advice ✓ Monitoring tax law change ✓ Involvement with industry bodies ✓ Internal audit ✓ Annual review of Tax Strategy and Policy ✓ Transparency and documentation

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 manages its tax affairs efficiently in 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 Group Risk Appetite and consistent with our Corporate Responsibility Strategy.

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 has carried out a global risk assessment and 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. Group 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 seeks 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 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 will be updated from October 2019 with four risk ratings (low, moderate, moderate-high and high) and this replaces the previous binary risk rating system (low or not low). RSA's next review under the new BRR process is due in 2021 and it 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.

It is increasingly common to see legislation requiring the disclosure of transactions to tax authorities, where they meet certain tests (or have certain hallmarks). Most recently the EU has introduced a Mandatory Disclosure Regime which requires disclosure of relevant transactions from 2020 onwards. RSA is implementing processes to ensure compliance with these new EU disclosure requirements.

Total Tax Contribution

RSA is committed to complying with all statutory tax filing and payment obligations globally. The payment of taxes arising from our activities is an important part of the Group's contribution to the societies in which we operate. To aid in understanding of the Group's total tax contribution the amounts of tax paid and collected from 2017 onwards are disclosed in separate documents on our website.

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