

Tax Strategy for the year ending 31 December 2022

For

HSB Engineering Insurance Limited (HSBEIL) and HSB Engineering Insurance Services Limited (HSBEISL) together referred to as “The Company”

C0: Public

1 Introduction

This Tax Strategy sets out the Company’s approach to managing tax risk and compliance. The document is published to comply with the requirements of paragraph 22 Schedule 19 Finance Act 2016 and it aims to provide clarity on the Company’s risk appetite and its approach to managing tax risk for both internal and external users; it is publicly available on www.munichre.com/HSBEIL.

At HSB Engineering Insurance Limited (HSBEIL) and HSB Engineering Insurance Services Limited (HSBEISL), we attach great importance to responsible and sustainable company management. Corporate Governance, as well as sustainable risk management direct our day-to-day actions and help determine long-term strategic decisions. In addition, as part of the Munich Re Group, Corporate Responsibility is an essential component of the Company and our strategy is built on “Company success through responsibility”. Munich Re’s Code of Conduct binds our management and staff to engage in ethically and legally impeccable conduct.

In terms of our attitude towards taxation, the Company is a fair and reliable partner to its clients, its employees, its shareholders and all other external regulatory compliance parties (including HM Revenue & Customs (“HMRC”)). We are committed to acting in a prudent and responsible manner. We are an open, transparent and dependable taxpayer. Further information regarding our approach to tax matters globally can be found in Munich Re’s Tax Transparency Report 2020 which is also publicly available at <https://www.munichre.com/en/company/corporate-responsibility/download-center.html>.

2 Our approach to risk management and governance arrangements in relation to taxation

As taxation is a key element in meeting our wider business objectives, the Boards of Directors of HSBEIL and HSBEISL provide leadership in respect of our approach to taxation. In addition, as our insurance business is also regulated in the UK, we ensure that tax risk management is embedded as part of our wider Enterprise Risk Management procedures as well as the requirements, where applicable, of the Senior Managers and Certification Regime.

From an operational perspective, we have processes in place for identifying and addressing current and future tax risks across the full 'record to report' life cycle. This involves engagement with all key internal stakeholders (Finance, HR and Tax). Where appropriate, senior level committees provide regular oversight. Due to our international corporate structure as part of the Munich Re Group, we ensure that we remain connected on a global basis and that appropriate arm's length pricing is in place for cross border transactions.

Our internal review system (and as appropriate, external assistance) supports the Senior Accounting Officer in certifying to HMRC that we have appropriate tax accounting arrangements. Additionally, all tax returns and other submissions to HMRC are checked and validated internally prior to submission. Where we consider that we do not have the necessary in-house capabilities to fulfil our tax compliance requirements, we appoint external advisors to help manage this tax risk.

Where appropriate, we seek to utilise tax authority approved structures to facilitate our business. We obtain advice from appropriately qualified external advisors on specialist UK and non-UK tax matters such as transfer pricing, indirect tax and employment tax matters which form part of our tax return processes and UK cash tax obligations. This supplements the skills of our own Finance team in appropriate cases. In addition, for all UK taxes we ensure adequate training is provided to help identify new and emerging risks. For all tax processes there is clear accountability, reporting and escalation lines in place with Group Tax in Germany and with the Head of UK Tax in London.

We are committed in respect of all areas within our control to maintain "low risk" ratings from HMRC.

3 Tax risk appetite

As with our broader business risk appetite we have a low tolerance towards tax risk (across all taxes), and do not make use of tax planning which does not support genuine commercial activity. We seek to minimise the risk of a dispute with HMRC by being open and transparent about our tax affairs and by engaging on a real-time basis.

The tax consequences of significant transaction (including internal restructuring and changes to IT systems) are considered by the senior stakeholders (including our UK tax specialists and Group Tax) as part of their deliberations on the transactions in question. Wherever relevant we would also seek the opinion of external advisors to ensure that the tax impacts of any transaction are aligned to our corporate responsibilities.

We manage our ongoing and future tax risk by meeting regularly with HMRC to discuss significant current and recent transactions and to share details of any proposed significant transaction with them prior to implementation. In cases of significant uncertainty, we would seek advance clearance from HMRC.

4 Our approach towards our dealings with HMRC

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 Compliance Manager to discuss our tax affairs on a timely basis. Across all taxes we strive to ensure, wherever feasible, consistency in approach and reporting all the different UK businesses of Munich Re Group.

We take care to ensure that our tax affairs are reported accurately. If in the unlikely event we identify an issue in a submitted tax return, we would seek to voluntarily disclose it to HMRC.

In summary, the Company is committed to acting in a responsible and transparent manner with regards to our taxation practices and to working collaboratively with HMRC to ensure it is considered a low-risk business.

Signed by order of the Boards of Directors of HSB Engineering Insurance Limited and HSB Engineering Insurance Services Limited

Anya O'Reilly
Chief Financial and Operating Officer
Senior Accounting Officer, HSB Engineering Insurance Limited and HSB Engineering Insurance Services Limited