

## **ArgoGlobal's Tax Policy**

### **Our Approach to Tax**

#### **Introduction**

The Argo Worldwide Group ("Group") is a NASDAQ listed international underwriter of specialty insurance and reinsurance products in the property and casualty market. In 2008, the UK group now known as ("ArgoGlobal") joined Argo Worldwide Group, ArgoGlobal specialises in writing North America property, marine, energy, speciality and non-U.S. liability insurance through Syndicate 1200 at Lloyd's of London.

In February 2017, Group closed its acquisition of Ariel Re. Ariel Re. underwrites a global portfolio of insurance and reinsurance business through Lloyd's Syndicate 1910 and 6117. Work is underway to integrate the systems and processes of the acquired businesses.

During 2015, the UK Government consulted on a package of large business tax compliance measures. Following that consultation, legislation was introduced requiring large businesses to publish their strategy as it relates to or affects UK tax. ArgoGlobal has prepared this Tax Policy to set out the Group's approach to tax and to comply with its duty under Paragraphs 16(2) and 25, Schedule 19 Finance Act 2016.

ArgoGlobal's tax strategy reflects:

- Argo Group International Holdings Ltd's NASDAQ listing which requires strong governance;
- Consideration of other stakeholders, such as other participants on Syndicate 1200, 1910 and 6117, who would be potentially exposed to tax risks associated with the group;
- Consideration of its reputation, brand and corporate and social responsibilities;
- The regulated nature of its business, which requires further compliance with local laws, regulations and guidance, including strict adherence to the Lloyd's Code of Practice which sets out the principles and behaviours expected for underwriting at Lloyd's.

ArgoGlobal is committed to full compliance with all statutory obligations and full disclosure to, and co-operation with tax authorities in all jurisdictions in which it operates.

#### **Our organisation**

The Argo Worldwide Group has subsidiaries in UK, USA, Bermuda, Dubai, Singapore, Brazil and Europe and as such is subject to tax obligations in the jurisdictions it operates in. Some of these jurisdictions are subject to lower Corporate Income Tax rates than those applicable in the UK.

The Group operates in these jurisdictions for commercial, operational and regulatory reasons. Its tax obligations and its tax assessments in these jurisdictions reflect where the economic and material substance of the business lies – being, capital and a highly qualified workforce to run the business.

#### **Argo Group, Argo Insurance, Argo Re, Ariel Re Hamilton, Bermuda**

The Group's reinsurance centre and Headquarters are located in Bermuda where it benefits from access to the largest reinsurance markets, regulatory framework that is designated equivalent to Solvency II, a well-established regulator and access to established insurance tailored facilities and business infrastructure.

This section details ArgoGlobal's more significant overseas operations.

## Asia

### ArgoGlobal Asia - Singapore

ArgoGlobal Underwriting Asia Pacific Pte. Ltd. (ArgoGlobal Asia) is a service company for Argo Syndicate 1200 at Lloyd's, providing a dedicated underwriting service within the Asia Pacific region. Established in 2014 and located within the Lloyd's Asia platform in Singapore, ArgoGlobal Asia is focused on serving the specific needs of our brokers and clients throughout the region within the specialist classes that the Group underwrites.

ArgoGlobal also operates in China and Japan through the Lloyd's platform and has a deemed Permanent Establishment in these jurisdictions through its Lloyd's operations.

## Middle East

### Dubai, United Arab Emirates

ArgoGlobal Underwriting (Dubai) Ltd was registered with the Dubai International Finance Centre in September 2011 and is regulated by the Dubai Financial Services Authority. The company serves the Middle East and North Africa (MENA) region, underwriting specialised coverages.

## Tax obligations

The group has tax obligations arising in all jurisdictions where it operates, which can be summarised as follows

Corporate Income Taxes	Arising on the profits of the individual entity, and overseas taxes in respect of permanent establishments arising in other jurisdictions
Employment Taxes	Arising in respect of salaries paid to employees and other benefits provided, such as participation in the group share incentive schemes
VAT, GST etc.	Incurred in respect of services procured by the group and recoverable in part as determined by the mix of Insurance and Reinsurance policies written by the group.
Insurance Premium Taxes	Incurred in the UK and Worldwide and collected from policy holders in respect of premiums received
Withholding taxes	Incurred on certain investment income earned by the group
Other taxes	Including stamp duties, property taxes and other insurance related levies arising in the normal course of business.

## Approach of the UK group to risk management and governance arrangements in relation to UK tax

The Chief Financial Officer (who also takes the role of Senior Accounting Officer) is responsible for ArgoGlobal's tax affairs. Day to day responsibilities for the group's tax matters is delegated to the Financial Controller who oversees the finance team and other process teams with tax responsibilities

within the business. The Finance team is the main contact point with external advisers who provide timely support on day to day taxation related matters as well as advice on significant transactions and where the tax treatment on specific items is uncertain.

ArgoGlobal manages its tax matters and identifies tax risks through a clear internal governance framework, business controls and processes. These are subject to reviews and continuous improvement to ensure that tax accounting arrangements are robust and accurate to satisfy the Senior Accounting Officer provisions in the UK

Any significant issues that occur during the year are raised with the Audit Committee. The Board then addresses these risks and matters and determines what actions should be taken, taking account of materiality and reporting requirements.

Further oversight of the UK taxation process is carried out by the Finance function of the Argo Worldwide Group, for consolidation and reporting of worldwide results and ASC740-10 disclosures of group tax risks for US accounting purposes.

The Criminal Finances Act 2017 received Royal Assent on 27<sup>th</sup> April 2017. This Act includes the Corporate Criminal Offence provisions to prevent tax evasion and the facilitation of tax evasion. Given the regulatory nature of the group and its obligations under the Proceeds of Crime Act 2002 the internal processes of the group are considered likely to be sufficient to ensure the prevention of tax evasion and the facilitation of tax evasion.

### **Attitude to tax planning**

In structuring ArgoGlobal's business activities, the group takes into account tax laws as well as all other regulatory requirements in the relevant jurisdictions. When entering into commercial transactions, ArgoGlobal will aim to make use of available tax incentives, reliefs and exemptions intentionally provided in law, for example avoiding double taxation (where the same income is assessed to tax twice in more than one tax jurisdiction), claiming capital allowances and claims equalisation reserve adjustments.

ArgoGlobal does not undertake tax planning unrelated to such commercial transactions. ArgoGlobal seek to minimise uncertainty, risk or disputes and engage external qualified advisors as appropriate to achieve this.

The group has no appetite to enter into transactions where the main purpose, or one of the purposes, is to secure a tax advantage that is contrary to the intention of the local government in enacting the relevant legislation.

### **Level of risk in relation to UK taxation that the group is prepared to accept**

The Argo Worldwide Group has a low tolerance for accepted tax risk. The group seeks to identify tax liabilities and filing obligations well in advance of the due date for each to ensure that such obligations are accurately met in a timely manner.

Where any inadvertent errors, omissions or delays arise in respect of any tax filing obligation the group policy is to remedy such issues by way of full and transparent disclosure to HMRC at the earliest reasonable opportunity, and recorded by the Senior Accounting Officer to ensure that processes are reviewed to prevent reoccurrence.

### **Use of Experts**

ArgoGlobal retains tax professionals to assist with identifying and meeting its tax obligations both in the UK and Worldwide, who are aware of our level of tolerance to tax risk and provide advice only within that framework.

The Statutory Auditors to the group do not provide tax advisory services to the UK entities, providing a secondary level of independent oversight.

## **Our relationship with HMRC**

ArgoGlobal engages with HMRC in an honest, transparent and constructive manner. ArgoGlobal will work openly with HMRC wherever possible to resolve disputes or where there is uncertainty in the interpretation of tax laws. The Group will also update HMRC in respect of developments in its business, current, future and past tax risks.

## **List of entities covered by this Tax Strategy**

### **The following UK entities are held under ArgoGlobal**

Argo International Holdings Ltd  
Argo Underwriting Agency Ltd  
Argo (Alpha) Ltd  
Argo Management Services Ltd  
Argo Direct Ltd  
Argo Management Holdings Ltd (dissolved 31 Jan 2017)  
Argo Managing Agency Ltd  
Argo (No. 604) Ltd  
Argo (No. 607) Ltd  
Argo (No. 616) Ltd  
Argo (No. 617) Ltd  
Argo (No 703) Ltd  
Argo (No. 704) Ltd  
Argo (Chi) Ltd  
Argo (Delta) Ltd  
Argo (Epsilon) Ltd  
Argo (Gamma) Ltd  
Nomina 550 LLP

### **The following UK entities are held under Group**

Ariel Re UK Ltd  
Ariel Re Property & Casualty Ltd  
Ariel Corporate Member Ltd

**ArgoGlobal considers that the publication of this statement complies with its duty set out in Paragraphs 16(2) and 25, Schedule 19 Finance Act 2016**

**Board approval DD MMM 2017 in relation to the Financial Year ended 31 December 2017.**

<http://www.argo-global.com/pages/home>