

CloudCoCo Group plc (“Group”)

Statement & Policy on the Criminal Finances Act 2017 (“Act”)

1. Introduction

This policy defines the Group’s compliance, procedures and position regarding the prevention of the facilitation of tax evasion as defined by the Act. It was formally adopted by the Board of the Group on 31 October 2017.

2. Board’s Commitment to Compliance

The Group is committed to the following broad principles:

- It adopts a zero tolerance towards the criminal facilitation of tax evasion;
- The Group values its reputation for ethical behaviour, financial probity and reliability. It recognises that any involvement in the facilitation of tax evasion is illegal and would significantly and adversely affect its image and reputation;
- Any persons associated with the Group who breach the policy on facilitation of tax evasion will be dealt with in a manner commensurate with the severity in which the Group view this breach;
- It will not knowingly engage or recommend the services of others who do not have reasonable prevention procedures in place or demonstrate a high degree of compliance;
- It seeks to ensure that it does not knowingly or unknowingly engage in the facilitation of tax evasion by ensuring a regular risk assessment of areas which are at material risk, design and application of appropriate controls and by ensuring that contracts & engagements material at a Group level are subject to senior management review
- The Group ensures that its Board and Senior Executive Management are aware of and cognoscente of the potential risks in this area; and
- The Group’s Company Secretary is responsible for the Group’s policy in relation to compliance under the Act and is also available to provide any advice/assistance on this required by the Group – subject to appropriate advice where necessary from the Group’s lawyers and tax advisors.

3. Risk Assessment

An initial risk assessment was undertaken by the Group to identify areas of potential high risk. This is attached at Appendix 1. The controls currently in place and any mitigating controls in place have been detailed. At the date of this document the Board believes it has an appropriate level of control and risk mitigation in place.

4. Communication, Monitoring and Reviewing

The Group’s communication of its position on this matter will be achieved in a number of ways:

- Externally the policy on the Group’s approach to this matter (section 1 above) will be communicated through inclusion on its corporate website; and
- Internally the policy will be communicated as follows:
 - Through inclusion on the Group’s sharepoint site which is used for employee communication; and
 - Through raised awareness with senior management, achieved through this being a regular agenda item at the monthly executive management meetings.

4. Communication, Monitoring and Reviewing (continued)

The Group’s Company Secretary will be responsible for monitoring and reviewing compliance with our policy and for the identification of any new areas of risk or changes in the level of risk assessment against the matrix as Appendix 1.

Once a year the Group’s Company Secretary will review, with the Group’s tax advisors (or other advisor as may be chosen), the adequacy and sufficiency of our policy and procedures.

5. Reporting process

Reporting on our compliance against our policy will take the following approach:

- On a semi-annual, and annual basis to the Audit Committee a report confirming compliance and the incidence of any exceptions to that policy and confirmation of any changes to risk profile;
- On a monthly basis to the Board, by exception, any incidents/ events which by virtue of their materiality or nature require disclosure to the Board; and
- To the Non-Executive Chairman immediately if the event/ incident is deemed to be of such materiality or significance.

Appendix 1

	High Risk	Med Risk	Low Risk
Country Risk <ul style="list-style-type: none"> - operates predominantly in the UK - Operates in a country with low levels of tax fraud - Operates in a country with low levels of corruption and stringent public sector tendering 			X
Sector Risk <ul style="list-style-type: none"> - sell predominantly into SME’s - transacting predominantly with Limited companies - not engaged in deemed high risk activities - controls enforced by suppliers in any areas deemed high risk (mobile phones) 			X
Transaction Risk <ul style="list-style-type: none"> - One-off large value transactions are not uncommon for PS or equipment sales - Incentives from suppliers to close deals for month/ period end - Sales culture geared to achievement of monthly targets 		X	
Opportunity Risk <ul style="list-style-type: none"> - Use made of contractors and intermediaries to facilitate/ conduct business - Larger value items of business may be secured under tender processes - Pricing of individual elements and overall order can be modified 		X	
Customer Risk <ul style="list-style-type: none"> - UK based customers, majority of whom are limited companies - Customers in the public sector - Identity of customer easy to verify and confirm - No cash transactions 			X
Supplier Risk <ul style="list-style-type: none"> - Predominantly UK based suppliers - Transact with large technology businesses who value their reputation - No cash transactions - Identity of supplier easy to verify and confirm 			X
Internal Control and Culture Risk <ul style="list-style-type: none"> - Well qualified/ experienced Finance team responsible for transaction processing and treasury - Well established hierarchy of sign off and review of significant transactions by value/ risk - Effective system in place which provides visibility of transactions from opportunity to billing - Use of professional advisors – recognised by public bodies – to provide advice and support services in key areas where management knowledge is not sufficient - Strong controls over the Treasury function with tight control over payments and validation of receipts - No one overriding person/ manager setting policy/ sole authorisation - Corporate governance and Board scrutiny strong relative to size of organisation - ‘Whistle-blower’ process established in Employee Handbook 			X

CloudCoCo Group plc (“Group”)

Transaction Risk

The key events that could give rise to risk here are activities/ actions which are intended to avoid the payment of VAT, incentivise individuals or corporates through inducements/ payments which are not taxed. The following controls are in place to seek to ensure that associated parties cannot facilitate tax evasion as a consequence of this risk:

- Effective Anti-bribery policy in place and the implementation of it
- Review and approval of transactions in line with the Group’s sign off procedures by senior management
- Reinforcement of whistleblowing process through promotion in the Employee handbook and through effective communication to all staff
- Monthly management accounting process
- Tax compliance work undertaken by the Group’s advisors

Opportunity Risk

The key events that could give rise to risk here are activities/ actions which are intended to avoid the payment of PAYE, incentivise individuals or corporates through inducements/ payments which are not taxed. The following controls are in place to seek to ensure that associated parties cannot facilitate tax evasion as a consequence of this risk:

- Effective Anti-bribery policy in place and the implementation of it
- Review and approval of transactions in line with the Group’s sign off procedures by senior management
- Reinforcement of whistleblowing process through promotion in the Employee handbook and through effective communication to all staff
- Review of all contractual arrangements which are not entered into on the Group’s standard terms by the Company Secretary and/ or Group CFO
- Tax compliance work undertaken by the Group’s advisors
- Encouragement of the Board to seek appropriate legal advice where necessary