



## Tax Strategy Policy

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Owner: Chief Finance Officer

Reviewer: Chief Executive Officer

## **1. Introduction**

Cincinnati Global Underwriting Limited and its subsidiary entities “Cincinnati Global Group” (which are listed at the end of this document) attach great importance to responsible and sustainable management of its business. An environment of strong corporate governance is embedded throughout the group’s policies, systems and controls. Furthermore, Cincinnati Financial Corporation (CFC) “Code of Conduct” binds our management and staff to engage in high standards of legal and ethical conduct. In terms of our attitude towards taxation, the Cincinnati Global Group is a fair and reliable partner to its clients, its employees, its shareholders and all other external regulatory compliance parties (including HM Revenue & Customs (“HMRC”)). We are committed to acting in a prudent and responsible manner. We are an open, transparent and dependable taxpayer.

## **2. Our approach to risk management and governance arrangements in relation to taxation**

As taxation is a key element of meeting our wider business objectives, the Directors of our UK entities provide leadership in respect of our approach to taxation. In addition, as our businesses are regulated in the UK by FCA, PRA and other regulatory bodies, and we also ensure that tax risk management is embedded into our working practices via our internal controls.

We have a robust process in place for identifying and addressing tax risks across all areas of our business. Finance personnel regularly attend technical updates on tax, as well as participating in regular meetings with other CFC entities and tax advisors.

Our internal review system (and as appropriate, external assistance) supports the various Senior Accounting Officers in certifying to HMRC that we have appropriate tax accounting arrangements. Additionally, all tax returns and other submissions to HMRC are checked and validated internally prior to submission (the exception being IPT which is outsourced to Lloyd’s; in line with the rest of the market). We have appointed external tax advisors to complete a number of our tax returns, in addition to general tax advice they provide.

We obtain advice from appropriately qualified external advisors on specialist UK and non-UK tax matters such as transfer pricing, indirect tax and employment tax matters which form part of our tax return processes and UK tax obligations. This supplements the skills of our own Finance team where appropriate. In addition, for all UK taxes we ensure adequate training is provided to help identify new and emerging risks. For all tax processes there are clear accountability, reporting and escalation lines in place with Group Finance in the US; acting as a second line of defence.

Our tax structure is relatively straightforward, as all Cincinnati Global group companies are domiciled and trade in the UK. We have very few transactions with the wider group.

## **3. Tax risk appetite**

As with our broader business risk appetite we have a low tolerance towards tax risk (across all taxes), and do not make use of tax planning which does not support genuine commercial activity. We seek to minimise the risk of a dispute with HMRC by being open and transparent about our tax affairs.



The tax consequences of significant transactions are considered by the management as part of its deliberations on the transactions in question. Wherever relevant we would also seek the opinion of external advisors to ensure that the tax impacts of any transactions are aligned to good corporate governance.

We manage our ongoing and future tax risk by liaising with our external tax advisors, and HMRC to discuss significant current and recent transactions and to share details of any proposed significant transaction with them prior to implementation. In cases of significant uncertainty, we would seek advance clearance from HMRC.

#### **4. Our approach towards our dealings with HMRC**

We are committed to maintaining an open, transparent and collaborative approach to our dealings with the tax authorities. In the UK, we endeavour to engage with HMRC to discuss our tax affairs as and when required. Across all tax processes we ensure consistency in approach and reporting through coordination across all the different UK businesses.

We take care to ensure that our tax affairs are reported accurately. If we were to identify an error in a submitted tax return, we would seek to voluntarily disclose it, quantifying the effect of the error and paying any additional tax and interest that becomes due as a result.

In summary, the Cincinnati Global Group is committed to ensuring it pays the right amount of tax in the UK and other territories and to working collaboratively with the relevant tax authorities e.g. HMRC.

#### **5. Country by country reporting**

This is part of the OECD (Organisation for Economic Co-operation and Development) initiative to require large multinational enterprises (MNE) to report details of taxes paid in each territory where they have a permanent establishment (PE) and to enable these territories to share the information. This is applicable to all MNEs having consolidated annual revenue greater than €750 million. CFC falls into this category and therefore all group companies must comply with the Country by Country reporting requirements.

The information will be coordinated on behalf of the group companies across the world by Cincinnati Financial Corporation (the parent) and submitted to the Internal Revenue Service (US tax authority) who in turn will share it with the relevant tax authorities e.g. HMRC.

#### **6. Companies in the Cincinnati Global Group**

The following legal entities form part of the Cincinnati Global Group:

Cincinnati Global Underwriting Limited, Cincinnati Global Underwriting Agency Limited, and Cincinnati Global Underwriting Services Limited

## 7. Document History

Version	Date	Amended by	Amendments / Comments
1.0	07/07/2017	S Kaur	Policy drafted by Finance Director. Approved by MSP Board on 28/06/2017

All further document history is documented in ClauseMatch