
UK Tax Strategy

SABIC's UK Tax Strategy is published in compliance with the Finance Act 2016 s161 Schedule 19.

SABIC is a global chemicals company headquartered in Riyadh, Saudi Arabia. It is 70 percent owned by Saudi Aramco and 30 percent by investors through the Saudi Stock Exchange (Tadawul). SABIC develops, manufactures, and distributes chemicals, commodities, high-performance plastics, fertilizers, and metals. It has about 33,000 employees worldwide and operations in more than 50 countries.

SABIC's growth strategy is supported by the active development of SABIC's Global Enterprise Model (GEM), consisting of extensive value chains that are continually developing. SABIC's Code of Ethics is a fundamental building block of SABIC's Strategy. The Code requires all SABIC employees and contractors to comply with the applicable laws and the Master Authority Schedule, which manages the delegation of executive approval levels for all material transactions.

The Executive Vice President Corporate Finance/Chief Financial Officer (CFO) is the member of SABIC's Executive Committee (ExCom) with responsibility for SABIC's tax function. The ExCom, which is chaired by the Chief Executive Officer/Vice Chairman, constantly requires compliance, including tax compliance, with laws and regulations in all countries where SABIC operates. This is reflected, for example, in the ExCom's sharp focus on security and safety compliance.

The CFO supports the growth strategy by partnering with SBUs through the Corporate Finance function. This partnering is described in the Corporate Finance Strategy, which is updated annually through strategic initiatives and operational objectives with defined KPIs for each Corporate Finance department. The tax strategy aligns fully with a key objective in the Corporate Finance Strategy Map, i.e. trusted statutory reporting to external stakeholders. For these purposes, the Global Tax Strategy can be summarized as follows:

Ensure that SABIC maintains global tax compliance, protects its global assets base and reputation, partners with the Business and Corporate Functions to manage compliance and optimize decision-making, enhance stakeholder value and develop with the SBUs' awareness of the GEM.

Tax Operations

The strategy for tax operations is to:

- Develop comprehensive tracking of all tax filings and other submissions, ensure timely filings and payments to any tax authority, and have a complete tax compliance report at least quarterly.
- Arrange for SABIC employees and contractors to have adequate knowledge and training to improve continually the management and operation of effective and efficient compliance processes.
- Ensure that tax compliance processes are kept up to date with legislative changes, particularly technology-based requirements.
- Ensure efficient completion of tax audits. Be responsive to document, information and technology requests by tax authorities in a timely, clear and transparent manner and to monitor responsiveness.

Tax Planning

As the growth strategy drives changes to the GEM through organic growth or transactions, Global Tax will:

- Partner with the SBUs to plan compliant solutions consistent with the capability of SABIC's Enterprise Resource Planning systems, especially where technology is critical to effective tax compliance, e.g. CbCR, and taking into account OECD Guidelines and local tax laws.
- Develop relevant awareness of tax matters to support any GEM compliance.
- Monitor legislation change that could affect optimization decisions in the GEM through a tax planning framework that will identify and assure the long-term, transparent compliance of any GEM changes.
- Claim tax incentives, reliefs and exemptions where appropriate, conditional on full disclosure.
- Engage with tax authorities and enter into formal or informal agreements and cooperative compliance arrangements.
- Avoid taking tax positions that create reputational risk, although a decision by a tax authority on an uncertain tax position may be disputed following due process of law and local best practice.
- Develop technology to support more effective tax compliance, risk management and planning.
- Develop tax management reports describing SABIC's global tax position.
- Be responsive to requests by (non-)governmental agencies or industry associations for taxpayer views on new legislation.

Tax Risk Management

Global Tax is accountable and responsible for managing, monitoring and reviewing SABIC's tax risks.

This includes adhering to the global Tax Risk Management Guidelines and setting up the Tax Risk Management procedures and manuals. Global Tax periodically monitors the adherence to the tax procedures and manuals by the local SABIC entities, including the UK. Global Tax plans and manages SABIC's relations on tax matters with external parties, including HMRC.

To support SABIC's Code of Ethics, the Corporate Finance strategy, the statutory auditor's requirements and SABIC's low tolerance for tax risk, Global Tax will:

- Evaluate individual tax risks in light of SABIC's Code of Ethics, SABIC's Enterprise Risk Model and its target residual tax risk profile.
- Engage with the Enterprise Risk Management department (ERM) and adopt a tax risk management framework in accordance with SABIC's approved risk management policy.
- Maintain a comprehensive tax control framework (TCF), as well as TCF best practices and periodically review and report TCF performance.
- Align with the Global Finance Reporting & Controllershship, Internal Audit and ERM departments to identify, monitor, control and report tax risk.
- Promote and support tax awareness as appropriate for SABIC employees and contractors.

SABIC operates in a multitude of tax jurisdictions and its transactions span multiple countries, resulting in exposure to numerous tax laws each with different qualifications, conditions and interpretations.

SABIC is not aware of transactions nor does it plan to transact in or with its UK business or entities in any way other than is reasonably commercial.

With respect to the tax treatment of SABIC's operations in the UK, just as with the legal and tax treatment of all operations across the globe, we strive to adhere to the above.

Tax risk should be appropriately managed and governed by the same high standards that we apply to all of our business activities.

Our tax affairs are always conducted in accordance with applicable laws. Finally, in our dealings in the UK with HMRC, as in our dealings with any taxing authority, we seek to be open and transparent.
