



Pizza Hut UK Group (including Pizza Hut (UK) Limited, PHH 1 Limited, PHH 2 Limited, PHR (Northern Europe) Limited, HWS 4 Limited, HWS 3 Limited and HWS 2 Limited) Tax Strategy – Year Ended 2nd December 2019.

Background

Pizza Hut UK is the restaurant business operating under the Pizza Hut brand in the UK since 1973. It now has 246 restaurants nationwide, employing over 8,000 team members and serving nearly 2 million guests each month from its menu which consists of pizza and pasta and salad, and more recently a diversified menu which includes ribs, fries, onion rings and chicken.

In April of 2018, following the completion of a successful 5 year turnaround plan for the business, Pizza Hut Restaurant's senior leadership team completed a management buy-out (MBO) of the UK chain from its private equity backer Rutland Partners. The MBO, assisted through funding from Pricoa Capital Group, saw the long-serving management team, led by CEO Jens Hofma, take control of the business.

The new ownership structure provides the platform for the next 5 year growth plan and strategy. This strategy builds on the turnaround delivered since 2012, the main components of which were:

- A £40m refurbishment programme, delivering a distinctive, American-inspired contemporary look and feel across the dine-in estate.
- A rejuvenated menu, building new layers of choice for guests across all categories
- A distinctive brand voice and positioning, emphasising the unique freedom of choice and experience that guests enjoy at Pizza Hut.
- A reengineered economic model, less reliant on discount offers.

Notwithstanding the success that this change delivered, management believe that the market around us continues to be very competitive and customer behaviours are continuing to evolve. These are being driven by innovation whether that be disruptive technology (Uber, Deliveroo), the explosive growth in internet shopping, the rise of the smart phone, the growth in fast casual restaurants, the use of social media and the increasing influence of the younger generation. These changes bring fresh opportunities for the business to adapt and grow. Our strategy powerfully combines three emerging opportunities for the business to create significant new value for guests.

- 'Fast Casual' concept conversion
- New channels to access our food
- A best-in-class framework for improvement in operational practices

Governance

The governance framework of the group ensures that all financial and tax risks are appropriately dealt with by Senior Management. Primary responsibility for taxation matters sits with the CFO who is supported by the in-house Taxation Manager. Guidance is also provided by external advisors, particularly in relation to matters that are material or which are technical in nature. The Board is updated on any material tax matters as they arise with further updates on any matters that are continuing. The overall governance framework enables taxation matters to be identified and managed on a day to day basis, ensuring that any risks can be reduced.

Pizza Hut's direct contribution to taxation in the UK economy includes corporate, employment, property, apprenticeship levy, and insurance premium taxes. Additionally Pizza Hut makes significant indirect contributions to UK taxation through taxes on sales of pizza products which are subject to VAT.

This document, approved by the board of the Pizza Hut UK Group (encompassing Pizza Hut (UK) Limited, PHH1 Limited, PHH2 Limited and PHR (Northern Europe) Limited, HWS 4 Limited, HWS 3 Limited and HWS 2 Limited), sets out the Group's approach to conducting its tax affairs and dealing



with tax risks for the year ending 2 December 2019. This document will be periodically reviewed by the company, and any amendments will be approved by the board of directors. This document will remain effective until any amendments are approved by the board of directors. We consider that it meets the requirements of Finance Act 2016, Schedule 19, Paragraph 16(2) for the current year.

We take our responsibilities to tax extremely seriously, and are committed to meeting all our statutory tax obligations.

The Pizza Hut UK Group is committed to:

- Following all applicable laws and regulations relating to its tax activities.
- Maintaining an open and honest relationship with the tax authorities based on collaboration and integrity.
- Applying diligence and care in our management of the processes and procedures by which all tax related activities are undertaken, and ensuring that our tax governance is appropriate.

Our Code of Conduct sets the standard for what is expected of everyone conducting business on behalf of the Pizza Hut UK Group. It is essential that Pizza Hut maintains its reputation for integrity and that everyone in the Group acts honestly, fairly and with transparency.

Risk management

Day to day responsibility for the conduct of the Group's tax affairs is delegated to a number of qualified tax professionals, whose purpose is to meet our tax compliance obligations in the UK.

We fully provide for all our taxes in accordance with legal and accounting standards. Where material uncertainty exists, we support the stance taken in our accounts and in our tax returns through the use of qualified internal and external advisors.

Where errors arise, we disclose these to the relevant tax authority at the earliest opportunity and seek to put in place additional procedures to ensure that such errors do not arise in the future.

We regularly review all material tax risks faced by the Group and undertake steps both to monitor and where appropriate, mitigate these.

Due to the nature of the business, the group is only prepared to accept a low level of tax risk. Any new commercial activities, are reviewed on a case by case basis, and where appropriate, specialist tax advice is sought.

Tax planning

We recognise that tax is by its very nature, complex and often uncertain.

We do not undertake aggressive tax planning and are committed to ensuring that tax reflects the underlying economic substance of the transactions the business enters into.

All transactions are driven by their commercial rationale rather than being shaped only to deliver a tax advantaged result.

In cases where the tax guidance is unclear or the Group does not feel it has the necessary expert knowledge to assess the tax consequences adequately, external advice is sought to support the Group's decision making process.



Approach towards dealings with HMRC

The Group is committed to the principles of openness and transparency in its approach to dealing with HMRC, and in particular the Group commits to:

- Make fair, accurate and timely disclosure in correspondence and returns, and respond to queries and information requests in a timely fashion.
- Seek to resolve issues with HMRC in a timely manner, and where disagreements arise work with HMRC to resolve issues by agreement where possible.
- Be open and transparent about decision-making, governance and tax planning.
- Reasonably believe that transactions are structured to give a tax result which is not inconsistent with the economic consequences (unless specific legislation anticipates that result), nor contrary to the intentions of Parliament.
- Interpret the relevant laws in a reasonable way, and ensure transactions are structured consistently.
- Ensure all interactions with HMRC are conducted in an open, collaborative and professional manner.

Signed on behalf of the Pizza Hut UK Group