

Bakkafrost Scotland Limited (“BFS”), a wholly owned subsidiary of Bakkafrost P/F, is a fully integrated salmon farming business operating exclusively in Scotland with 60 sites across the West Coast of Scotland and Hebrides. We employ over 600 staff across remote and rural communities and are passionately committed to the environmental, cultural and economic sustainability of rural Scotland.

Our purpose is to deliver responsible business growth to become Scotland’s leading fresh food producer. Responsibility is at the heart of our strategy and embedded in our Core Values of Provenance, Passion and Respect. BFS’s tax strategy is aligned to our core values and we are committed to compliance with applicable tax legislation.

Publication of this Tax Strategy is regarded as complying with the duty under para. 19, sch. 19 of Finance Act 2016.

### **Tax contribution**

We are proud of the contribution we make to the Scottish economy and the jobs that we create in rural Scottish communities. This extends to the significant amount of taxes that we pay and collect through our business operations.

Our principal tax contribution is in respect of corporation tax on our profits and significant employment taxes and national insurance contributions borne and collected in respect of our 600 employees. BFS’s sales are predominately zero-rated for Value Added Tax (“VAT”) purposes and therefore VAT does not form a significant part of BFS’s overall tax contribution.

### **Governance and risk management**

The BFS tax strategy is owned and approved by the Bakkafrost P/F Board of Directors and has been developed with the support of the BFS finance team. The BFS finance team are responsible for maintaining and updating the tax strategy in response to changes in the organisation or tax legislation and amendments will be subject to Board approval.

The Bakkafrost P/F Board of Directors takes the lead in establishing BFS’s governance and risk management culture and oversees our approach to tax risk. We look to manage tax risk in line with other commercial risks that the group is subject to, ensuring a consistent approach to risk management across the business.

Due to the continued commercial success of our business, BFS will comply with additional tax governance requirements such as the Senior Accounting Officer (“SAO”) legislation from 2020. As such, we are committed to establishing appropriate tax governance and risk management arrangements that are appropriate to BFS’s size and regulatory framework. BFS regularly reviews processes and controls for tax, updating these in line with best practice and relevant changes to the tax laws and regulations.

Day to day management of UK tax matters is overseen by the UK Head of Finance with assistance from the Finance Manager and carefully chosen advisors and outsource providers. The Head of Finance reviews and approves all UK tax returns and payments. The arrangements in place are designed to ensure that all significant tax related decisions are subject to review and approval by appropriately qualified and experienced staff. Where appropriate, staff receive formal training on new legislative requirements to promote awareness of the rules and support compliance. Significant tax matters are escalated to the Group CFO by the UK Head of Finance and then to the Board of Directors as appropriate.

## **Tax risk appetite**

BFS has a low tax risk appetite which is consistent with our overall responsible business agenda. We are not prepared to accept a level of risk that exposes the business to reputational harm or which could adversely impact our relationship with HMRC. Where there is significant uncertainty or complexity in relation to a tax risk, external advice is sought.

## **Approach to tax planning**

BFS considers tax as part of its commercial decision-making process and for budgeting and forecasting purposes. We adopt a conservative and responsible approach to tax planning. In particular, we respond to environmental and sustainability focused tax incentives where available and in the manner they are intended. Our programme of innovation and investment mean that the UK's research and development tax credits and system of capital allowances are important tax incentives for our business. An example of the activity attracted such incentives is our Native Hebridean broodstock programme, which has attracted Research & Development Expenditure Credit over several years as we have developed a pure Hebridean salmon, bred from wild stock resulting in strong, lean salmon with unsurpassed levels of Omega 3.

We conduct transactions between Bakkafrost group companies on an arm's-length basis and in accordance with current OECD principles.

## **Approach to dealing with tax authorities**

Our aim is to have a professional, collaborative and transparent relationship with the tax authorities. SSC seeks to handle any queries from the tax authorities in a pro-active and timely manner.

As our business continues to grow, we anticipate that HMRC may shortly allocate a Customer Compliance Manager ('CCM') to oversee our tax affairs. We look forward to the opportunity in further developing our relationship with HMRC and working closely with a CCM in the future.