Effective as of 8 November 2022

Tax policy

Purpose and scope

The purpose of this document is to set out the overall approach of CTP N.V. (CTP) and companies controlled directly or indirectly by CTP (together with CTP, the CTP Group) in respect of tax matters. This document describes CTP's approach towards management and control over its tax affairs and sets out the general framework within which the CTP Group will operate when considering tax-related issues.

This document is reviewed annually by CTP's Audit Committee in line with the Dutch Corporate Governance Code (paragraph 1.5.1) and will be reviewed annually and, if necessary, updated by the Group CFO in conjunction with the Group tax manager.

The tax policy is mandatory and applies to all CTP Group entities. The approach and principles described must be followed with respect to corporate income tax and all other direct and indirect government taxes.

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CTP Group

The activity of CTP Group is to develop premium industrial properties and operate them on a long-term basis. When appropriate, the Group acquires existing properties, but the general preference is to in-source the entire development lifecycle: land acquisition, zoning, permitting, engineering, construction, leasing, fit-out and maintenance. Each of these phases of the lifecycle has tax specifics that need to be considered.

CTP Group operates in several European markets via dedicated corporations that pay tax in the country where the assets are located, which leads to a responsible allocation of profits through the locations where CTP Group operates.

The CTP Group tax team is headquartered in Prague and is lead by the Group tax manager supported by a regional tax manager, two tax specialists and a transfer pricing specialist. In jurisdictions where CTP is well established, the internal tax presence is covered by a specialised person from the finance department, typically the chief accountant.

CTP Group approach to tax

CTP Group uses the available tax benefits and tools to achieve an optimal tax position while remaining compliant with not only the wording, but also the spirit of local laws and regulations. CTP does not perform any public policy lobby / advocacy in the tax area.

Given its shareholder structure, CTP Group does not qualify for Real Estate Investment Trust (REIT) regimes, which, together with the conservative tax strategy, the effective tax rate approximates the statutory tax rate.

Tax implications are considered in every structuring decision taken by CTP Group; however, it is not a primary driver, and always reflecting sufficient substance. CTP Group strictly avoids using artificial elements or arrangements in its structure as well as using low-tax jurisdictions or tax-heavens to decrease the tax burden (reference is made to EU list of non-cooperative jurisdictions for tax purposes, list updated by the EU Council on 4 October 2022).

CTP Group's tax department has the support of external resources (professional tax advisory firms) to ensure that its tax agenda is fully covered, both from the quantitative and qualitative perspective, and to ensure that any changes to tax law are properly assessed in a timely manner and, if necessary, implemented.

CTP's tax policy towards external support generally consists of a mix between mid-size and big advisory firms, depending on the complexity and cost perspective.

CTP Group's tax department is neither financially nor non-financially incentivised to decrease the tax burden of the CTP Group and/or individual subsidiaries, which eliminates the risk of tax-aggressive steps being taken.

In case any employee has concerns / suspicions of possible misconduct or irregularities in the tax area, CTP implemented a whistle-blower policy where such concerns can be reported.

Tax processes

CTP Group has prepared tax policies and implements tax controls to ensure that tax risks are mitigated. To further enhance and streamline tax-related processes, CTP Group is implementing a risk control matrix that includes tax aspects. This matrix will also facilitate internal and external audits.

For example, corporate income tax payable and deferred tax computations are done on a quarterly basis, and the results are then reflected in the published consolidated quarterly figures. For this purpose, tax computation schedules are available for each country. Deployment of a unified tax computation schedule for CTP Group as a whole is planned during 2022. In addition, the financial reporting team reviews the effective tax rate quarterly and determines the deviation from the expected tax rate.

Risk management

CTP Group aims to ensure that it is aware of all relevant tax risks, including in relation to compliance matters, financial reporting, tax planning, tax audits and legislative developments. The company has identified the following significant risks:

Transactional risk

This risk consists of a non-expected tax impact on different types of transactions. The more unusual the transaction is, the higher the risk. Under CTP tax policies, every new or unusual transaction is subject to sign-off from the CTP Group tax department. For this purpose, the CTP Group tax department is regularly trained to identify possible tax issues connected with the evaluated transactions. The tax review of the transaction is done either in-house or with the support of external tax advisers. CTP Group generally accepts only a low level of transactional tax risks; exceptions may incur in case of M&A deals, where higher risks might be accepted if sufficient contractual protection is in place.

Operational risk

Operational risks may occur when applying tax regimes on routine operations of the company. As part of regular business, new kinds of operations may occur, or the tax regulation applicable to a repetitive transaction may change. At CTP Group, processes are in place to ensure that operations are under the review of CTP Group's tax department and that the Group tax department reflects any tax law changes that affect operations; in this way, CTP Group faces low operational tax risks.

Compliance risk

Compliance risk primarily relates to the preparation, completion and review of various tax returns and the risks embedded in those returns. Compliance risk addresses the risks implicit in the systems, processes and procedures adopted by CTP Group to prepare and submit its tax returns:

- the quality of the underlying accounting information;
- the processes of extracting tax-sensitive information from the accounting system / other internal sources;
- application of up-to-date knowledge and the latest tax law and practice;
- the proper and efficient use of technology in the processes.

In many of the steps there are clearly cost implications where a decision is needed in relation to the trade-off between costs spent and risks taken. To achieve no errors in any tax return would bring excessive financial and time costs. CTP Group follows the market standard in the matter – upon tax return preparation it takes the position of accepting low risks by focusing on (i) items above a specific materiality and (ii) on items that are below the defined materiality threshold but are of a repetitive nature. By adopting this approach, the risks connected with tax compliance are kept at a low level.

IT tools are used in different parts of the tax processes. Local tools are used for calculation of taxes on country level as well as tools for communication with tax authorities and tax-related filings. On group level, a dedicated section in group Document Management System is in place for storing tax-related documents. Standalone tax data are then processed in the group consolidation software.

Tax authorities

CTP's approach is to build fair and transparent relationships with the tax authorities in the countries of its activity. For example, in 2019, when planning a set of mergers and spin-offs led to a more structured portfolio in the Czech Republic, a meeting was held with the tax authorities to explain the project and pre-discuss all relevant tax implications. Where available and relevant, rulings are requested from tax authorities on specific topics.

Transfer pricing

CTP Group uses a dedicated external adviser for the transfer pricing agenda. In 2022, an internal transfer pricing specialist was hired. His main tasks are to ensure an efficient reflection of the related-party transactions through the CTP group, regularly review them, set-up approach for the new transactions (e.g. solar / energy agenda). Market benchmarks are being regularly updated. The transactions are documented based on specific local requirements. CTP Group applies a strictly conservative approach to transfer prices and does not use them to shift profits between entities and/or jurisdictions.

ESG taxes, COVID-19

The countries where CTP operates in most cases do not levy ESG taxes with the exception of Serbia, where an eco tax has been implemented and its amount depends on whether your activity has a large, medium or small impact on the environment.

The COVID-19 pandemic did have several impacts on tax operations throughout the region. Firstly, the activity of state tax authorities slowed down as a consequence of lockdown. Subsequently, several tax measures were introduced in each country to help companies—some of which were of a one-off/temporary nature (e.g., postponement of tax payment obligations), while others were introduced as permanent changes to tax law. As an example, tax loss carry-back was introduced in the Czech Republic. In the future, an increased tax burden may be expected to help decrease the public debt created during the pandemic.

Responsibilities

The Group CFO has overall responsibility for tax matters and is specifically responsible for approving the Group tax policy and informing the Audit Committee of material tax planning developments and substantial tax risks.

The CTP Group tax department is responsible for day-to-day tax work, development of the Group tax policy and its implementation and tax risk management. The CTP Group tax department is headed by the Group tax manager, who reports to the Head of Group Financial Reporting.