Southern Housing Group Limited - Tax Strategy

Group Audit Committee (approved 21 November 2018)

1.0 INTRODUCTION

1.1 Following many high profile cases, the subject of tax is a socially and politically charged subject and like any financial risk it requires careful and suitable risk management.

1.2 This Tax Strategy therefore covers the tax risk faced by the Southern Housing Group ('Group') and its corporate subsidiaries, the Group's attitude towards tax planning and the level of tax risk that the Group is prepared to accept.

1.3 This Tax Strategy supports the delivery of our Corporate Strategy and contributes towards the Group's response to the Regulator's Financial Viability and Governance Standards.

1.4 Ultimately, financial risk management remains with each respective Company Board and, given its expertise and financial oversight, is reliant on its review by the Group Audit Committee ('GAC').

1.5 However, day to day responsibilities should remain managed within the business itself with support from the Head of Tax. This role is newly created to ensure a standardised approach to tax risk management, to ensure tax efficiencies are implemented and to proactively work alongside HMRC.

2.0 TAX RISK MANAGEMENT STATEMENT

2.1 The Group is a responsible taxpayer in line with current HM Revenue and Customs ('HMRC') legislation and guidelines, based on professionally executed tax compliance and legitimately advised tax planning.

2.2 The Group plans and structures its activities in a tax efficient manner to mitigate the cost exposure of direct and indirect UK taxation. For the sake of clarity, tax planning (or tax avoidance) is a legitimate activity but tax evasion is certainly not and constitutes a form of criminal fraud, which the Group has not and will never partake.

2.3 Both Southern Housing Group Limited ('SHGL') and Southern Home Ownership Limited ('SHO') are Registered Providers ('RP') of affordable housing and are Registered Societies (formerly called Industrial & Provident Societies) which are now governed by the Co-operative and Community Benefit Societies Act 2014. This Act replaced the Industrial and Provident Societies Act 1965 and the Friendly and Industrial and Provident Societies Act 1968. The former is a charitable RP and the Group's ultimate parent and controlling body. It is therefore clear that SHGL should pursue activities that contribute, both directly or indirectly, towards its primary purpose activities and charitable objectives.

2.4 Coupled with the tax reliefs and tax exemptions afforded to the RP and Charities sectors, this is an important message that should be understood by all stakeholders to safeguard SHGL's reputation and standing in the communities and neighbourhoods where it operates or could potentially operate in the future.

2.5 This Tax Strategy includes a Tax Management Policy (**Appendix A**) which details specific tax issues and structures from an operational perspective to facilitate transparency and accountability.

2.6 Tax risk management remains an important and effective control for the Group's ongoing tax compliance. It also demonstrates that reasonable prevention procedures exist within our business to help prevent the facilitation of tax evasion across our supply chain as required by the Criminal Finances Act 2017 legislation (**Appendix B**).

3.0 OVERVIEW & GOVERNANCE OF TAX

3.1 For the avoidance of doubt, Tax Risk relates to any direct (tax on income) and indirect taxes (tax on expenditure) and relate to Value Added Tax ('VAT'), Corporation Tax ('CT'), Construction Industry Scheme ('CIS'), Stamp Duty Land Tax ('SDLT') and Employment taxes, including PAYE/NIC.

3.2 The definition of Tax Risk can cover any financial liability, known or unknown, agreed or in dispute; and either historical or future.

3.3 The ultimate responsibility for the Group's tax position remains with the respective Company Boards, and is supported by the Group Audit Committee (GAC) due to its financial expertise and oversight.

3.4 The day-to-day management of the Group's tax position is shared across the Finance and HR teams with oversight led by the Head of Taxation, which is a new role created in March 2018.

3.5 Further technical input is also provided by external professional advisors, as and when required.

3.6 HMRC carry out regular reviews of the business and the Group's statutory auditors cover any material tax risk within their annual audit review. In the last few years, neither party has identified significant tax liabilities as a result of their review work.

3.7 Furthermore, specific Development tax risks are notified to Group Development Committee ('GDC') [meets quarterly] or its delegated Strategic Approval Panel [meets fortnightly].

3.8 Employment tax risks should be notified to the Remuneration and Nominations Committee [meets quarterly] by the HR team.