

## The Scotts Miracle-Gro Company – FY18 UK Tax Strategy

### Introduction

The Scotts Miracle-Gro Company (“Scotts”) is a leading manufacturer and marketer of branded consumer lawn and garden products. Its products are marketed under some of the most recognized brand names in the industry. Scotts has its global headquarters in the United States in addition to a presence in Canada, Mexico, China, and a number of European countries including the United Kingdom.

Scotts’ UK business encountered a dramatic change on 31 August 2017 when it divested its stake in the Company’s international consumer lawn and garden business by selling its assets and transitioning its employees to a UK affiliate of Exponent Private Equity LLP (Evergreen) as part of the divestiture.

However, Scotts continues to maintain a presence in the UK through a new business performing sales agency services on behalf of Scotts’ hydroponics lighting business headquartered in The Netherlands. As of 1 September 2018, this business in the UK has only a single employee but is expected to grow over time.

In compliance with Section 161, Schedule 19, Part 2, Section 16 of the Finance Act 2016, Scotts is publishing its tax strategy for the fiscal year ending 30 September 2018. As the ultimate parent company of the UK sub-group, this strategy applies to the following UK subsidiaries:

Entity	Tax Reference Number
Scotts Holdings Limited	508 92308 20271
Levington Group Limited	Dormant
SMG Gardening (UK) Ltd	508 51115 72167
Humax Horticulture Limited	680 37592 26773
The Scotts Company (Mfg) Limited	508 77610 30167
OM Scott International Investments Limited	508 42734 25292

### Tax Planning

Scotts approaches its tax planning efforts in a manner that aligns tax outcomes with its corporate strategy of growing the business and building a competitive advantage in core and emerging areas of growth. A high level of appreciation and commitment is given to balancing its shareholders’ interests while ensuring any tax planning strategy complies with all current tax legislation. A key part of Scotts’ tax strategy incorporates advance consideration of the tax impact of any major or complex business decision such as: mergers, acquisitions, divestitures, reorganizations,

intercompany transactions, changes in worldwide tax laws and regulations, and utilization of tax credits and incentives when available.

### **Tax Risk Management**

Understanding the increasing complexities in tax laws and regulations worldwide, Scotts strives to remain compliant and transparent with its tax matters. To help combat and mitigate tax risks, Scotts conducts detailed tax due diligence and integration processes on each material transaction and seeks input from cross-functional groups and professional advisors to identify any new laws and regulations that may have an impact on the company. All material intercompany transactions are documented in intercompany agreements and the pricing is reviewed by an independent third party to ensure the pricing is on an arm's-length basis. All tax risks which may be material in nature are appropriately documented and reserved in the Company's consolidated financial statements (NYSE: SMG) which are audited annually by Deloitte.

Scotts ensures any identified risk is monitored and action is taken to mitigate that risk to the extent possible. There are a number of policies and frameworks established, such as those discussed herein, to keep the number of risk occurrences low. In the event of uncertainty regarding specific UK requirements, further guidance is often sought from local third party service providers or by reaching out directly to the HMRC.

### **Relationship with HM Revenue & Customs (HMRC)**

Communication with the HMRC is approached with a high degree of integrity and is undertaken with due urgency towards timely resolution and in a spirit of cooperation. A collaborative effort is put forth by Scotts and its third party service providers when dealing with the HRMC to appropriately resolve any disputes through active and transparent discussion.