

Neptune Energy Group UK Tax Strategy December 2018

Neptune Energy is a global upstream company and an expert operator in the oil and natural gas sector. The Group develops its business around a model based on responsible growth to take on the major challenges of responsible hydrocarbon extraction and environmentally sustainable decommissioning of production facilities.

All of Neptune Energy Group's subsidiaries in the UK follows Neptune's overall policies. For the purposes of Finance Act 2016 Schedule 19, paragraph 16(2), which requires UK groups to publish their tax strategies, this UK tax strategy clarifies how Neptune's overall policy is interpreted and applied by Neptune's UK subsidiaries in respect of UK taxes

Governance, risk management and compliance

Neptune Energy is a newly established group, and our UK business is largely based on activities acquired from the ENGIE group during the first quarter of 2018.

As a new business we are dedicated to establishing and implementing standard operating procedures (SOP) and controls governing and supporting a uniform and responsible approach to complying with the tax environment governing the fiscal framework of our business activities. The SOPs will apply across the group and define globally shared processes and controls. The overall purpose of the SOPs is to provide a shared set of responsible quality standards within the group for the handling of our tax fiscal obligations.

This ensures compliance with tax filing obligations and mandatory disclosures, helps to manage tax risks, and requires that documentation around tax policies and procedures is maintained in relation to key tax processes in the UK. The controls and processes that comprise the SOPs will be regularly and periodically reviewed.

The SOPs being developed include:

- Central registration of tax compliance status
- Central reporting and analysis of tax accounting entries
- Keeping key staff updated regarding applicable tax legislation
- Registration and management of tax related risks

The SOPs are being incorporated into operational activities and related controls are signed off periodically. In reviewing these regularly, areas of risk that could arise in relation to our handling of tax can then be identified and dealt with in order to ensure compliance with our fiscal obligations accordingly.

Compliance with applicable tax legislation is a focus area for the company's management. Tax is managed through an in-house team of tax specialists and the Senior Accounting Officer. The Head of Tax oversees the tax function and reports directly to Neptune Energy's Chief Financial Officer. The company operates an SAP ERP system for financial purposes and maintain and update a register of tax risks.

Neptune Energy supports principles for tax transparency as exemplified in Action 13 in OECD's Base Erosion and Profit Shifting initiative.

Tax advice may be sought from external advisors in respect of material transactions, and when the global tax function do not have the expertise required in a particular area. Where applicable clearances are sought from HMRC to agree treatment and to provide certainty over the position of complex transactions.

Tax planning

Neptune is committed to acting with honesty and integrity in respect of tax laws and regulations, and to paying its fair share of taxes in the countries in which it operates. Whilst Neptune Energy is conservative in its use of tax planning, we will take advantage of legitimate tax incentives put in place by governments to promote investment in the applicable tax jurisdiction.

Transactions with related parties outside the UK are driven by commercial considerations and are executed on "arm's length" terms in line with international best practice (OECD Guidelines).

Any tax planning that we undertake is on the basis of sound commercial and economic rationale. Any tax planning must be fully aligned with the business strategy of the group and will not supersede the requirement for the group to be fully compliant with all relevant laws and regulations. Tax planning will not drive commercial decisions made by the group and, while desirable, tax efficiency is not the main objective of the key strategic decisions made by the group.

The group's approach to tax planning is regularly reviewed in line with the changing tax landscape and looks to ensure that the group's reputation, brand and relationship with HMRC are not brought into disrepute. As outlined below the group will work with HMRC to minimise areas of uncertainty and dispute.

Dealings with HMRC

In the UK we are committed to an open, transparent and professional relationship with HMRC based on mutual trust and collaborative working. The UK group is committed to meeting all its statutory and legislative requirements. This is done by ensuring all UK compliance is completed timeously and in line with current guidance.

Where the Group finds appropriate we will seek advance clearance from HMRC on the proposed tax treatment of transactions. Where particularly complex or material transactions have been entered into the UK group seeks meetings with HMRC to provide explanations on particular matters to aid HMRC's understanding.

Our approach to tax risk

Internal governance of tax risk is integrated within our broader business risk management and compliance framework. This can be seen above with the impending Statement of Procedures outlined above.

As Neptune Energy develops its business based on responsible growth and environmentally sustainable decommissioning of production facilities, tax risk is managed in the context of those aspirations and values, targeted to meet the wider business goals.