

Dolby Tax Strategy

In September 2016, the Parliament of the United Kingdom (“UK”) enacted the Finance Act 2016 (the “Act”). Among other things, the Act introduced a new requirement for all large businesses operating in the UK to publish a Tax Strategy Statement (“Statement”) disclosing (a) the approach of the group to risk management and governance arrangements in relation to UK taxation, (b) the attitude of the group towards tax planning (so far as affecting UK taxation), (c) the level of risk in relation to UK taxation that the group is prepared to accept and (d) the approach of the group towards its dealings with Her Majesty’s Revenue and Customs (“HMRC”).

This Statement is applicable to the following UK subsidiaries and partnerships (collectively “Dolby UK”) of Dolby Laboratories, Inc. (“Dolby”) in accordance with the Act and will remain in place until superseded.

- Dolby Europe Limited
- Dolby Properties UK, LLC
- Dolby Properties LP

Risk management and Governance arrangements in relation to UK taxation

Dolby UK’s policy is to comply with all relevant rules, regulations, disclosure requirements and to pay the amounts of tax that are legally due.

The VP of Tax, who reports to the CFO of Dolby and is based in San Francisco, USA, is ultimately responsible for Dolby UK’s tax strategy and policies. Day to day responsibility falls under the Senior Director of Finance – EMEA, who works with the VP of Tax and Dolby’s team of tax and accounting professionals to manage tax risk. Dolby’s tax and accounting team is appropriately skilled, trained, and supervised for the level of roles and responsibilities performed. This team, in partnership with external tax advisors, monitors key UK tax risks and takes into consideration the changes in business and tax legislation. Annual tax returns are prepared by external tax advisors and reviewed for accuracy and completeness before submission to HMRC.

Dolby maintains suitable systems and Internal Control processes to ensure that its overall control framework is appropriate. This involves, but is not limited to, account reconciliations, self-review and the use of Dolby’s Internal Audit function. Dolby’s Board of Directors through its Audit Committee monitors the integrity of Dolby financial reporting system, internal controls over financial reporting and disclosure, compliance, governance and risk management framework including the elements relating to taxation. In this way, appropriate governance and oversight of tax risks is maintained.

Attitude towards tax planning (so far as affecting UK taxation)

Dolby UK does not engage in any artificial transactions, tax avoidance schemes, or aggressive tax restructuring, the sole purpose of which is to reduce UK tax. Where there are alternative methods to achieve the same commercial result, all relevant factors including taxation are considered before deciding on the best method. Dolby UK seeks to minimise uncertainty, risk or disputes and engages external tax advisors as appropriate. Dolby does not use a rigid methodology of assessing tax risk but rather uses the assessment process as discussed above. Any tax planning undertaken as part of Dolby's business strategy will be supported by commercial objectives.

Dolby UK accesses government sponsored tax incentives where appropriate and in line with substantive business activities (e.g. Capital Allowance). Intercompany transactions are on arm's length basis, in line with Dolby's commercial objectives and comply with the associated UK tax legislation and OECD guidelines.

Level of risk in relation to UK taxation that it is prepared to accept

Dolby UK recognises there is always some level of risk on taxation including but not limited to:

- The complexity of taxes including frequent changes in laws;
- The scope for disagreement over the interpretation of laws meaning that tax authorities may take a different view of the application of legislation.

A conservative approach is adopted in relation to tax risks. Dolby UK is committed to fulfilling its tax obligations and paying the correct amount of tax at the appropriate time. With respect to transactions in which there could be significant doubt or uncertainty as to the tax treatment, Dolby would customarily seek advice from external advisers and proceed accordingly. Dolby is conscious of the potential for negative impact caused by taking inappropriate tax positions, and sees strong internal processes and a good relationship with the external tax advisors as an effective way to manage this reputational risk. Dolby UK seeks to ensure that its tax arrangements remain consistent with a low risk assessment, both in financial and reputational terms.

Approach towards its dealings with HMRC.

Dolby UK is committed to ensure full compliance with all statutory obligations to tax authorities. Dolby UK engages with tax authorities, including HMRC, with honesty, integrity and respect, Dolby UK's approach is to be open, and to co-operate fully with HMRC in a timely manner. When submitting tax computations and returns to HMRC, Dolby UK discloses all relevant facts. Dolby UK retains the services of external tax advisors to act as its agents to liaise with HMRC on its behalf and in a manner consistent with its principles.

This statement is applicable for the taxable year ending September 29, 2017.

(Dated September 29, 2017)