GROUP POLICY

Anti-Facilitation of Tax Evasion

WEBSITE

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DIPLOMA PLC
VALUE-ADD SOLUTIONS

Contents

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1 Purpose

The purpose of this policy is to outline Diploma PLC's ("Diploma") approach to the Corporate Criminal Offence provisions of the Criminal Finances Act 2017, specifically regarding the failure to prevent the criminal facilitation of tax evasion. This policy will:

- summarise the offences under Part 3 of the Criminal Finances Act 2017 (the "Act"),
- set out responsibilities for compliance across the Group, and
- provide guidance on how to identify and respond to facilitation of tax evasion risks.

2 Scope

This policy applies to the entire Diploma Group ("Group"), including all directors, officers, and employees of Diploma and its subsidiaries, regardless of where the business is conducted or located. It also applies to associated persons - defined as any person who performs services for or on behalf of the Group. This includes:

- all business partners, including agents, intermediaries, and suppliers;
- other third parties, including contractors, consultants, and business partners acting for or on behalf of the Group; and
- any individual or organisation with whom a Group employee interacts in the course of their work.

3 Policy Statement

The Group is committed to complying with all applicable tax laws, rules, and regulations in the countries where it operates. This includes full adherence to Part 3 of the Criminal Finances Act 2017, which introduced the Corporate Criminal Offence of failing to prevent the facilitation of tax evasion by another person.

Diploma will not engage in, nor be associated with, any form of tax evasion or the facilitation of such activities anywhere in the world.

This policy reflects the commitment of senior management to implement and maintain effective systems across the Group to monitor, prevent, and eliminate the risk of tax evasion. It must be read and understood by all employees.

Facilitation of tax evasion is a criminal offence. If Diploma is found to have facilitated tax evasion, it could face unlimited fines and significant reputational damage. The effectiveness of Diploma's anti-facilitation measures relies on the vigilance and cooperation of all employees and associated persons.

All employees and associated persons are required to familiarise themselves with this policy and comply with its requirements, including any future updates. Suspected facilitation of tax evasion must be reported in accordance with this policy. Diploma will support anyone who raises concerns in good faith.

Anti-facilitation measures are regularly communicated, and relevant employees receive annual training. The Group will also take appropriate steps to ensure that associated persons are made aware of this policy and of the standards expected of them when acting on behalf of the Group.

4 Criminal Finances Act 2017 and Non-Compliance

The Criminal Finances Act 2017 (the "Act") came into force on 30 September 2017. Part 3 of the Act introduced a corporate criminal offence for failing to prevent the facilitation of tax evasion, including both UK and foreign taxes. Tax evasion involves the deliberate and dishonest use of unlawful methods to avoid paying the correct amount of tax. There are three key stages that must occur for the corporate offence to apply:

1. Criminal tax evasion by a taxpayer (either an individual or entity) under existing law;
2. Criminal facilitation of that evasion by an "associated person" acting on behalf of a relevant organisation; and
3. The organisation failed to prevent the associated person from facilitating the offence.

A corporate offence is committed where an associated person deliberately and dishonestly facilitates tax evasion and the organisation did not have reasonable prevention procedures in place at the time. If a company is found guilty of this offence, it may face:

- An unlimited financial penalty;
- Ancillary orders, such as confiscation orders or serious crime prevention orders;
- Reputational damage and potential loss of business;
- Exclusion from public contracts or regulatory sanctions in certain sectors.

Link to the Failure to Prevent Fraud Act 2024

The facilitation of tax evasion may also constitute a fraud offence under the UK Failure to Prevent Fraud Act 2024, specifically in cases where actions amount to cheating the public revenue. HMRC is increasingly reviewing whether organisations have adequate procedures in place to prevent both the facilitation of tax evasion and associated fraudulent behaviour.

This policy should therefore be read in conjunction with the Group's Anti-Fraud guidance in the Group Code of Conduct, which outlines broader responsibilities and controls in place to prevent dishonest conduct by employees, managers, or third parties acting on behalf of the Group.

5 Responsibilities

All employees and associated persons must read, understand, and comply with this policy. They should seek guidance if they are unsure about any aspect of it. The prevention, detection, and reporting of suspected tax evasion is the responsibility of everyone working for or on behalf of the Group.

5.1 Group

- The Board of Directors, through the Group General Counsel, holds overall responsibility for ensuring this policy complies with the Group's legal and ethical obligations and that all those under its control comply with it.
- The Head of Tax has primary day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, and addressing questions of interpretation.
- The Group General Counsel is responsible for ensuring appropriate training is provided to relevant employees.

5.2 Businesses

Management at all levels must ensure that employees under their supervision:

- Are made aware of and understand this policy;
- Receive appropriate training if they are considered relevant based on their role and risk exposure.

Employees must not:

- Aid, abet, counsel, or procure tax evasion or the facilitation of it;
- Engage in or allow any form of tax evasion;
- Fail to report any request, demand, or suspicion related to facilitating tax evasion (whether involving UK or foreign tax);
- Threaten or retaliate against anyone who refuses to participate in tax evasion or who raises concerns in good faith.

5.3 Associated Persons

Associated persons are expected to remain alert to the risk of tax evasion in any dealings with or on behalf of the Group. Any concerns must be reported promptly to a line manager, the Legal Team, or via the Confidential Hotline (see Contacts).

6 Reasonable Prevention Procedures

The only defence to the corporate offence of failing to prevent the facilitation of tax evasion is having reasonable prevention procedures in place at the time the offence is committed. HM Revenue & Customs ("HMRC") has set out six guiding principles for such procedures:

- Risk assessment
- Proportionality
- Top-level commitment
- Due diligence
- Communication and training
- Monitoring and review

The Head of Tax will monitor official guidance and support businesses in implementing updates as required. Managing Directors are responsible for ensuring that appropriate prevention procedures are embedded in their local operations in line with these principles.

6.1 Risk Assessment

Each business must assess the nature and extent of its exposure to the risk of associated persons criminally facilitating tax evasion. Risk assessments should be proportionate, documented, and regularly reviewed based on changes in business activities, markets, or relationships.

6.2 Proportionality

Prevention procedures should be appropriate to the level of risk identified. Measures must be proportionate to the size, complexity, and nature of the business and should focus on areas where there is a realistic possibility of tax evasion risk.

6.3 Top-Level Commitment

Diploma maintains a zero-tolerance approach to tax evasion and its facilitation. The Group is committed to setting the right tone at the top, ensuring that anti-facilitation principles are embedded into the culture and decision-making processes across its businesses. The Head of Tax is responsible for ensuring that regular risk assessments are carried out and followed up appropriately.

6.4 Due Diligence

Due diligence must be conducted before entering into any contract, arrangement, or relationship with a third party. This should be done in accordance with each business's internal procurement and risk management procedures. The level of due diligence must reflect the nature of the relationship and the potential risk of tax evasion. Where required, approval should be obtained from appropriate personnel in line with local internal policies.

6.5 Communication and Training

This policy must be made available to all employees and communicated to associated persons. The Group's zero-tolerance approach to tax evasion should be clearly stated at the outset of any business relationship and reiterated as appropriate.

The Legal Team is responsible for ensuring that relevant employees receive appropriate training on this policy. Training currently includes:

- Anti-Bribery and Corruption & Tax Evasion
- Anti-Facilitating Tax Evasion for Business

6.6 Monitoring, Oversight and Review

Monitoring and review of this policy take place at both Group and business levels.

Each business is responsible for implementing and maintaining local internal controls and procedures to prevent the facilitation of tax evasion. These controls should be embedded into day-to-day operations and reviewed periodically to ensure they remain proportionate and effective.

At Group level, the Head of Tax is responsible for ensuring the policy remains up to date and appropriately applied. Group Internal Audit will assess the implementation and operation of prevention procedures across the Group as part of the internal audit cycle. This includes evaluating the effectiveness of local controls, risk assessments, and due diligence activities.

Where weaknesses are identified, corrective actions will be agreed with the relevant business and tracked to completion. Significant findings may be escalated to the Legal Team, Head of Tax, or the Audit Committee, as appropriate.

This policy is reviewed annually and may be updated at any time to reflect legal, regulatory, or organisational changes. Employees and associated persons are encouraged to submit feedback or suggestions for improvement to the Head of Tax or the Legal Team.

7 Reporting Potential Facilitation of Tax Evasion

All employees must notify their Managing Director or Group Internal Audit immediately if they believe or suspect that a breach of this policy has occurred or may occur in the future[1].

The Managing Director must promptly review any concerns raised to assess potential non-compliance with this policy and ensure appropriate records are maintained (see below). Where further action is required, the matter should be escalated to the Head of Tax and the Legal Team for review, and, if appropriate, self-reporting to the relevant authorities.

7.1 Record Keeping

As part of existing controls each business in the Group is required to retain financial records, and have appropriate internal controls in place, which will properly support the business rationale for making any payments.

Managing Directors should keep a written record of all suspicious transactions raised and action taken. This will be periodically reviewed by Group Internal Audit.

7.2 How to raise a concern

Employees and associated persons are encouraged to raise concerns as early as possible, including if they are unsure whether a particular act may constitute tax evasion or facilitation of tax evasion. Concerns may be raised with:

- The employee's Managing Director
- Group Internal Audit
- The Head of Tax
- The Legal Team

Alternatively, concerns can be reported confidentially via the Diploma Confidential Hotline, managed by Safecall - an independent third-party service (see Section 9: Contacts).

7.3 Protection

The Group is committed to fostering a culture of openness and integrity. Employees or associated persons who raise genuine concerns in good faith will be supported, even if their concerns turn out to be mistaken.

No employee or associated person will suffer any detrimental treatment as a result of:

- Refusing to participate in tax evasion; or
- Reporting a suspected breach of this policy in good faith.

Detrimental treatment includes dismissal, disciplinary action, threats, or other forms of retaliation. Any employee who believes they have been subject to such treatment should inform their Managing Director immediately. If the matter is not resolved, they should raise it through the applicable grievance procedure.

[1] *Examples of facilitation of tax evasion are included in Schedule 1.*

8 Compliance & Non-Compliance

Compliance with this policy is mandatory. All employees and associated persons are expected to act with honesty and integrity and must not participate in, facilitate, or ignore potential tax evasion.

Any employee who breaches this policy may face disciplinary action, up to and including dismissal for gross misconduct. Where appropriate, the Group may also refer matters to the relevant authorities, which could result in criminal prosecution.

The consequences for the Group may include:

- Unlimited financial penalties, depending on the nature and severity of the offence;
- Ancillary orders, such as confiscation or serious crime prevention orders;
- Disqualification from public contracts or regulatory sanctions in certain sectors;
- Significant reputational damage.

The Group will not tolerate any deliberate breach of this policy and is committed to taking swift and proportionate action in response to any confirmed violation.

9 Contacts

For questions about this policy, or to report concerns related to the facilitation of tax evasion, the following contacts are available:

- **Head of Tax:** Lauren.Orr@diplomaplc.com
- **Group General Counsel:** Anna.Lawrence@diplomaplc.com
- **Group Internal Audit:** Internal.Audit@diplomaplc.com
- **Group Legal Team**: Legal@diplomaplc.com

For confidential reporting, use the Diploma Confidential Hotline managed by Safecall, an independent third-party service. Safecall provides a 24/7 confidential service. Reports may be made anonymously. Calls are not recorded, and all information is treated in the strictest confidence.

- **Freephone:** check the Safecall website for local numbers
- **Online Reporting**: safecall.co.uk/file-a-report
- **Email**: diploma@safecall.co.uk

Schedule 1: Examples of Facilitation of Tax Evasion

The following are illustrative examples of conduct that may constitute the criminal facilitation of tax evasion. These scenarios are not exhaustive but demonstrate how employees or associated persons could become involved in facilitating tax evasion:

- An employee deliberately and dishonestly collaborates with a supplier to falsify invoice values (e.g. understating the amount paid) so the supplier can evade income or corporate tax.
- An employee deliberately conspires with a supplier to misrepresent the source country of goods in order to evade Customs duties.
- An employee knowingly and dishonestly processes payments to a supplier whose invoices do not include VAT/Sales Tax, despite knowing that their turnover exceeds registration thresholds.
- An employee knowingly accepts an invoice with an inaccurate description of goods or services, understanding it is intended to reduce the supplier's VAT, Customs Duty, or Tariff obligations.
- An employee deliberately misclassifies someone as self-employed or a contractor, knowing this will result in underpayment of payroll taxes.
- An employee knowingly assists in setting up a supplier account linked to a bank account in another name or located in a tax haven, aware that the supplier does not intend to declare the income.
- An employee deliberately alters shipping labels or export documentation to misstate the country of origin, reducing tariffs payable by a Group business.
- The purchase price of a property is deliberately overstated for fixtures and fittings, allowing the seller to underpay Stamp Duty Land Tax.
- Fees owed to an overseas director are knowingly and dishonestly paid to a spouse's account to help the director evade tax.
- A supplier deliberately falsifies commodity codes and goods descriptions on import documentation to reduce Customs Duty, VAT, or tariffs, and the employee knowingly accepts it.
- A customer requests a refund to be paid to a different account (after paying via business account), and the employee knowingly agrees, understanding the purpose is to avoid tax reporting.
- An agent deliberately agrees to split payments between two supplier accounts (one in a tax haven), knowing the purpose is to evade tax.
- A third-party service provider knowingly issues false invoices to assist a customer in evading tax, with the employee's awareness and involvement.

Indicators of Elevated Risk

Below are non-exhaustive examples of high-risk factors that may increase the likelihood of tax evasion:

- Customers and suppliers: Involvement in unusual transactions, complex or opaque ownership structures, or operating from high-risk jurisdictions.
- Countries: Jurisdictions with weak anti-money laundering controls, subject to economic sanctions, or known tax secrecy practices.
- Transactions: Complex tax arrangements, use of intermediaries, or involvement of politically exposed persons (PEPs).
- Business opportunities: High-value, multi-jurisdictional deals or partnerships with known compliance concerns (e.g., deliberate referrals to offshore advisers to structure tax evasion).