



## **VMware's Tax Strategy**

### **1. Introduction**

VMware, Inc. ("VMware" or "Company") originally pioneered the development and application of virtualization technologies with x86 server-based computing, separating application software from the underlying hardware. Information technology ("IT") driven innovation continues to disrupt markets and industries. Technologies emerge faster than organizations can absorb, creating increasingly complex environments. IT is working at an accelerated pace to harness new technologies, platforms and cloud models, ultimately guiding businesses through a digital transformation. To take on these challenges, VMware works with customers in the areas of hybrid and multi-cloud, virtual cloud networking, digital workspaces, modern applications and intrinsic security. VMware software provides a flexible digital foundation to enable customers in their digital transformation.

VMware maintains policies and governance processes to ensure compliance with tax laws in all territories in which it does business. VMware is committed to transparent and constructive relationships with all relevant tax authorities and supports initiatives to increase public trust and transparency in national and international tax regimes, and engages with stakeholders to build understanding and clarity of business tax consequences wherever VMware operates.

This document approved by the Vice President and Head of Tax sets out the Company's approach to conducting its tax affairs and managing tax risk and in particular applies to VMware's UK entities. It is prepared in accordance with paragraphs 19 and 25 of Schedule 19 of the 2016 UK Finance Act and applies from the date of publication until it is superseded.

### **2. Governance**

VMware is committed to maintaining a system of governance, guidelines, procedures, and internal controls that provides management with reasonable assurance regarding the reliability of the Company's tax filings.

Overall responsibility for the VMwares tax strategy, tax policies and the supporting governance framework and management of the tax risk ultimately sits with the Chief Financial Officer ("CFO"). Day to day management responsibility for each of these areas sits with the Vice President and Head of Tax who reports to the CFO. Everyday tax matters are delegated to a team of highly qualified in house tax professionals.

### **3. Risk Management**

VMware is a responsible taxpayer and aims to comply fully with all statutory obligations and to provide full disclosure to the tax authorities in each country in which it operates. VMware's tax affairs are managed to protect the Company's wider corporate reputation in line with its overall high standards of governance.

Tax risk is managed under company-wide governance and risk management frameworks. Effective operation of mitigating controls over tax risks, control deficiencies and control failures are monitored within this risk management framework. The Head of Tax and the Chief Accounting Officer regularly report on tax matters to the Company's Audit Committee.

VMware's approach to tax is reviewed periodically in light of changes to:

- Tax laws and regulations (national and international).



- The general business environment.
- Developments in the business.
- Emerging business and tax risks.

VMware has established and maintained robust documented tax policies and procedures in relation to key tax processes which are reviewed, updated and approved on a regular basis. These policies and compliance processes are designed to ensure the integrity of VMware's tax returns, proper reporting of tax balances in independently audited financial statements and timely and accurate tax payments in all countries in which VMware operates.

Responsibility and accountability for VMware's tax affairs are determined by the Company's Head of Tax. A key element of how VMware manages tax risk is by employing appropriately qualified and experienced people in key tax related roles. This includes ensuring that tax professionals and staff have the necessary training to manage VMware's tax position appropriately. Diligent professional care and judgement is employed to assess tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed. As appropriate based on management's judgment and where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from third party advisers to support the decision-making process.

#### **4. Attitude towards tax planning and level of risk**

VMware has clearly defined lines of responsibility for its tax affairs, with decisions being taken in line with the Company's policies, ensuring that they are taken at an appropriate level. At all times VMware seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen.

VMware's tax planning aims to support the commercial needs of the business by ensuring that the company's affairs are carried out in the most tax efficient manner in line with, and in the spirit of, tax legislation, applying the highest ethical standards whilst remaining compliant with all relevant laws. The tax function is involved in commercial decision making processes and provides appropriate input into business proposals to ensure a clear understanding of the tax consequences of any decisions made.

The level of risk which VMware accepts in relation to taxation is consistent with its overall objective of achieving certainty in the Company's tax affairs.

#### **5. Relationship with Tax Authorities, including HMRC**

VMware is committed to the principles of openness and transparency in its approach to dealing with tax authorities wherever VMware operates around the world. All dealings with the tax authorities and other relevant bodies are conducted in a collaborative, courteous and timely manner. In particular, VMware;

- Applies diligence and care in its processes and procedures with the intention of identifying and rectifying any potential issues before tax filings are made.
- Interprets relevant tax laws in a reasonable way and consistently follows both the spirit and the letter of all applicable laws and regulations relating to tax matters.
- Ensures all interactions with Tax Authorities are conducted in an open, collaborative and professional manner.
- Responds to questions from tax Authorities on a timely and professional basis, providing all necessary information as required by law.



- Seeks to resolve issues with Tax Authorities in a timely manner, and where disagreements arise works with Tax authorities to resolve issues by agreement where possible.
  - Works to reach agreement with Tax Authorities through constructive dialogue and, where necessary, engagement of third party tax advisers where there is uncertainty in the interpretation or application of any law.
  - Engages with Tax Authorities to ensure a correct understanding of VMware's business activities.
  - Fully discloses any inadvertent errors in submissions made to Tax Authorities as soon as is reasonably practicable after they are identified.
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