

ANTI-FACILITATION OF TAX EVASION POLICY

1. Policy statement

- 1.1 It is the policy of Hargreaves Services plc and its subsidiaries (Group) to conduct all business in an honest and ethical manner.
- 1.2 We take a zero-tolerance approach to the facilitation of tax evasion, whether under UK law or under the law of any foreign country. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, and to implementing and enforcing effective systems to counter tax evasion facilitation.
- 1.3 We take our legal responsibilities very seriously. We will uphold all laws relevant to countering tax evasion in all the jurisdictions in which we operate, including the Criminal Finances Act 2017.

2. About this policy

- 2.1 The purpose of this policy is to:
 - (a) set out our responsibilities, and the responsibilities of those working for us, in observing and upholding our position on preventing the criminal facilitation of tax evasion; and
 - (b) provide information and guidance to those working for us on how to recognise and avoid tax evasion.

3. Who does this policy apply to?

- 3.1 This policy applies to all individuals working at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, seconded staff, homeworkers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (collectively referred to as workers in this policy).
- 3.2 The subsidiaries covered by this policy include but are not limited to: Hargreaves Industrial Services Limited; Hargreaves (UK) Limited; Blackwell Earthmoving Limited; Hargreaves (UK) Services Limited; S&B Utilities Limited; C.A Blackwell (Contracts) Limited; Hargreaves Land Limited; Hargreaves Waste Management Services Limited; Hargreaves Services (Blindwells) Limited; Hargreaves Industrial Services (HK) Limited; Hargreaves Power Services (HK) Limited; Access Services (HK) Limited; Hargreaves Services South Africa (Pty) Limited; and Hargreaves Industrial Services Sdn Bhd.

3.3 In this policy, third party means any individual or organisation you come into contact with during the course of your work for us, and includes actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers, and government and public bodies, including their advisers, representatives and officials, politicians, and political parties.

4. Definition of tax evasion and facilitation

4.1 For the purposes of this policy:

- (a) **tax evasion** means the offence of cheating the public revenue or fraudulently evading UK tax, and is a criminal offence. The offence requires an element of fraud, which means there must be deliberate action or omission with dishonest intent;
- (b) **foreign tax evasion** means evading tax in a foreign country, provided that conduct is an offence in that country and would be a criminal offence if committed in the UK. As with tax evasion, the element of fraud means there must be deliberate action or omission with dishonest intent; and
- (c) **tax evasion facilitation** means being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, or aiding, abetting, counselling or procuring the commission of that offence. Tax evasion facilitation is a criminal offence where it is done deliberately and dishonestly.

4.2 Under the Criminal Finances Act 2017, a separate criminal offence is automatically committed by a corporate entity or partnership where the tax evasion is facilitated by a person acting in the capacity of an "associated person" to that body. For the offence to be made out, the associated person must deliberately and dishonestly take action to facilitate the tax evasion by the taxpayer. If the associated person accidentally, ignorantly or negligently facilitates the tax evasion, then the corporate offence is not committed. The company does not have to have deliberately or dishonestly facilitated the tax evasion itself; the fact that the associated person has done so creates the liability for the company. This means that, as an employer, if we fail to prevent our employees, workers, agents or service providers facilitating tax evasion, we can face criminal sanctions including an unlimited fine, as well as exclusion from tendering for public contracts and damage to our reputation.

4.3 Tax evasion is not the same as tax avoidance or tax planning. Tax evasion involves deliberate and dishonest conduct. Tax avoidance is not illegal and involves taking steps, within the law, to minimise tax payable (or maximise tax reliefs).

4.4 In this policy, all references to tax include National Insurance contributions [(and their equivalents in any non-UK jurisdiction)].

5. Identifying risks of tax evasion facilitation

5.1 We have identified that the following are particular risks for our business:

- (a) **Underreporting Income:** This involves deliberately reporting less income than actually earned to reduce taxable income on the Corporation tax return.
- (b) **Inflating Expenses:** Artificially inflating operational costs to reduce taxable profits by claiming non-deductible expenses on the Corporation tax return.
- (c) **Transfer Pricing:** Manipulating transfer pricing arrangements (not arms length transactions) to hide profits and avoid taxes.
- (d) **Payroll Manipulation:** Misreporting benefits provided to employees that are not recorded on a P11D, put through payroll or declared on a PAYE Settlement Agreement therefore reducing the employers PAYE/NIC tax liability.
- (e) **False Deductions and Exemptions:** Claiming ineligible deductions or exemptions to lower taxable income, such as research and development claims (RDEC). The RDEC claim may result in claiming credits for costs that are not eligible or claiming for cost on projects that do not meet the criteria.
- (f) **Overclaiming Capital Allowances:** Overclaiming capital allowances in the Corporation tax return to reduce taxable profits.
- (g) **Non-compliant Tax Planning:** Entering into a tax planning arrangement that is not compliant with HRMC legislation.
- (h) **Under payment of VAT in new companies:** New companies may not be registered for VAT and included in the main VAT Group leading to under payment of VAT.
- (i) **Invalid Reclaiming of VAT:** Reclaiming VAT on purchase invoices for companies not VAT registered or part of the main VAT Group.
- (j) **Inappropriate payments to suppliers:** off-book or direct cash payments to suppliers may result in the incorrect recording of VAT and thus incorrect reporting and payments to HMRC
- (k) **Incorrect/Inappropriate Utilisation of Tax Losses:** Incorrectly or inappropriately using tax losses brought forward to minimise the tax liabilities of the Group.

5.2 To address those risks, we have:

- (a) **Conducted and documented a tax risk matrix:** The tax risk matrix was prepared using information gathered from both internal and external sources to assess and review the tax risks or highlight any gaps in information. It includes a review of all tax areas and scoring the inherent risk in terms of the impact and likelihood. Any mitigating controls are documented and any identified control

gaps. The tax risk matrix is reviewed annually and updated on an ad-hoc basis when a new tax risk is identified.

- (b) **External Advice:** Engaged with our external tax experts for review of the Corporation tax returns, which would help identify any disallowable expenses claimed, overclaimed capital allowances and ineligible RDEC's claimed.
- (c) **Training and Awareness:** Finance teams undertake tax specific training provided by external tax experts.
- (d) **Business risk review:** The Chief Financial Officer and Group Financial Controller are in regular contact with HMRC and are open and transparent in these communications. As a minimum an annual meeting takes place as well as HMRC Business Risk Reviews depending on the overall risk rating of the Group which is currently low.
- (e) **Clear Policies and Procedures:** The Group has a clear tax strategy which is available to all employees on Sharepoint. This strategy is reviewed annually and signed off by the Board.
- (f) **Internal Audits and Monitoring:** Regular tax internal audits and monitoring to detect any suspicious activities or transactions that could indicate tax evasion. This helps in identifying and addressing issues promptly.
- (g) **Competent and Qualified Finance Team Group:** All of Finance Team involved in the Group's tax affairs are qualified accountants who are members of a professional body who requires them to undertake continuing professional development/training.
- (h) **Transfer Pricing Policy:** A detailed transfer pricing policy has been developed with the assistance of external tax experts, to help identify and reduce the risk of inappropriate transfer pricing transactions.
- (i) **Supplier onboarding and payment process:** The Group has a detailed and rigorous process for accepting new suppliers and a policy that all suppliers must be paid against approved Purchase Orders to allow for maximum traceability and transparency of transactions.

6. What you must not do

6.1 It is not acceptable for you (or someone on your behalf) to:

- (a) engage in any form of facilitating tax evasion or foreign tax evasion;
- (b) aid, abet, counsel or procure the commission of a tax evasion offence or foreign tax evasion offence by another person;
- (c) fail to promptly report any request or demand from any third party to facilitate the fraudulent evasion of tax (whether UK tax or tax in a foreign country), or any

suspected fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, in accordance with this policy;

- (d) engage in any other activity that might lead to a breach of this policy; or
- (e) threaten or retaliate against another individual who has refused to commit a tax evasion offence or a foreign tax evasion offence or who has raised concerns under this policy.

7. Your responsibilities

7.1 You must ensure that you read, understand and comply with this policy.

7.2 The prevention, detection and reporting of tax evasion and foreign tax evasion are the responsibility of all those working for us or under our control. You are required to avoid any activity that might lead to, or suggest, a breach of this policy.

7.3 You must notify your line manager as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future. For example, if an employee or supplier asks to be paid into an offshore bank account without good reason, or a supplier asks to be paid in cash, indicating that the payment will not be subject to VAT. Further "red flags" that may indicate potential tax evasion or foreign tax evasion are set out in clause 12.

8. How to raise a concern

8.1 You are encouraged to raise concerns about any issue or suspicion of tax evasion or foreign tax evasion at the earliest possible stage.

8.2 If you become aware of any fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person in the course of your work, or you are asked to assist another person in their fraudulent evasion of tax (whether directly or indirectly), or if you believe or suspect that any fraudulent evasion of tax has occurred or may occur, whether in respect to UK tax or tax in a foreign country, you must report it to your line manager or report it in accordance with our Whistleblowing Policy as soon as possible.

8.3 If you are unsure about whether a particular act constitutes tax evasion or foreign tax evasion, raise it with your line manager or the Compliance Officer (who is the Group Legal Counsel) as soon as possible. The corporate offence is only committed where you deliberately and dishonestly take action to facilitate the tax evasion or foreign tax evasion. If you do not take that action, then the offence is not made out. However, a deliberate failure to report suspected tax evasion or foreign tax evasion, or ignoring suspicious activity, could amount to criminal facilitation of tax evasion.

9. Protection

- 9.1 Workers who raise concerns or report another's wrongdoing are sometimes worried about facing possible repercussions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.
- 9.2 We are committed to ensuring no one suffers any detrimental treatment as a result of:
- (a) refusing to take part in, be concerned in or facilitate tax evasion or foreign tax evasion by another person;
 - (b) refusing to aid, abet, counsel or procure the commission of a tax evasion offence or a foreign tax evasion offence by another person; or
 - (c) reporting in good faith their suspicion that an actual or potential tax evasion offence or foreign tax evasion offence has taken place, or may take place in the future.

Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any of this treatment, you should inform the Compliance Officer immediately. If the matter is not remedied, and you are an employee, you should raise it formally using our Grievance Procedure, which is on the intranet and available on request from the HR Department.

10. Who is responsible for the policy?

- 10.1 The board of directors (Board) has overall responsibility for the effective operation of this policy and that all those under our control comply with it.
- 10.2 The Compliance Officer has primary responsibility for monitoring the use and effectiveness of this policy and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

11. Breaches of this policy

- 11.1 Any employee who breaches this policy will face disciplinary action, which could result in dismissal for misconduct or gross misconduct.
- 11.2 We may terminate our relationship with other individuals and organisations working on our behalf if they breach this policy.

12. Potential risk scenarios: "red flags"

The following is a list of possible red flags that may arise during the course of you working for us and which may raise concerns related to tax evasion or foreign tax evasion. The list is not intended to be exhaustive and is for illustrative purposes only.

If you encounter any of these red flags while working for us, you must report them promptly to your line manager or the Compliance Officer or use the procedure set out in the Whistleblowing policy:

- (a) you become aware, in the course of your work, that a third party has:
 - (i) made or intends to make a false statement relating to tax;
 - (ii) failed to disclose income or gains to, or to register with, HMRC (or the equivalent authority in any relevant non-UK jurisdiction);
 - (iii) delivered or intends to deliver a false document relating to tax; or
 - (iv) set up or intends to set up a structure to try to hide income, gains or assets from a tax authority.
- (b) you become aware, in the course of your work, that a third party has deliberately failed to register for VAT (or the equivalent tax in any relevant non-UK jurisdiction) or failed to account for VAT;
- (c) a third party requests payment in cash or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made;
- (d) you become aware, in the course of your work, that a third party working for us as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions;
- (e) a supplier or other subcontractor is paid gross when they should have been paid net, under a scheme such as the Construction Industry Scheme;
- (f) a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
- (g) a third party to whom we have provided services requests that their invoice is addressed to a different entity, where we did not provide services to that entity directly;
- (h) a third party to whom we have provided services asks us to change the description of services rendered on an invoice in a way that seems designed to obscure the nature of the services provided;
- (i) you receive an invoice from a third party that appears to be non-standard or customised;

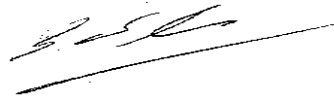
- (j) a third party insists on the use of side letters or refuses to put terms agreed in writing or asks for contracts or other documentation to be backdated;
- (k) you notice that we have been invoiced for a commission or fee payment that appears too large or too small, given the service stated to have been provided; and
- (l) a third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to us.

13. MONITORING AND REVIEW

- 13.1 The Compliance Officer will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible.
- 13.2 All workers are responsible for the success of this policy and should ensure they use it to disclose any suspected danger or wrong-doing.
- 13.3 Workers are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the Compliance Officer.



Roger McDowell
Chair



Gordon Banham
Group Chief Executive

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