

## BESIX GROUP – UK TAX STRATEGY – Financial Year 2017

This document sets out the tax strategy of the BESIX GROUP (“Besix”) in performing its UK tax affairs and dealing with UK tax risk, which is published in accordance with the obligations under paragraph 12 (2) of Schedule 19 of the Finance Act 2016 and applies until superseded to:

- BESIX SA, UK Branch
- FRANKI FOUNDATION UK LTD.
- MATELLO (HOLDINGS) LTD.
- MARTELLO PILING LTD.
- HIGH MEAD DEVELOPMENTS LTD.

### Background:

Besix is an international and multidisciplinary group with headquarters in Belgium. The activities are organized in three business units:

- Contracting including buildings, marine works, infrastructures, industrial developments, environment,
- Real estate development, and
- Concessions and assets.

Activities performed in the UK belong to the Contracting Business Unit where only FRANKI FOUNDATION UK LTD., MATELLO (HOLDINGS) LTD. and Martello PILING LTD. are currently active in the pile driving field. Besix SA, UK Branch is being inactive/dormant since 2014.

### Governance and risk management:

Due to the specificities of the construction sector in which each project is unique, Besix has a decentralized organization. Each subsidiary or branch, has its own management, where the financial manager and his team are responsible for day-to-day tax management. For many years, the tax affairs of Besix SA, UK Branch have been managed by Mazars UK. For other entities incorporated in the UK, the daily tax affairs are being managed by Menzies.

Where necessary, the local management is assisted by internal tax officers and/or external advisors. But the ultimate responsibility of tax management lies with the Chief Financial Officer. All entities report to the CFO on a regular basis all pending and potential litigations. All cases exceeding a threshold are reported by the CFO to the CEO and to the Audit Committee.

The adequacy of the procedures to the group rules is controlled by the internal audit department and the financial accounts are audited twice a year by external auditors.

### UK Tax Strategy:

As part of a multinational group, the Besix group is exposed to a variety of risks of which the major ones relating to UK tax matter are:

- Change in tax laws involving additional tax which cannot be passed on to the customer under a provision of the construction contract.
- Transaction risk that can generate tax uncertainties.

- Operational risk involving all departments concerned by one or more tax aspects.
- Tax compliance risk due to misunderstanding or misinterpretation of a law provision.
- Accounting risk resulting from incorrect entries and lack of accounting support documents.
- To mitigate those risks, Besix is committed to:
  - Comply with all relevant laws, regulations and disclosure requirements.
  - Maintain effective booking and financial accounting to support tax compliance obligation.
  - Ensure the UK tax strategy is consistent with the group's overall strategy.
  - Maintain adequate reporting and governance procedures.
  - Deal transparently, professionally and in a constructive manner with HMRC.

The BESIX group has not established *per se* a tax strategy for the UK.

Tax planning:

The construction sector is highly regulated at European and national levels. The awarding of a contract is the culmination of a long national or international competitive bidding process where the successful bidder is most often the lowest bidder. The profit margin of the sector is therefore quite low and leaves little room for tax planning.

In any case, tax planning must be consistent with the economic reality of operations. BESIX does not undertake planning that could override compliance with applicable laws.

UK taxation acceptable level of risk:

Normally, at the tender stage, all taxes are identified and the corresponding amounts incorporated into the bid price. But, given the complexity of a construction project, it is normal that from time to time, certain risks arise in particular in relation to the interpretation of the accounting and tax laws. These risks are systematically identified, quantified and monitored in such a way that they cannot threaten the sustainability of the project/business. When a risk is complex and presents a high degree of uncertainty, Besix relies on advices offered by professionals.

Working with HMRC:

The BESIX group aims to establish and maintain transparent, constructive and collaborative professional relationships with tax authorities wherever the group operates around the world, based on the timely and accurate disclosure of relevant facts and circumstances, notably in the context of tax audit process. The Besix group and its management has no reason to believe that relations with HMRC are not transparent and constructive.

\* \* \*

Statement approved by : Jan GESQUIERE, CFO

Issue date: 22/12/2017

*(signed copies available on request)*