



## **NSG Group Taxation Strategy**

## Contents

1. Introduction.....	3
2. NSG Group Tax Objective.....	4
3. Tax Governance.....	5
4. Tax planning and risk management.....	6
5. Relationships with tax authorities.....	7
6. Group effective tax rate.....	8

## 1. Introduction

The NSG Group (Nippon Sheet Glass Company, Limited (“NSG”) as ultimate parent company and its subsidiaries undertakings, hereinafter collectively referred to as “the Group”) taxation strategy sets out the Group’s approach to achieving its tax objective.

This strategy is prepared for the following purposes:

- ✓ To define the Group’s tax objective
  - ✓ To define an approved approach to tax management across the Group, including the Group’s approach to tax planning, tax risk management and relationships with local tax authorities
  - ✓ As a reference for NSG managers to assist in their understanding of the Group’s tax strategy
- To aid understanding of external parties, including local tax authorities, of the Group’s tax strategy

The Group intends this tax strategy document to satisfy any statutory responsibilities it may have in certain territories to publish a tax strategy. The statements in this strategy apply equally to all territories in which the Group operates.

The NSG Group tax strategy applies to all forms of taxes payable by the Group, including direct taxes, indirect taxes, payroll based taxes, customs duties etc.

## 2. NSG Group Tax Objective

The NSG Group taxation strategy sets out the approach to complying with the NSG Group tax objective as set out below.

### **NSG Group tax objective**

**The NSG Group aims to ensure clear and demonstrable compliance with the applicable taxation laws established in the territories in which the Group operates.**

The Group tax objective is approved by the Board of Directors of NSG.

To achieve the above overall objective, the Group organizes its tax arrangements to adhere to the following values and principles:

- This tax objective is consistent with the Group's Vision of **"Changing our surroundings, improving our world"**. The Group recognizes the role that the taxes it pays have in enhancing the lives of the poorest people in the territories in which it operates.
- This tax strategy incorporates all of the Group's core values, particularly, **"Exemplify trust & integrity, and Ensure efforts to serve society"**.

The Group's tax strategy, as set out in this document, details how the Group aims to achieve the above objective. This covers the following areas:

- Tax governance
- Tax planning and risk management
- Relationships with tax authorities
- NSG Group effective tax rate

### 3. Tax Governance

The Group's tax strategy is originally approved by the **Board of Directors of NSG**, and is further notified to and confirmed annually by **its Audit Committee**.

The **Chief Financial Officer** has responsibility for ensuring compliance with the Group tax strategy. Day-to-day responsibility for ensuring compliance is delegated to the **Head of Tax**. The **Head of Tax** reports annually to the Audit Committee to confirm that the tax strategy has been complied with during the previous financial year. If applicable, any areas of potential non-compliance are notified to the Audit Committee in advance in order for it to consider an appropriate course of action in a timely manner.

The **Head of Tax** is responsible for managing the Group Tax function, which is a part of the Group Finance function. The **Head of Tax** must ensure that adequate resources exist within the Group's taxation function, with appropriate levels of technical skill and relevant experience to ensure compliance with the Group's tax objective. Specialist external tax advisors are utilized where required for both tax compliance and tax risk management purposes. The selection and performance of such advisors is the responsibility of **Head of Tax**.

Roles and responsibilities within the Group Tax function are clearly defined. The Group Tax organization chart is readily accessible to NSG employees, promoting open access to NSG tax specialists when required by local finance staff. The **Group Tax Controller** reports to the **Head of Tax** and is responsible for many of the operating aspects of the Group Tax function. This includes management of tax audits, maintenance of tax documentation, and responsibility for many of the tax specialists within the Group Tax function.

The Group operates in a variety of territories across the world. The Group has significant businesses in Japan, the U.K., the U.S.A., and Germany, and therefore employs in-house specialist tax managers in these locations. In other territories, the Group assigns responsibility for tax compliance to local shadow tax managers, who undertake to ensure adherence to the Group's tax objective within their assigned territory in addition to their other, non-tax, responsibilities. The Group Tax function is responsible for providing appropriate training and support to local shadow tax managers to enable them to undertake their tax responsibilities appropriately.

## 4. Tax planning and risk management

Tax risk arises from entering into transactions that have an uncertain tax outcome. In general, the Group seeks to reduce these tax risks through the following mechanisms:

- ✓ Undertaking only transactions that fairly reflect the economic substance of the Group's core businesses, within the territories that those businesses operate
- ✓ Setting transfer prices for internal transactions on an arms-length basis (subject to local regulations), in compliance with OECD guidelines, reflecting the relative risks undertaken and economic value added, by each of the internal parties to the transaction
- ✓ When appropriate, seeking to negotiate Advanced Pricing Agreements (APA' s) with local tax authorities
- ✓ Maintaining, where possible, simple legal entity hierarchies

The Group will consider the tax consequences of its transactions as a factor in its planning processes, but will not undertake tax driven transactions, created with the primary purpose of reducing the Group's taxation charge. In the event of a conflict, commercial considerations will always take precedence over the tax consequences of a transaction. The Group's internal governance is not prescriptive on any particular level of tax risk that the Group is prepared to accept when considering a transaction. By engaging only in transactions that have genuine economic substance, the Group aims to manage its future tax risks to minimize the chances of a future unexpected tax charges relating to historical transactions.

Tax risk also arises from errors in day-to-day tax processes such as payroll tax and indirect tax reporting. In general, the Group seeks to reduce these tax risks through maintaining a fully-functioning tax risk management framework which is supported by a robust set of documented controls.

## 5. Relationships with tax authorities

The Group aims to maintain an open and co-operative relationship with the tax authorities in the territories in which it operates. This is expected to be achieved through:

- ✓ Providing reasonable access to local NSG senior managers and, where appropriate, NSG Group level senior managers
- ✓ Responding to questions in a timely manner
- ✓ Maintenance of appropriate taxation documentation, including, but not limited to, transfer pricing master files and local files
- ✓ Ensuring internal tax controls meet or exceed minimum regulatory standards
- ✓ In certain circumstances, agreeing positions on significant tax matters or unusual transactions in advance of returns being filed

The Group conducts open and honest business dealings, recording transactions consistent with the economic substance of that transaction. The Group believes in working in a transparent and collaborative way with tax authorities. Consequently the Group aims to be considered as a low-risk tax payer by the tax authorities in the Group's main business regions.

## 6. Group effective tax rate

With the Group's Vision of "**Changing our surroundings, improving our world**", the Group aims to maximize the long-term, sustainable value generated for the benefit of its shareholders, by developing high value-added products and continually improving its core operating profitability. The Group views this as being entirely consistent with its tax objective, set out above.

By achieving sustainable profits across all territories that it operates in, the Group intends to maintain a steady and predictable underlying effective tax rate based on the tax rates of those territories. The Group will focus on improving profitability in regions where it has been previously relatively unprofitable, thus resulting in the utilization of brought-forward tax losses generated in previous periods. Through this, the Group aims to generate taxable profits based on the economic substance of its operations in each of the major territories in which it conducts business.