

South Hook Gas Company Ltd

Our Approach to Tax¹

1. Background

Established in 2004, South Hook Gas Company Ltd (SHG) is a joint venture between wholly owned affiliates of Qatar Petroleum (70%) and ExxonMobil (30%). The principal objectives of the company are to purchase up to 15.6 million metric tonnes per annum (MTA) of Liquefied Natural Gas (LNG) and to market and deliver up to 2.1 billion cubic feet per day of natural gas from Qatar's North Field to the United Kingdom (UK). SHG can import up to 20% of the UK's natural gas requirements and during some summer months this amount has risen to over 30%.

2. Scope

SHG is a standalone company in the UK that does not form part of a group. Staff in the UK are responsible for managing the company's tax affairs in accordance with a governance framework approved by the Board.

SHG's principal UK taxes are:

- i. Pay As You Earn (PAYE) and National Insurance (NI);
- ii. Corporation Tax; and
- iii. Value Added Tax (VAT), including Import VAT.

SHG taxes are entirely UK based.

3. Aim

SHG is committed to full compliance with all statutory obligations and full disclosure to tax authorities. SHG's tax affairs are managed in a way which reflects and reinforces SHG's and shareholders' wider corporate reputation in line with SHG's overall high standards of governance. In administering its tax affairs, SHG's overall objective is to achieve certainty in its tax affairs and it is committed to a policy of fair dealing and integrity in all aspects of its business.

4. Governance

- Ultimate responsibility for SHG's tax strategy and compliance rests with the Board of SHG;
- Executive management of SHG is delegated by the Board to SHG's General Manager (GM);
- The GM along with the senior management team are required to monitor the integrity of SHG's financial reporting system, internal controls and risk management framework, including those elements expressly relating to taxation;
- The Head of Finance and Tax (HoFT) is the senior finance professional with overall responsibility for tax matters;
- The HoFT is supported by a specialist consultant (Financial Advisor) and by external tax advisors;
- The HoFT is involved in discussions around new commercial arrangements and is responsible for highlighting any potential tax risks; and
- SHG's tax affairs and risks are reported to the Board throughout the year.

5. Risk Management

SHG operates an Enterprise Wide Risk Management (EWRM) framework that establishes effective risk governance by segregating risk identification, risk management and risk governance within the organisation.

¹ Our Approach to Tax has been published in accordance with Schedule 19 of the Finance Act 2016.

Governance structure	Application at SHG
Risk Governance	<ul style="list-style-type: none"> - Management Committee performs Risk Committee function - Approves company risk appetite and countermeasures
Risk Management	<ul style="list-style-type: none"> - A Controls Manager oversees a centralised risk function - Challenges departmental risk evaluation and mitigating strategies
Risk Identification	<ul style="list-style-type: none"> - Departments are the risk owners, identifying risks and developing the initial countermeasures - Departments monitor efficacy of countermeasures

The EWRM framework requires SHG and departments to identify potential risks; evaluate their likelihood and impacts; develop and select countermeasures to reduce the impact of the risk; implement the countermeasures; and monitor and report on the countermeasures.

As part of identifying financial risks, the Business Services Department within SHG is also responsible for identifying tax-related risks and for ensuring appropriate risk management and risk mitigation measures are implemented. The HoFT is involved from the outset in all new commercial agreements to ensure that potential tax risks are identified and that SHG is in full compliance with the Aim stated in paragraph 3.

SHG conducts an annual Senior Accounting Officer (SAO) compliance review where the HoFT (the SAO for SHG) will report upon the controls in place and document any changes in tax risks.

6. Attitude to Tax Risk and Tax Planning

SHG manages risks to ensure compliance with legal requirements in a manner which ensures timely payment of taxes when they fall due.

SHG's attitude towards tax planning is consistent with SHG's "Code of Business Ethics" policy in that SHG seeks to conduct business to the highest ethical standards. When structuring commercial arrangements, SHG ensures that such transactions are compliant with tax legislation. SHG does not undertake tax planning unrelated to such commercial transactions.

The level of risk which SHG accepts in relation to UK taxation is consistent with its overall objective of achieving certainty in the company's tax affairs and commitment to a policy of fair dealing and integrity in all aspects of its business. At all times SHG seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the Board is ultimately responsible for identifying the risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage those risks.

SHG has a low risk attitude to tax and external tax advice is sought where necessary to ensure compliance with UK tax law and regulations.

7. Working with HMRC

SHG maintains a transparent and constructive relationship with HMRC through regular meetings and communication in respect of developments in SHG's business, current, future and retrospective tax risks, and interpretation of the law in relation to all relevant taxes.

SHG ensures that HMRC is kept aware of significant transactions and changes in the business and seeks to discuss any tax issues arising at an early stage. When submitting tax computations and returns to HMRC, SHG discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.