



KATARA  
HOSPITALITY

**Adria Hotel Ltd**  
**TAX POLICY**

# General

Adria Hotel Limited (“Adria”) is member of the Katara Hospitality (“KH”) Group, a global hotel owner, developer and operator, based in Qatar (see relevant group structure in appendix 1). With more than 40 years’ experience in the industry, KH actively pursues its strategic expansion plans by investing in peerless hotels in Qatar while growing our collection of iconic properties in key international markets. KH currently has 42 properties in operation or under development within its portfolio and is now focused on adding another 18 properties by 2026. Adria operates a boutique hotel in central London. As member of the KH group Adria shares in the proud values and high standards of its parent organization as set out in the Katara Hospitality Group Tax Policy.

KH’s approach to tax seeks to enable and support this strategy and to balance the various interests of its stakeholders - including the State of Qatar as its shareholder - and the government of the countries it invests in (e.g. UK). KH supports the adoption of international best practices and governance standards in both fiscal and transfer pricing policies. In addition, as a global corporation it pays attention to paying its fair share of tax.

Consistent with its role as a State owned company, KH’s aim is to manage its tax affairs in a manner which ensures compliance with all fiscal obligations and which maximizes shareholder value.

# Managing tax risk

As a business, KH is subject to taxation in the many countries it operates in since 2011. The tax legislation in these countries differs and is often complex and subject to interpretation by management and the government authorities. Recent developments in the international tax arena have increased the likelihood of changes to tax systems in the countries in which it operates and this creates added uncertainty. KH, and hence Adria, have a low risk appetite in respect of legal and tax compliance.

The responsibility of the tax function is delegated by the Chief Executive Officer to the Chief Financial Officer and hence, is part of the Finance Department. The CFO has delegated the responsibility of the tax function to Group Tax. Currently Group Tax is represented by the Director International Tax Management.

KH has developed a Tax Policy in line with our mission statement to bring prosperity to all our stakeholders in a corporate responsible manner. This Tax Policy is approved by KH's Board and will be embedded through an internal Tax Policy document. KH assures that Adria's UK Tax Policy is in line with the Katara Hospitality Group Tax Policy.

KH Group and , hence, Adria have a Tax Risk Management Framework in place which sets out the controls established to assess and monitor tax risk for corporate taxation and withholding taxes, and to ensure provisions are made when needed. This Tax Policy should be read in conjunction with this Tax Risk Management Framework.

# Scope

Adria's policy on taxation is to pay our fair share of tax cost (but also not more than that) within the context of its commercial operations and with full regard to all relevant laws and regulations. A proactive rather than a reactive approach is required for managing Adria's global tax position.

The purpose of this Tax Policy is to provide a framework within which risk is assessed and managed in a controlled and effective manner whilst:

- i. Maintaining the interests of Adria, KH, the UK and the State of Qatar; and
- ii. Maximizing opportunities where possible.

# Tax Governance

All decisions should consider the likelihood of payment and the effects on cash, on the Profit and Loss statement (“P&L”) and on Adria’s reputation. In our tax management framework we indicated the framework and thresholds for making these assessments (“delegation of authority”). The level of authorization and decision making is as follows:

- Low Risk Area (green):** managed by the local Director of Finance (DoF)
- Medium Risk Area (amber):** managed by the local DoF as set out in the Low Risk Area plus second opinion is required from external advisers or Group Tax (located in Doha). All risks falling within this scenario should be referred to Group Tax for information
- High Risk Area (red):** managed by Group Tax. All risks falling within this scenario should be referred to the CFO's office for information
- Reputational Risk:** since maintaining the good standard of the reputation of the State of Qatar is of utmost importance, all reputational issues in relation to tax fall within the High Risk Area.

# KH's Tax Principles

This Tax Policy applies to anyone working in the global finance team or having responsibility to taxation within KH. These are the principles everyone should follow, either directly, when you are personally responsible, or when you are not, by providing assistance to Group Tax and/or the CFO:

- *Compliance:* We aim to make sure that Adria acts responsibly in relation to its tax affairs and complies with all relevant laws and regulations. We aim to comply with the spirit as well as the letter of the law.
- *Business rationale:* Tax should follow the business. We aim to pay an appropriate amount of tax according to where value is created within the normal course of commercial activity. Any transfer price is always calculated using the 'arms-length' principle.
- *Knowhow:* We undertake the appropriate training or consult experts to ensure we understand the relevant tax laws and regulations that apply. Including ensuring that all decisions are taken at an appropriate level and supported by documentation that evidences the judgments involved.
- *Structure:* We do not use contrived or abnormal tax structures that are intended for tax avoidance, have no commercial background and do not meet the spirit of local or international law.

# KH's Principles (continued)

- *Tax rulings*: we only seek rulings from tax authorities to confirm the applicable tax treatment based on full disclosure of the relevant facts.
- *Tax authorities*: a pro-active attitude towards the local tax authorities is not our primary goal. However, if needed, we seek to develop mutually respectful relationships with tax authorities based on openness, honesty and transparency. Compliance with all relevant legal disclosure requirements will be adopted.
- *Governance*: we ensure that as a business we have the mechanism in place to adhere to the above principles.
- *Accountability*: accountability for all taxes lies with Group Tax, unless agreed otherwise.

Group Tax should:

- Robustly defend tax positions in KH's tax returns.
- Monitor changes in relevant tax law and practice in order to assess any consequences for KH.
- Participate in any tax authority formal consultation process where it is expected that the matter under consultation will have a material impact on KH's liability.
- Group Tax is ultimately accountable for how relationships with tax authorities are managed and expect local finance teams to adhere to the principles relating to managing relationships with tax authorities as set out above.



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## **TAX RISK MANAGEMENT FRAMEWORK**



# General

Based on our Tax Policy, we have defined Adria's Tax Risk Management Framework in order to manage and control the global tax position of Adria in its (i) day to day interaction with the business, (ii) during transactions (iii) tax compliance and (iv) relationship management.

All tax positions should be based on strong and clearly explained technical positions and based on thorough documentation (fact pattern). Assessment of risk should describe:

- Both short and long term considerations and risks.
- The impact on Adria's / State of Qatar reputation.
- The consequence of disagreements with tax authorities over the application of law.
- The benefit of certainty in respect of uncertain or disputed tax positions.

# Scope (i) business

Tax should follow the business operations, only solid tax planning can be considered and this should not create inflexibility within the group. Within the context of Adria's day to day business, we will work with the business as an equal partner in providing clear, timely, relevant and business focused advice across all aspects of tax arising there from. Where alternative routes exist to achieve the same commercial results the most tax efficient approach in compliance with all relevant laws should be recommended.

To the extent necessary we will ensure the business understands our objective of enhancing shareholder value and the risk management parameters and principles, including our appetite for risk, which govern how we will do this.

We will ensure that the business understands that the tax function should be involved throughout from planning to implementation to avoid failure in implementation, documentation or maintenance. Group Tax will also build consistency in documenting intercompany transactions.

# Scope (ii) transactions

The tax function must be involved in the planning, implementation and documentation for:

- all acquisitions and disposals of operations, hotel assets or shares
- all changes in the corporate group structure
- all cross border financial and IP arrangements
- all significant business transactions (development etc.)

All decisions should consider the financial return, potential reputational risk and financial risk (likelihood of payment and cash/P&L impact). The framework and likelihood and thresholds for making these assessments are illustrated in slide 16.

# Scope (ii) transactions (continued)

A detailed assessment of the risk should be carried out and which must be represented to the owners of the tax decision in the Medium and High areas as defined in slide 16. Risk assessment should include but not be limited to:

- a full description of the issue including a clear summary statement of the facts
- an assessment of the financial costs and benefits of all potential scenarios
- an assessment of the probability of the risk
- commentary on likely dispute resolution
- recommendations

# Scope (iii) compliance

## *Tax compliance*

In line with the principles laid down in our Tax Policy, Adria must comply with all tax regulations and disclosure requirements in all countries we operate in. This requires that:

- Adria should submit all returns by their due date in line with local tax law.
- Adria should document all its transfer pricing policies in line with local tax law.
- Adria should keep record of all its compliance (and underlying administration) in line with local tax law.
- In line with Adria's Tax Policy all material positions taken in the tax returns must be supportable in terms of (legal) documentation.
- All compliance should have been reviewed and agreed upon by Group Tax before submitted to the local tax authorities.
- All correspondence with local tax authorities should be shared with Group Tax.

# Scope (iv) Relationship management (external)

## *Relationship with Tax Authorities*

Adria's management of relationships with tax authorities is consistent globally and is in line with the tax Principles:

- Adria is committed to being open and transparent with tax authorities about Adria tax affairs and to disclosing relevant information to enable tax authorities to carry out their review.
- Adria is committed to ensuring compliance with all relevant legal disclosure requirements.
- Adria is committed to work pro-actively and transparently with tax authorities to minimize the extent of disputes.

## *Tax audits and enquiries*

Audit and tax authority enquires should be handled by the local controller while informing Group Tax. Depending on the:

- overall liability at stake including tax and penalties;
- the degree to which international concepts and/or consistency is relevant to the group; and
- the risk of reputational damage.

Group Tax is taking over the lead in the discussions with the tax authorities and is being supported by the local controller.

# Scope (iv) Relationship management (internal)

## *Tax reporting and procedures*

The Tax Policy requires that Adria complies with all laws and disclosures and act with due professional care.

- The reported financial accounts whether at year end or interims are expected to reflect all taxes.
- Absolute transparency is needed between local companies and Group Tax to ensure appropriate accounting and disclosure decisions for external reporting and accurate and complete briefing of Group Tax and/or the CFO.
- At each reporting event, tax charge and provisioning decisions should reflect the most up to date information to avoid significant adjustments to the actual tax charge or tax returns.
- In meeting the above, Group Tax will issue appropriate instructions and timetable for each reporting event for completion and review of the Tax position.

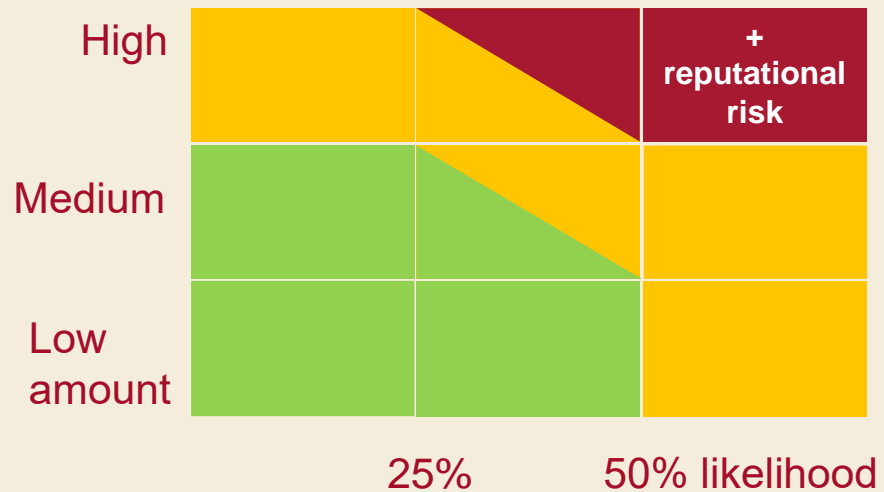
## Local companies should:

- Calculate all tax charges in accordance with the group accounting policy .
- Provide timely, complete and accurate tax reporting and provision templates in accordance with instructions from Group Tax .
- Share relevant information in update calls in accordance with the reporting team agenda.
- Assist Group Tax with questions and clarifications required as part of the reporting process.

## Group Tax should:

- Undertake operating company provision reviews.
- Undertake review and update of group level transfer pricing provisions.

# Delegation of (Tax) Authority



**Low Risk Area (green):** managed by the local controller

**Medium Risk Area (amber):** managed by the local controller as set out in the Low Risk Area plus second opinion is required from external advisers or Group Tax. All risks falling within this scenario should be referred to Group Tax for information

**High Risk Area (Red):** managed by Group Tax. All risks falling within this scenario should be referred to the CFO's office for information

**Reputational Risk:** since maintaining the good standard of the reputation of the State of Qatar is of utmost importance, all reputational issues in relation to tax fall within the High Risk Area.

Direct tax		
Low	Medium	High
< GBP 25k	>GBP 25k – < GBP 100k	> GBP 100k



# Appendix 1: Relevant Group Structure

