

PANDROL TAX STRATEGY IN THE UNITED KINGDOM

Introduction

In accordance with schedule 19 of the United Kingdom Finance Act 2016, this document is effective for the year ending 31st December 2017.

This tax strategy applies to all Pandrol Group entities within the United Kingdom.

The tax objectives of the Pandrol Group are to:

- Meet all legal requirements and comply with tax laws, rules and regulations in each country in which the Group operates;
- Build transparent and professional relationships with the relevant tax authorities in each jurisdiction;
- Use tax reliefs and incentives in line with the legislation and its intent;
- Consider tax planning only as a support to the Group's overall commercial and economic strategy.

Tax risk management and governance arrangements

Tax management within the Group is coordinated by a central Finance department including tax specialists, supported in the UK by a multi-disciplined finance team. The scope of the Group's internal audit function also includes a review of local tax compliance at entity or division level.

The UK Finance team manages compliance with all UK tax legislation, including Corporate Income Tax, Value Added Tax, Employers' National Insurance Contributions and other taxes. Tax compliance is the ultimate responsibility of the UK Finance Director, who is accountable for all UK tax returns and payments to the relevant authorities.

The UK Finance Team works with external professional advisors in the preparation and filing of annual Corporate Income tax returns.

Tax planning

The Group is committed to pay the appropriate amount of tax in each country in which it operates. The Group does not participate in aggressive tax planning schemes, nor does it enter into business arrangements to only benefit from tax advantage: Group tax planning is subordinate to the Businesses overall commercial and economic strategy.

The Group Tax Department and other appropriately qualified finance professionals are actively involved in the Businesses day to day operations to both minimise the tax risks and exposures but also to control the Groups overall tax burden.

The Group has an Ethics Code and would not use an artificial structure that could affect the Group's reputation or its' relationship with tax authorities. External professional advisors are consulted to support the Group in its' tax approach.

Level of risk

The Group has a low appetite for tax risk and does not participate in aggressive nor artificial tax planning. The Group has a preference for a conservative and reasonable approach towards the control and mitigation of tax risks and exposures.

The Group works with external professional advisors to reduce the Group's overall tax burden, but only where this is permitted by relevant tax legislation.

Dealing with HMRC

Group dealings with relevant Tax Authorities are based on the core Business values of Integrity, Honesty and Respect. All employees are expected and encouraged to work in a collaborative and open manner when consulting and working with tax Authorities in each of the jurisdictions in which the Group operates.

The Group considers the timely submission of tax filing and instalment payments a key Business priority.