

## **Boeing in Brief**

Boeing is the world's largest aerospace company and leading manufacturer of commercial jetliners, defence, space and security systems, and service provider of aftermarket support. The company supports airlines and U.S. and allied government customers in more than 150 countries. Boeing products and tailored services include commercial and military aircraft, satellites, weapons, electronic and defence systems, launch systems, advanced information and communication systems, performance-based logistics and training.

With corporate offices in Chicago, Boeing employs about 153,000 people across more than 65 countries. This represents one of the most diverse, talented and innovative workforces anywhere. Our enterprise also leverages the talents of hundreds of thousands more skilled people working for Boeing suppliers worldwide.

Boeing is organised into three business units: Commercial Airplanes; Defense, Space & Security; and Global Services. Supporting these units is Boeing Capital Corporation, a global provider of financing solutions.

In addition, functional organisations working across the company focus on engineering and programme management; technology and development-programme execution; advanced design and manufacturing systems; safety, finance, quality and productivity improvement and information technology.

Boeing completed the acquisition of KLX Inc. (now known as Boeing Distribution Services Inc.) in October 2018 to enhance its growing services business and deliver greater value to its customers. Headquartered in Miami, FL, Boeing Distribution Services Inc. (BDSI) is a leading supplier and distributor of aerospace hardware, consumables, and chemicals along with innovative inventory management solutions, engineering services, technical support, and design assistance. The acquisition is aligned with Boeing's organic growth strategy, with no change to Boeing's capital deployment strategy or commitment to returning approximately 100 percent of free cash flow to shareholders. BDSI is part of Boeing Global Services. With approximately 2,300 employees globally, BDSI will continue to operate from Miami with customer service centres located in over 15 countries. BDSI, through its UK subsidiary, also has 110 employees in the UK located in Burgess Hill.

## **Boeing in the UK**

Boeing has been in the UK for more than 80 years and is a significant part of the national aerospace ecosystem. Boeing directly employs 2,500 people and in 2018 it spent £1.9 billion with UK suppliers. In October 2018, Boeing opened its first European manufacturing facility in Sheffield. The company has other significant investment work underway including: support facilities for the RAF's fleet of P-8A maritime patrol aircraft at RAF Lossiemouth; a new maintenance hangar at Gatwick Airport; an expansion of its Crawley flight training business, which will become Boeing's largest training centre outside of the U.S. and other strategic infrastructure developments in the pipeline. Boeing undertakes engineering, maintenance, training, design, manufacturing, support and supply chain activity in the UK. The number of people employed as a result of Boeing UK operations, its purchases and the

spending of those employed directly or in its supply chain has increased by a third since 2012.

## **Background**

This document, while published in the context of the UK, describes the global tax policies of Boeing which are applied consistently in all territories in which we do business.

This tax strategy document satisfies the requirements in Schedule 19 of the UK Finance Act 2016, in respect of our financial year ending 31 December 2019.

The UK Leadership Team has overall responsibility, oversight and approval for the tax strategy in the UK and is supported by the Group Head of Tax. Oversight and approval is provided by the UK Board.

## **Boeing's approach to taxes**

Our approach to taxes is consistent in all countries in which we operate and is summarised below:

- Ethical business practices and conduct are required by all directors, officers and employees of Boeing
- Effective tax stewardship and governance to meet compliance obligations
- Tax should follow business substance
- Highest level of compliance with tax reporting requirements and timely support for the business
- Develop and maintain open relationships with tax stakeholders

## **Ethical Business Conduct**

The Boeing Company expects all directors, officers and employees to act ethically at all times and adhere to the policies comprising the Company's codes of ethical conduct. Boeing has a code of ethical business conduct for directors as well as company code of conduct for all employees. There is an additional code of conduct applicable to employees in finance roles. Copies of both the employee and finance code of conduct are available at [www.boeing.com/corp\\_gov/](http://www.boeing.com/corp_gov/).

## **Effective tax stewardship and governance**

Boeing manages its tax risks by applying effective tax governance and applying our tax control framework, making continual adjustments to be compliant with evolving tax obligations globally.

We aim to ensure that we are compliant in our tax filing obligations and are proactively mitigating tax risks to acceptable levels, and undertake all business activities in compliance with laws and regulations. Boeing will foster long-term sustainability in line with our core aim of realising value. We have processes and controls to ensure all new business activities are reviewed with a view to compliance by appropriate functional teams and to ensure that new legislative and other compliance developments are monitored and implemented as required.

Material tax issues or risks are elevated through the organisational structure as appropriate. At a global level, Tax issues are considered at the Board/Audit Committee level as appropriate and at a country level, local tax teams will provide updates to the local boards as needed on a regular basis.

### **Tax should follow business substance**

Boeing has a global presence. Ultimately it is customer, business and operational requirements that are the primary determinants of where activities are undertaken and employees are located. Boeing operates in compliance with tax laws in all countries in which it operates. Transactions are considered taking account of financial, commercial and reputational matters in order to maximise value for all stakeholders.

Boeing does not enter into aggressive tax planning arrangements with the sole purpose of achieving a tax advantage.

All transactions within the organisation follow the arm's length principles in line with our Transfer Pricing policies. Furthermore, in line with our values, we remain compliant by following the principles of the Transfer Pricing regulations globally as well as OECD guidelines.

The vast majority of Boeing's production, development and other core activities continue to occur in the United States. As such, the majority of the Boeing's earnings are reported and taxed in the United States. Following the Transfer Pricing regulations mentioned above, Boeing ensures that appropriate market-based earnings results are reported in the other jurisdictions in which we operate.

### **Highest level of compliance and timely business support**

In order to achieve our commercial objectives, we form active links between tax personnel and the wider business. This ensures sufficient tax knowledge and support is available for Boeing to make good business decisions. There are controls and processes in place to ensure that the businesses keep the Corporate Tax department informed of any changes or new activity/transactions so that they are fully evaluated for any tax consequences. Where appropriate, we will seek advice from external professional advisors to ensure we remain compliant with our obligations, including paying the correct amount of tax in the jurisdictions where we operate.

### **Develop and maintain an open relationship with stakeholders**

In particular, we maintain an open, transparent and pro-active relationship with tax authorities in the jurisdictions where we operate. We engage in fair and transparent business activities. We interpret tax law using relevant guidance and discussing such interpretation with tax authorities where appropriate, to minimise the extent of disputes and review possible risks. We maintain full and timely disclosure of necessary information as required by law, by providing tax authorities with necessary information as part of regular filing or during the course of any review or audit. If any disputes arise, we will maintain an open and constructive relationship with tax authorities to achieve resolution.

In key markets, we support initiatives aimed at tax law modernisation, tax law reform or reducing barriers to trade and business either through open and direct dialogue or via participation in trade organisations and working groups.

Boeing takes compliance with global tax requirements as a serious and core obligation of the company. Our ethical codes of conduct require all company directors, officers and employees to ensure that such obligations are met in a timely manner.