

## Tax strategy for the Arm group

March 2020

### Arm Group Tax Strategy

Arm is the world's leading designer of key technologies that are used in semiconductor computer chips.

Arm designs the processors used in over 95% of the world's smartphones sold each year; and Arm technology can also be found in many other devices from digital TVs to automotive systems to smart sensors and to the data centres that run the cloud. Arm technology is everywhere.

Arm was acquired by SoftBank Group Corp. (SBG) in September 2016 and is a subsidiary of SBG. Arm's operations are independent from the rest of the SBG, although Arm now works closely with other SBG companies.

Arm's strategy is to invest in technologies that will create long-term sustainable growth.

- Gaining or maintaining share in long-term growth markets
- Increase value of Arm technology in smart devices
- Generate new revenue streams from adjacent markets

Arm Group has a presence in many countries around the world and pays the taxes that it owes in those countries. In addition to paying corporate income tax on its profits, Arm pays various taxes that are incurred in its business operations as well as taxes associated with its employees.

This tax strategy applies to all Arm Group entities ("Arm") and in March 2018 was formally approved by the Chief Finance Officer (CFO).

Arm regards the publication of this tax strategy complies with our obligation under paragraph 16(2) of Schedule 19 of the Finance Act 2016, in respect of the financial year ended 31 March 2020.

### Tax Risk Management and Governance

Arm's policy is to comply with all applicable laws, rules, regulations and reporting requirements relevant to the Group. Tax compliance is key to the Group and Arm manages tax in line with its governance framework and risk management procedures which reflect the regulatory, legal and commercial environment in which Arm operates.

Arm strives to comply with the spirit as well as the letter of the law and seeks to pay the right amount of tax, at the right time and in the right place.

Arm has a robust risk management process in place to identify key risks; assign ownership for each risk at a senior management level; identify existing and planned management activities against each risk; assess the residual likelihood and impact of each risk; and to ensure ongoing monitoring and reporting of each key risk.

Arm has a risk management framework which provides guidance on the Group's risk management processes. The Arm Management System ("AMS") is the business management and governance

system used across Arm and sets out roles and responsibilities which guide the risk management culture within the Arm Group. It details the internal controls that Arm needs to manage risk for the long and short-term success of the business. Captured within the AMS are the policies, procedures and controls that are embedded in the approach Arm takes to managing risk, including tax risk. Internal Audit is responsible for regularly monitoring and testing the effective operation of Arm's tax control framework.

Overall accountability for the management of risk resides with the Executive Committee, and that responsibility is delegated to the Risk Review Committee and Compliance Committee. These Committees oversee the Corporate Risk Register, which includes tax risk, and compliance throughout the business with Arm's policies.

The Risk Owner and Senior Accounting Officer for tax is the CFO. The CFO assigns the day to day operations for the management of tax to the Tax Function, led by Global Head of Tax, who works closely with the business. The Tax Function provides an oversight role in identifying, managing and monitoring tax risk, in addition to providing advice on tax issues and preparing or reviewing tax filings. Arm's Tax Function consists of suitably qualified and experienced individuals, who have development plans in place to support their ongoing training to ensure they remain up to date with changes in legislation and industry practice.

Where there is uncertainty or complexity in how relevant tax law should be applied, external advice may be sought to support Arm's decision-making process, including where necessary, support with Arm's tax compliance filing obligations.

Key tax risk indicators are tracked and reported to the Executive Committee for consideration on a periodic basis.

### Approach to Tax Planning

As required by Arm Group's Code of Conduct, Arm strives to foster a culture of honesty and accountability. Arm's commitment to the highest level of ethical conduct should be reflected in all of Arm's business activities including with governments and government agencies. All of Arm's employees, officers and directors must conduct themselves according to the language and spirit of this Code.

One of Arm's most valuable assets is its reputation for integrity, professionalism and fairness. All decisions are taken after careful consideration of all the issues and potential impacts, including financial, operational and reputational risks.

The Executive Committee has oversight of Arm's tax strategy and regularly reviews key developments that may influence Arm's global tax position. In line with the overall risk appetite of the Group, Arm has a low tax risk appetite. Arm carefully manages the tax risks and cost inherent in every commercial transaction, in the same way as any other cost. To the extent that Arm may undertake any tax planning, it would be with the purpose to support the commercial needs of Arm and with a clear understanding of the tax consequences of any decisions made.

Arm's tax strategy is to enhance shareholder value by managing its tax liabilities through the use of legitimate tax exemptions and tax reliefs. Many governments encourage innovation by offering tax incentives to companies that develop new technologies. A large proportion of Arm's products are developed in the UK, where the UK government offers credits to companies with R&D commitments.

With effect from April 2013, the UK government provided further incentive for companies to invest in the UK with the introduction of the Patent Box tax legislation, which allows companies to apply for a lower rate of corporate income tax on profits earned from patented technologies. Arm also develops technology in other jurisdictions and those respective governments may also offer tax incentives which Arm would seek to utilise where appropriate.

Arm does not engage in aggressive or artificial tax planning schemes or arrangements that serve no commercial purpose and does not tolerate any activities or behaviours that encourage tax evasion, nor withholding of revenues from government and regulatory authorities.

### Tax Risk Appetite

Arm's risk control framework does not define or quantify the levels of acceptable risk, but Arm has a low appetite for tax risk. As with other risks, tax is managed within the overall risk control framework and risk appetite as determined by the Executive Committee.

Arm's AMS provides a documented approach to managing risk in relation to the Group's tax affairs.

### Dealings with Tax Authorities

Arm is committed to paying the correct taxes in each relevant jurisdiction and follows a policy of full disclosure in its dealings with tax authorities worldwide. Arm engages, on a timely basis, with all relevant tax authorities with integrity, transparency and in a spirit of co-operative compliance.

Arm typically seeks to engage proactively with Tax Authorities to resolve any uncertainty over the treatment or administration of its tax affairs. The complexity of the tax laws and regulations that relate to Arm's businesses means that from time to time Arm may disagree with tax authorities on the technical interpretation of a particular area of tax law, for example where there is ambiguity in the law and its intent. Historically such occasions have been resolved through discussion with the respective tax authority.