Group Statement on Tax Compliance and Tax Strategy

General approach to the management of tax risks

The HOERBIGER Group operates with legally incorporated subsidiaries in about 50 countries, and Group companies trade with customers and suppliers in more than 120 countries and territories. Consequently, taxation in a large number of jurisdictions is part of the Group's business. Taxation, therefore, is recognized an important matter.

All HOERBIGER management and staff are obliged to act in compliance with relevant laws, regulations and internal policies and procedures. This includes compliance with tax laws, and the responsibility to manage tax risks in a prudent and transparent way in each legal entity.

The type and potential impact of tax risks of the businesses depend on the complexity of the respective business models and the particular tax rules that may be applicable in and across relevant jurisdictions. Major tax issues are reported to the ultimate parent company of the group, who has a dedicated tax department and whose employees are provided with adequate experience and expertise in order to manage any tax risks. In addition HOERBIGER is seeking advice from qualified external advisors where appropriate to ensure compliance with the applicable tax laws and regulations.

At the Group level HOERBIGER's tax risks are managed in the context of its overall Enterprise Risk Management process. In this process HOERBIGER identifies, documents and manages its significant risks in the area of operations and finance. However there is no rigid level of accepted tax risks included. The HOERBIGER Executive Board and its Committees regularly review the Enterprise Risk Management System and monitor the management of the major risks.

Internal Control

In support of the Group's strategy, the Board and its Committees promote a common approach to governance and risk management including but not limited to clear and well defined group policies and procedures, group-wide defined internal controls and a system of delegated authorities through divisional authority levels.

Attitude to tax planning and approach to risk

As a global manufacturing and service company HOERBIGER has an established footprint with manufacturing plants, service facilities and personnel in each of the territories in which we operate. HOERBIGER pays tax in accordance with the profit generated in each territory, which is driven by the functions performed, assets owned risks taken, and value created in each territory. HOERBIGER aims to comply with its tax obligations in each jurisdiction where it operates.

HOERBIGER pays or collects a number of taxes including corporate tax, employment tax, sales tax, property tax, custom duty and other taxes. Like any other expense, HOERBIGER seeks to manage its tax expenses by understanding the tax consequences of alternative options and evaluates opportunities to benefit from incentives, such as Research & Development credits. HOERBIGER considers that such benefits should only be obtained as a consequence of the substance created by the activities performed and capital invested in a jurisdiction.

HOERBIGER generates profits where it has real assets such as factories and service shops. HOERBIGER does not undertake transactions whose sole purpose is to abuse the tax system or otherwise employ tax avoidance strategies, for example by artificially diverting profits to low tax jurisdictions.

HOERBIGER is a multinational group with operations in 50 countries and transfer pricing is the most common area of tax authority challenge. We seek to have a robust and defendable approach to transfer pricing, applying the arm's length principle.

Approach to Dealings with Tax Authorities

HOERBIGER seeks to maintain an open and transparent relationship with tax authorities (e.g. HMRC in UK) by responding to their questions and enquiries in a timely manner and keeping them informed of business activities and key developments as they arise.

Country specific publications

HOERBIGER considers the above published tax strategy to satisfy the requirements of the UK Finance Act 2016, Schedule 19, Paragraph 16(2), in respect of the financial year ending 31 December 2017.

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