

UK TAX STRATEGY

1. INTRODUCTION

Puig is a third-generation family-owned fashion and fragrance business based in Barcelona, Spain. The strength of Puig lies in its ability to build brands, to shape the image of brands through fashion, and to translate that same image into the world of fragrance through storytelling and products excellence.

Puig has achieved success through the combination of owned brands and licensed brands in fragrances and fashion businesses. Puig's owned brands include Carolina Herrera, Nina Ricci, Paco Rabanne, and Jean Paul Gaultier. Puig's licensed brands include Prada, Christian Louboutin and Comme des Garçons, and celebrity fragrances. Puig products are sold in more than 150 countries.

These business activities generate a substantial amount and variety of taxes (paid and collected) which form a significant part of our economic contribution in the United Kingdom (hereinafter "UK), where Puig distributes its products and also recently acquired Penhaligon's London, one of the most prestigious British fragrance houses, which has its own retail network and a global presence.

2. UK TAX STRATEGY OVERVIEW

This UK Tax Strategy (hereinafter the "Strategy") is applicable to all Puig entities resident in the UK territory, following its approval and adoption by the entities' governing bodies in accordance with the provisions established by applicable legal system¹, and is intended to establish the governance framework, principles, values, guidelines and standards to guide behavior and decision-making relating to fiscal matters in the UK.

This Strategy is aligned with the Corporate Fiscal Policy of the Group and also with the corporate principles, mission, vision, Social Responsibility Policy and in particular the Ethical Code of Puig.

In this context and within the framework of corporate social responsibility, Puig promotes responsible fiscal behavior taking into consideration the interests and sustainable economic development of the territories where it is present, ensuring the satisfactory implementation of good fiscal practices.

3. PURPOSE AND APPROVAL OF THE TAX STRATEGY

The Strategy will apply to:

- All direct taxes, indirect taxes and taxes on employment income, capital gains and real estate income, local taxes and other tax obligations that apply to Puig in general in accordance with the fiscal regulations applicable in the UK, as well as to all information disclosure obligations that exist with the Fiscal Authorities in the territory.
- The accounting of taxes, both for the purposes of preparing annual accounts as well as for the periodical reports issued by the financial area.

¹ Legal system in this sense means the regulations applicable in the territory for the approval of the UK Tax Strategy, as well as the tax regulations that may apply. In particular, in the United Kingdom it refers to the "Finance Act 2016" Schedule 19.



- The forecasts and financial projections of the fiscal area.

This 2019 Tax Strategy has been approved by The Board of Directors of the entities belonging to Puig in the UK, being published in accordance with section 161 and paragraph 19(4) of the Finance Act 2016 and will be in force until 31st December 2019.

In order to achieve permanent improvement, the Company's compliance with the principles and good practices contained in this Tax Strategy will be reviewed periodically, and the Strategy will be up-dated in line with requirements that may be identified in the future, consistent with applicable fiscal and other regulations.

4. COMPLIANCE AND REPORTING PRINCIPLES

The Strategy aims to ensure compliance with the applicable tax regulations in the UK and the appropriate coordination of the fiscal policies followed by Puig entities, in accordance with the long-term business strategy, avoiding tax risks and inefficiencies in their operations and in the execution of business decisions.

The policies and the values which underlie this Strategy are supported by and aligned with the corporate principles on which Puig is built. Consequently, the Company has adopted the values contained in the Ethical Code as a frame of reference to guide the behavior of all Puig entities in fiscal matters within the specific context of the UK. This Strategy requires that the following basic principles be followed:

- (i) Ensure compliance with applicable fiscal regulations in the UK in line with the activity pursued, and promote responsible fiscal practice.
- (ii) Establish relations with authorities, regulatory bodies and Public Administrations following the principles of cooperation and transparency.
- (iii) Manage the appropriate coordination of Puig entities' fiscal policies, following the approval of this Strategy and in accordance with the procedures established by local legal systems, through the definition and establishment of review and control frameworks for the fiscal function.
- (iv) Puig is committed to respecting the territory in which it operates. In the context of the fiscal area, this implies promoting fiscal behavior which takes into consideration the interests and sustainable economic development of the UK, given that the taxes paid are the principle contribution to the maintenance of his public sector, and therefore, one of Puig's contributions to society.
- (v) Fight fraud, and support the prevention of fraud.
- (vi) Inform the Board of Directors or corresponding governing body in the UK of the principal fiscal implications of transactions or issues submitted for their approval, where they may represent a significant issue or risk.

5. TAX PLANNING PRINCIPLES

Puig understands that taxes paid in the UK contribute significantly to the progress and development of this community. Consequently, with this Strategy, Puig aims to create value for its shareholders, customers, employees and for other stakeholders in a sustainable manner. For this reason, transactions will always be carried out for business reasons in accordance with applicable regulations, and take account of the possible impact of fiscal decisions in the UK.



In respect of tax planning, we have a low risk appetite in general terms and specifically with regards to UK taxation, and we aim to ensure that tax decisions are aligned to commercial strategy and business reasons. Like any other business expense however, we seek to create value for our shareholders. As such, we may respond to tax incentives and exemptions where appropriate and in a way that is consistent with legislative provisions and HMRC guidance. When any doubt, we might seek external tax advice in respect of our tax planning activities.

6. GOVERNANCE AND RISK MANAGEMENT

We take a conservative approach to risk as it relates to UK taxation, and we seek to manage our risk through good fiscal practices as described within this Tax Strategy document.

The Board of Directors through its Chairman and Chief Executive Officer and senior management will promote the monitoring of the principles and good fiscal practice established in this Strategy, and of those activities that may have a significant fiscal impact.

As part of the commercial decision-making process, the Board will decide the level of tax risk that is acceptable insofar as UK tax is concerned. Where there is any uncertainty, external advice may be sought or the business will raise this with HMRC.

The Corporate Tax Department will be responsible for coordinating the good fiscal practices described previously by establishing the control mechanisms and the appropriate internal guidelines to ensure compliance with current regulations. The implementation of these practices may be carried out by the various departments that, directly or indirectly, perform tax-related functions.

The Corporate Tax Department is responsible for the approach to tax on a day-to-day basis which includes the identification, prioritization and monitoring of tax risk across the business, as well as the escalation of tax risk to the Chief Financial Officer and the Board of Directors who are ultimately accountable for tax.

The Shared Services Department of Puig is responsible for the day-to-day compliance. It escalates tax risk decisions to Corporate Tax Department when necessary.

These tasks will involve all the countries and territories in which Puig is present and thus also the UK and include all Puig activities, in order to promote the coherent and homogenous management of fiscal risk.

Puig, under the supervision of the Audit Committee, will also adopt the necessary mechanisms to monitor all Puig entities' compliance with tax regulations and the principles described in this Strategy, in order to identify risk and define and develop prevention and correction measures, as well as internal control procedures.

Finally, all individuals or legal entities, as well as all other areas and departments of Puig, will coordinate with the Company's Fiscal Department to inform and consult about those actions or operations which have particular fiscal significance.

In order to promote responsible fiscal behavior, Puig evaluates exposure to both long-term and short-term fiscal risk in terms of potential economic and reputational impact, taking into consideration shareholders, customers, employees and other areas of the organization.

When fulfilling its fiscal obligations, the objective of Puig is to maintain cooperative and satisfactory relationships with



the Tax Administrations in the UK, including the HMRC.

To promote the fulfillment of the commitments that comprise the Principles of Action, Puig has incorporated the following procedures into common practice:

(i) Prevention of Fiscal Risk

As part of the obligations inherent in their activities, all Puig entities, including UK entities, will observe a fiscal strategy based on the following directives to:

- a) Promote practices aimed at the prevention and mitigation of fiscal risk by ensuring, through the use of internal information and control systems, that Puig fiscal behavior is aligned with the structure and the location of the business activity, and human and material resources.
- b) Not use structures, unrelated to the activities of Puig entities, for the sole purpose of reducing fiscal burden, evading taxes or hindering the work of the Tax Administrations or Tax Authorities of the UK.
- c) Analyze the financial, legal, accounting, and business impacts that may arise from recurrent and extraordinary operations through the establishment of adequate communication channels between different departments. In particular, Puig will ensure:
 - i. That it properly evaluates investments and transactions in advance that may have particular fiscal significance, and that it documents the financial, accounting, legal and fiscal consequences that may arise from them.
 - ii. That it carries out structural and Due Diligence analysis to identify and control potential fiscal risk in all transactions which entail the acquisition of significant assets, entities or businesses.
- d) Define the framework for action for deciding transfer pricing in operations of all kinds as well as ensuring control mechanisms to comply with the arm's length principle of market valuation. Puig undertakes to meet the transfer pricing documentation obligations contained in the tax legislation of UK and will periodically review and update its transfer pricing policy to adapt it to current regulations and business circumstances.
- e) Not incorporate or acquire companies resident in tax havens except where there are valid economic reasons for doing so, and never for the sole purpose of avoiding fiscal obligations.
- f) Reduce the risk of entering into conflicts derived from the interpretation of applicable regulations by: (i) using the services of independent reputable and recognized fiscal experts, and (ii), wherever possible and necessary using Tax Authorities' procedures for prior consultation and pre-existing pricing agreements.

7. RELATIONSHIPS WITH TAX AUTHORITIES

Puig will promote a proper relationship with Tax Administrations or competent Tax Authorities in the UK, including HMRC, based on the principles of integrity, respect, excellence, trust and flexibility, adopting the following good practices:



- a) Tax regulations and the provisions of International Treaties will be reasonably interpreted; where contradictory interpretations of fiscal criteria exist, potential conflicts with the Tax Authorities will be limited wherever possible by confirming the appropriate fiscal treatment using the instruments offered by the jurisdiction in question (binding consultations, advance pricing agreements, etc.).
- b) Tax returns will be filed in a proper and timely manner as per the applicable fiscal regulations the UK country and territory; taxes payable will be duly paid and tax incentives provided by local regulations will be applied in line with the activities carried out by Puig.
- c) Requests for fiscal information and documentation and the requirements of tax audits or inspections carried out by the UK Tax Administrations will be complied with in a clear, precise and complete manner.

In addition, Puig will keep HMRC up-to-date about any relevant change and event in the business.