ASOS Plc

Group

Tax Strategy

Updated July 2021

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Introduction

The aim of this document is to set out the strategic objectives of the ASOS Plc Group (thereafter referred to as 'the Group') regarding tax, the drivers behind this objective and how the objectives may be achieved. The purpose of setting a tax strategy is to provide guidance and a framework within which the Group may operate. The strategy should support the Group's commercial objectives, commitment to comply with tax obligations and laws in all jurisdictions, prevent the overpayment of tax, meet both our legal and moral obligations, meet shareholders' expectations, and ensure a transparent and open relationship with tax authorities.

There have been significant changes in the international tax landscape in recent years, initially as a result of the OECD's project on Base Erosion and Profit Shifting ('BEPS'), and now increasingly as a result of the focus on the digitalisation of the economy. This Tax Strategy reflects the Group's agreement with the primary aims of the project, which is to prevent aggressive tax avoidance and to provide an updated tax environment to cater for modern global businesses. The Group also supports the recent agreement of the G7 on global tax reform and the principle of a global minimum rate that ensures multinationals pay tax of at least 15% in each country they operate. The Group does not engage in artificial tax arrangements.

Please note that the Tax Strategy has been published under Para 16(2) Schedule 19 of the Finance Act 2016.

The Strategic Objectives

ASOS Plc's mission is to be the world's number-one destination for fashion-loving 20-somethings. This mission has four core pillars: Our Purpose, Our Product, Our Proposition and Our People. It is important that the Tax Strategy is an extension of the overall commercial strategy, and is aligned to our shareholders' interests. The importance of the commercial needs will in no circumstances override our compliance with all applicable tax laws.

The specific elements of the Tax Strategy have therefore been aligned to these elements as follows:

Our Purpose

- To pay the amount of tax which is legally due, and to comply with all tax laws, regulations and rules. We seek to minimise the risk of uncertainty and disputes.
- To achieve effective compliance as a result of complete, accurate and timely tax reporting and settlement of liabilities.

Our Product

- To achieve accurate tax accounting and assumptions as a basis for business decisions, and to ensure accurate reporting in the statutory financial statements.

Our Proposition

- To maximise the opportunities afforded to us through complying with the spirit and intention of all relevant tax laws, and ensuring that benefit is received through government sponsored relief on high-growth/e-commerce and export companies.

- To manage financial risk to safeguard and maximise the value of the business by minimising the effective tax rate, minimising the tax payable to the legally necessary amount, and avoiding tax penalties and interest - and therefore drive increased shareholder value.
- To enable the Group to understand and deal with the fiscal implications of developing international trade and operating in multiple fiscal territories.

Our People

- To ensure that any tax planning undertaken does not adversely impact the reputation of the Group in the eyes of its customers.
- To ensure that any tax planning undertaken does not adversely impact customer experience.
- To remove or mitigate, to the extent possible, any tax barriers to cross border trade.

Fashion with Integrity

For ASOS, 'Fashion with Integrity' means managing all aspects of our business transparently, so our customers can enjoy their fashion in the knowledge that, when buying our products, they are buying from a responsible company that is actively working to minimise the negative effects of the fashion industry on people, animals and the environment. Increasingly, tax is being considered as part of the wider concept of Corporate Responsibility. Tax management and tax policy therefore play a role in running a sustainable and responsible business. Whilst we take advantage of the reliefs and incentives that exist, in situations where our business goals are aligned with the purpose of the incentive scheme, we show respect for the intention, as well as the letter, of the law at all times. ASOS recognises that tax is a vital investment in the local infrastructure, employee base and communities in which we operate, and does not use legal entities in countries without the existence of operational substance.

The strategic objectives are underpinned by four areas of focus related to the approach to risk and its management.

1. Maximising Shareholder Value

The Group seeks to achieve the strategic objectives by adopting approaches and tax planning, which are consistent with the Group's commercial and other strategic objectives. The Group does not engage in tax avoidance (such as, putting in place wholly artificial structures, aggressive use of tax havens, etc.), and strives to achieve a low risk status with the UK tax authorities and tax regulatory authorities abroad. The goal is to provide a stable tax environment to allow the company to succeed globally.

In terms of undertaking specific planning ideas, there are a number of guiding principles that underpin the decision-making process in that the planning should:

- Support specific business objectives;
- Be capable of implementation;
- Not adversely impact customer experience;
- Meet our legal and moral obligations; and
- Meet stakeholders' expectations.

2. Operating Effective Tax Governance

The Group seeks to concentrate on tax strategic risk, that is risk considered fundamental or significant to the Group and its operations:

- by reviewing all major business developments for tax risks and by appraising all tax risks biannually to determine the key risks and identify those areas where most value may be added to the Group;
- by determining and implementing work to minimise those key risks, maximise benefits and identify relevant KPIs; and
- by monitoring the key risks at the end of the half year to ensure that the relevant KPIs have been achieved.

This risk is then managed by implementing documented processes and controls, which ensure that correct tax treatments are adopted and can be substantiated, and that compliance requirements are dealt with on a complete, correct and timely basis. Processes should be based on the best available information from all the Group's senior management and other systems. These processes should be amended and developed in response to changes in the business and regulatory environment.

Under UK legislation, the Senior Accounting Officer ('SAO') should take reasonable steps to ensure that the Group establishes and maintains appropriate tax accounting arrangements (including a Tax Risk Register). In particular, the SAO should take reasonable steps to monitor the tax accounting arrangements of the company, and identify any aspects in which those arrangements are not appropriate.
Whilst the concept of an SAO is purely a UK concept, the behaviours which the legislation seeks to embed give a good guide to what best practice should be in relation to overall governance of the tax function.

The Group's internal Tax Team reviews new and existing commercial arrangements to ensure that any tax impact is correctly managed, and that the Group remains compliant, prepares tax disclosures for the accounts, reviews and improves internal processes, educates and informs the business, provides relevant and accurate tax advisory services, and acts as an informed observer for tax specialist advice.

The in-house Tax team seeks to develop and maintain the following:

- Knowledge: the Tax team keeps up to date with legislation, regulation, and planning ideas through regular structured training and the use of other appropriate resources;
- Appropriate resources: the Tax Team has access to relevant and trusted sources of tax information;
- Efficiency: the Tax Team focusses on the key tax technical risks and areas where value may be added;
- Accuracy and control: the Tax Team ensures that there is embedded risk management across the key tax deliverables;
- Insight: the Tax Team has clear vision of the emerging risk areas and opportunities; and
- Dissemination of tax knowledge and information: the Tax Team acts as the propagator of tax information across the business to support commercial and other strategic objectives.

To enable the Tax department to manage risk, the business is required to alert them of new business activities, structures and plans, and to implement the tax advice given.

The Group uses external tax specialists, where appropriate, to advise on particular transactions, to add value where further clarification is required, and be a source of potential planning ideas, which are in line with the Group's commercial and other strategic objectives.

In particular, the Group uses external tax advisors where specialist knowledge is required, either in overseas jurisdictions where the Group has little experience or providing interpretive guidance on new, or changes to, areas of legislation. The Group will also seek additional comfort from external advisors, where it is considered that a commercial initiative being considered carries a significant amount of tax risk, has levels of ambiguity or is subject to interpretation.

3. Engaging in an Open and Transparent way with Stakeholders (including Tax Authorities)

The Group seeks to manage tax risks by maintaining an open dialogue and good working relationships with HMRC and other overseas tax regulatory authorities. This may include advising them of strategic developments, providing complete, correct and timely compliance, seeking tax advice where relevant, and, otherwise, maintaining regular contact. We will also engage with tax authorities to ensure consensus and work collaboratively regarding tax positions being taken in a jurisdiction, where the option is available and appropriate.

One of the consequences of the recent financial climate has been an increased focus on taxation by both governments and the media. As a result, the G20 countries tasked the OECD with devising an action plan to tackle global tax avoidance. Known as the BEPS Action plan, the OECD is seeking to address what are viewed as aggressive tax policies by multinational companies. Now that much of that work has been completed, the focus of the International Tax Community is primarily on the digital economy and the scope that e-commerce gives to circumvent traditional methods of direct taxation. Given that any solution proposed could have an impact on how ASOS is taxed, the Tax team considers that it is important that the Group is fully engaged with the process. The intention is twofold:

- To ensure that ASOS has a 'voice' in the discussions and can help shape the proposals; and
- To ensure that the Tax team is well positioned to understand any likely changes, and advises the business accordingly.

Territories are also focussing more strongly on introducing transaction taxes on online sales. It is therefore important that the Tax team maintains its awareness of developments to ensure that the Group is able to respond accordingly. It is also important that we work alongside the business to ensure that future international tax changes are considered alongside business developments and plans.

Additionally, we will consult with tax authorities, including HM Revenue and Customs, on any proposed law changes that may impact the business. As outlined in the 'Introduction' section, the Group supports the recent agreement of the G7 on global tax reform and the principle of a global minimum rate that ensures multinationals pay tax of at least 15% in each country they operate.

4. Interaction with the Business

As the Group grows internationally, the level of tax risks and complexity grows with it. It is therefore important that the Tax team provides appropriate level of advice that ensures that the Group can remain compliant and tax efficient without obstructing the operational needs of the business. For this reason, we have developed a series of principles that should be applied in advising the business. They are as follows:

- Commercial considerations;
- Aim for 100% compliance;

- Explore and communicate opportunities for added value early;
- Keep it simple; and
- Implement effectively.

The CFO, with the support of the Group Head of Tax, owns and implements the Group’s approach to tax, which is approved by the Audit Committee.

Our approach to tax is applicable across the ASOS Group, and this document will be renewed and updated annually.

For further details, please contact TaxTeam@asos.com.