



UK Tax Strategy

Introduction

This Tax Strategy statement applies to the companies of Telefónica S.A. in the UK. It covers:

- Telefónica Tech UK & Ireland Limited and its subsidiary.

Telefónica Tech in the UK delivers technology solutions to business through the provision of Managed Cloud IT services. Our business generates substantial amounts of direct and indirect taxes including taxes such as corporation tax, employee taxes and VAT. The taxes that we pay and collect form part of our significant economic contribution in the UK.

We are committed to being a responsible and co-operative taxpayer.

Telefónica Tech UK & Ireland Limited

Roles and responsibilities

The Board of Directors of Telefónica Tech UK & Ireland Limited are responsible for the tax strategy for its sub-group.

Resource management

The tax and finance team within the Telefónica Tech finance department is responsible for managing the taxes of the Telefónica Tech companies in the UK to ensure compliance with relevant laws and filing obligations.

The tax landscape is constantly evolving due to developments in legislation, transfer pricing, increased digitisation, and the use of technology in tax. As a group we recognise that these changes need to be managed and resourced appropriately.

The competence of tax and finance staff is ensured through a program of ongoing and regular training. This training focuses on technical expertise and professional development so that our people can actively fulfil their tax responsibilities.

External advisers are used to assist with operational change, exceptional items, and large and complex transactions. The use of external advice is focused on providing both technical and commercially relevant advice and guidance.

Objectives and acceptable level of tax risk

Tax risk arises from uncertainty on how legislation should be applied or how complex transactions should be analysed. Our objective is to comply with legal requirements in a manner that ensures we pay the right amount of tax. This objective is underpinned by an open, co-operative and transparent relationship with the Tax Authorities. The group considers therefore that it has a low tax risk appetite and operates on the basis of no surprises.

Where it is responsible and appropriate to do so steps are taken to reduce tax liabilities. We claim properly available allowances, deductions, reliefs, incentives, exemptions and credits where the rules say they are available. Our ongoing tax risk approach is based on principles of applying reasonable professional care and considering materiality. Each tax risk is measured based on a balance of impact of that risk and its likelihood.

Governance of tax

Policy principles

The following principles form the basis of the tax management philosophy and policy of Telefónica Tec UK & Ireland Limited and its subsidiaries noted at the end of this statement:

Good Governance – We manage our tax affairs in accordance with our framework and processes of corporate governance of the Group. The Board of Directors of Telefónica Tech UK & Ireland Limited and the Directors of its subsidiaries are informed of the tax strategy and of significant changes in tax requirements.

Risk and Internal Controls – The Group has implemented a system of internal controls designed to respond effectively to significant risks. These controls operate around the calculation of tax liabilities, preparation of tax returns and analysis of transactions.

Transaction Planning – We strive to ensure that transactions are structured tax efficiently in line with commercial objectives and in accordance with tax legislation. We seek to avoid the use of artificial tax arrangements and we avoid the use of tax havens.

Control activities

Tax accounting and reporting is within the scope of our annual internal control framework testing regime (covering Senior Accounting Officer compliance requirements) and is subject to both external and internal assessment as well as reporting to Telefónica S.A. in Spain. These processes form part of a broader management framework in which key tax decisions are visible to management.

Risk register

The business has a wider corporate risk framework including a risk register. Where appropriate tax risks are included in this register.

Key controls

Key controls to manage the risk of incorrect tax accounting are established and the fulfilment of these are documented in the various tax returns workings papers.

Tax planning

Controls over tax planning

All papers put forward to the Board of any Group company or project committee that contain comments on tax are supported by an appropriate level of tax analysis and documentation.

Attitude towards tax planning

For us tax planning means assessing the tax consequences of significant business changes, events or transactions. We seek to reduce the cost in compliance with the law. We use the parameters below to evaluate how we do it:

- The commercial purpose of the transactions and how the planning fits in with commercial objectives and requirements;
- The broad intention and specific objectives of the legislation;
- The impact on cash flow and impact on the financial accounts;
- The impact of the arrangements on our reputation and integrity as a large corporate business based in and operating in the UK;
- The impact on various stakeholders who could be affected such as customers, suppliers, investors and regulatory bodies;
- The strength of tax advisors opinion: appropriate external advice, where relevant, is obtained as necessary.

Relationship with HMRC

We strive to meet our obligations under the HMRC Charter. We maintain an open and honest relationship in our dealings with HMRC and seek to work in positive collaboration and 'partnership' with HMRC. Where disagreements arise, and sometimes they do, we actively engage with HMRC to achieve resolution.

Relationship with Telefónica

We are part of the wider Telefónica S.A. group. Telefónica is one of the largest telecommunications companies in the world with operations in several countries. The headquarters are in Madrid and the group is listed on several stock exchanges.

As part of a multi-national group we rely on Telefónica S.A. to provide us with key services such as technology, finance and management services.

Group companies

The Boards of Directors of Telefónica Tech UK & Ireland Limited are ultimately responsible for the tax strategy withing the Telefónica Tech sub-group in the UK. The above tax strategy applies equally to all of the following entities.

Telefónica Tech UK & Ireland Limited and its subsidiaries:

- Telefónica Tech Ocean Limited
- Telefónica Tech Northern Ireland Holdings Limited
- Telefónica Tech Communication & Collaboration Limited
- Telefónica Tech Northern Ireland Limited
- Telefónica Tech UK Holdings Limited
- Telefónica Tech UK TOG Limited
- Telefónica Tech UK Managed Services Limited
- Telefónica Tech UK Limited
- Perpetual Topco Limited
- Perpetual Midco Limited
- Perpetual Bidco Limited
- Incremental Group Holdings Limited
- Redspire Limited
- Incremental Group Limited
- Adatis Group Limited
- Adatis Consulting Limited
- Kumo Analytics Limited
- Adatis Managed Services Limited

This strategy is published to comply with the requirements of Finance Act 2016, Schedule 19. The strategy has been formalised for approval by the Board of Telefónica Tech UK & Ireland Limited in 2023 and will be reviewed annually.