

Constellation Software Inc. – Tax Strategy

This document sets out the tax strategy for the UK subsidiaries of Constellation Software Inc. (“CSI” or the “Company”) (the UK subsidiaries are hereafter referred to as the “UK Group”) and in making this available, fulfils the responsibilities of Schedule 19 FA2016 for the period ending 31 December 2022.

The tax strategy is guided by the Company’s priority to create and maintain shareholder value, whilst balancing its commitment to compliance with laws and regulations. The Company does not seek to take an aggressive approach to tax.

CSI acquires, manages and builds vertical market software businesses that provide mission-critical software solutions.

The Company has multiple operating groups, focussing on different sectors/markets and operates in a highly decentralised manner. In most cases, the different operating groups act autonomously with individual finance teams holding operational responsibility for tax management. As well as this operational management, wider tax governance and oversight of the tax strategy is provided by the CSI head office tax team (“CSI Tax Team”). To successfully combine these areas, the Company strongly encourages a culture of consultation.

The tax strategy of the Company is regularly reviewed and updated. Commitment is given to keeping abreast of new developments and changes in the law across the wide range of taxes to which the group is exposed; namely corporate income taxes, employment taxes, indirect taxes such as duties and VAT, and withholding taxes.

How the UK group manages its tax risk

The UK Group’s approach to UK tax risk management is based on the principles of reasonable care and a conservative risk.

The UK Group actively monitors the controls and processes in place. A tax audit register is populated and regularly reviewed by the CSI Tax Team. Quarterly updates on ongoing tax audits are presented to the CSI audit committee, alongside a review of current global tax issues and risks facing the Company. As the UK Group continues to grow, tax governance maintains a high priority on the CSI Audit Committee’s agenda.

The Company employs specific personnel with a responsibility for ensuring tax compliance across the group. The CSI Tax Team are responsible for keeping abreast of legislative changes and their potential impact on the group. As part of the culture of consultation, bi-weekly tax team calls are held to monitor any tax risks arising, and internal memos are prepared and used as a basis for educating the wider tax and finance teams across the global group.

This consultative approach ensures that the UK group operates with a consistent tax strategy, despite its decentralised operating structure. Significant decisions with a material tax consequence are approved by the CSI Tax Team, ensuring appropriate oversight is maintained.

The UK group's attitude to tax planning

The UK Group adheres to relevant tax laws, whilst seeking to operate in the most efficient manner by making use of exemptions and incentives put in place by relevant tax authorities and OECD principles. Where applicable, clearances are sought prior to engaging in any planning activities to ensure the group is compliant. Regular communication is upheld with the UK Group's tax advisors' both on a local level and a global group level. This ensures the finance teams are kept up to date on developments and changes. Most significant tax sensitive matters are discussed with tax advisors and advice sought where required.

Senior employees' joint ownership in the company via share purchase plans means that all senior employees are aligned in terms of the priority to maintain shareholder value via avoidance of fines and penalties.

The UK Group and its tax risks

Oversight is provided by the CSI Tax Team, ensuring the tax strategy is implemented consistently across the Company. Consultation and approval by the board of the UK Group ("UK Board") for all acquisitions and significant tax planning offers a robust monitoring of its implementation.

The UK Group does not adopt any tax planning arrangements which result in tax avoidance. The UK Group always looks to submit all UK tax returns on a timely basis, pay the appropriate tax when it is due and ensure appropriate documentation underlying the tax transactions is in place.

The UK Group's relationship with HMRC

The UK Group respects the position of the tax authorities in the collection of tax revenue and will seek to engage and collaborate with the HMRC to ensure it pays the correct amount of tax.

The UK Group operates a policy of full disclosure in its dealings with HMRC. As part of this, the UK Group operates in an open, honest and transparent manner. Whilst the UK Group does not have a dedicated customer relationship manager at HMRC with whom they can engage, as far as possible proactive dialogue is sought. In particular, where possible advanced clearances are obtained in order to avoid unnecessary dispute, minimise tax risk and drive commercial efficiency.

As the UK Group grows, consideration is given to new tax risks arising and appropriate controls to mitigate these risks, which are discussed frequently with the UK Board as well as the relevant operating group managers.