

Hammerson's Approach to Tax

Year Ended 31 December 2017

Prepared in accordance with the requirements of the Finance Act 2016

Summary of Hammerson's approach to tax

- Our approach to tax risk is led by our Board of Directors which is committed to maintaining Hammerson's status at HMRC as a low-risk business
- We are committed to an open, transparent and collaborative approach with taxing authorities in all countries in which we operate
- Tax decisions are appropriate to and consistent with commercial transactions which have been approved by our Board of Directors

About us

Hammerson is an owner, manager and developer of retail destinations in Europe. At 31 December 2016, our £10 billion property portfolio includes investments in 23 prime shopping centres in the UK, France and Ireland, 18 convenient retail parks in the UK and 19 premium outlets across Europe, with 53% of our portfolio by value in the UK, 22% in France, 8% in Ireland and 17% in European premium outlets.

[Our mission](#) is to create desirability for our consumers and commercial partners. We own, operate and develop retail destinations that interact seamlessly with digital and bring together the very best retail, leisure and entertainment brands. We seek to deliver value for all our stakeholders, and to create a positive and sustainable impact for generations to come.

As a UK Real Estate Investment Trust ("REIT"), Hammerson qualifies under UK legislation for exemption from corporation tax on its property income and gains in the UK. Hammerson became a UK REIT in 2007 and paid an entry charge to HMRC of over £100 million. Hammerson entities operating in France and Ireland similarly qualify for tax exempt status under broadly equivalent legislation in those territories.

Hammerson entities also carry out income generating activities outside the REIT (or foreign equivalent) rules, which are subject to corporation tax in the normal way.

REITs are a well-established structure in many property markets around the world where governments allow large, professionally managed property businesses to operate with a low/no tax status in order to stimulate private infrastructure investment and to deliver a reliable income stream for pension funds. Furthermore, as a REIT, Hammerson is obliged to distribute 90% of our tax exempt income to shareholders as Property Income Distributions ("PIDs") each year and these PIDs are subject to tax in the hands of our shareholders.

In addition to the taxes we pay in the UK (primarily Corporation Tax, Stamp Duty Land Tax, VAT and employment taxes), France and Ireland, we seek to positively benefit wider communities as a result of our activities. Our large scale developments promote urban regeneration and provide employment in construction, retail and professional services. Our recent developments at Victoria Gate, Leeds, and WestQuay Watermark, Southampton, have generated hundreds of local jobs in construction and retail, and our future developments in Brent Cross and Croydon are key urban regeneration projects in London which have the support of central and local government.

We recognise the importance of sustainability, and as part of our commitment to creating Positive Places, each year undertake to make progress against a series of sustainability targets, seeking to achieve positive economic, social and environmental impacts. We measure our performance against these targets in our annual [Corporate Responsibility Report](#).

Our approach to governance

Our Board of Directors provides Group-wide leadership in respect of our approach to taxation as a business with significant corporate responsibility objectives. In determining our approach to tax the Board considers a number of key stakeholders, including our community stakeholders, retail partners, and the public who use our shopping centres and retail parks, as well as government, our employees and shareholders.

We have a robust process in place for identifying and addressing tax risks which involves the Chief Financial Officer (CFO) and Executive Directors, the Head of Tax and the wider finance function. [The Audit Committee](#) provides regular oversight. The level of direct involvement of the Board of Directors is determined in accordance with the [Schedule of Matters Reserved for Board Approval](#).

Our robust internal review system supports the Senior Accounting Officer (currently our CFO) in certifying to HM Revenue & Customs ("HMRC"), the UK's taxing authority, that we have appropriate tax accounting arrangements.

Additionally, all returns and other submissions to HMRC are checked by the Head of Tax before filing.

Where appropriate, we seek to utilise tax authority approved structures to facilitate our business, such as our approved employee share schemes.

We obtain advice from appropriately qualified external advisors on specialist UK and non-UK tax matters such as capital allowance reporting which forms part of our tax return process, and we see the input of external advisers as a key source of specific tax expertise to supplement the skills of our own finance team in appropriate cases.

We have historically and consistently been categorised by HMRC as a low-risk business, and our Board of Directors is committed to ensuring that we continue to maintain this status.

How we manage risk

We have a low tolerance towards tax risk, and do not undertake transactions led by a tax planning purpose. We seek to minimise the risk of a dispute with the taxing authorities by being open and transparent about our tax affairs.

The tax consequences of significant commercial transactions are considered by the Board of Directors as part of its deliberations on the transactions in question.

We manage our on-going and future tax risk by meeting regularly with HMRC to discuss significant current and recent transactions and, where appropriate, to share details of any proposed significant transactions with them prior to implementation.

In cases of significant uncertainty, we would generally seek advance clearance from HMRC.

We have a published [Code of Conduct](#), which sets out our commitment to, and how we maintain, high standards of conduct, including in maintaining integrity in financial reporting.

Our relationship with taxing authorities

We are committed to maintaining an open, transparent and collaborative approach to our dealings with taxing authorities.

In the UK, we engage with HMRC through our Customer Relationship Manager to discuss our tax affairs on a real-time basis.

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, interest and penalties that may become due as a result.

In summary, Hammerson is committed to ensuring it pays the right amount of tax in the UK, France and Ireland and to working collaboratively with tax authorities to ensure it is properly regarded as a low-risk business.