

# TAX STRATEGY 2018

## of MAN ES SE and MAN ES CH regarding their permanent establishments in the UK

### Overview

The following document sets out the position of MAN ES SE and MAN ES CH regarding their Permanent Establishments in the UK (“PEs”) in relation to tax in the UK and represents how tax is undertaken within the business. The strategy applies to the following entities:

- Permanent Establishment of MAN Energy Solutions SE, Augsburg (formerly: MAN Diesel & Turbo SE, Augsburg): MAN ES SE
- Permanent Establishment of MAN Energy Solutions Schweiz AG, Zürich (formerly: MAN Diesel & Turbo SE Schweiz AG, Zürich): MAN ES CH

All entities manage their tax affairs based on 5 core principles:

### 1. Compliance

The fundamental principle underlying all the tax decisions within the MAN group in the UK is that of paying the right amount of tax in the right place at the right time. This is mandated at a global level by the Board of Management of our ultimate parent company, Volkswagen AG. It involves disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where these are made available by tax legislation.

### 2. Open and transparent approach to engaging with HMRC

MAN ES SE and MAN ES CH regarding their Permanent Establishments in the UK seeks to build transparent and collaborative relationships with the UK Tax Authorities to create and maintain “Good Corporate Citizenship”. We aim to achieve this by engaging with HMRC with honesty, integrity, respect and fairness.

HMRC is kept informed about business developments to the extent they have a tax impact through regular correspondence. We will always seek to disclose all relevant facts to HMRC to enable them to understand fully the issue in question, and to enable the correct tax treatment to be applied.

In the event that a disclosure is required, these are made voluntarily or with full co-operation from the business.

### 3. Management of Tax

Ultimate responsibility for the tax affairs of each company sits with the Board of Directors. Each Board has assigned a director with overall responsibility for its ongoing tax affairs.

Each company has a dedicated professionally qualified tax team covering direct and indirect tax matters. The organisations support the teams in maintaining their Continuing Professional Development requirements. The teams also comply with the ethical standards set out by the Chartered Institute of Taxation.

The tax teams are active members of various tax fora, both those with an industry specific focus and those with a tax technical base. This assists with understanding current best practice and developments.

#### **4. Risk Management**

Given the size and global nature of our business, tax risks will arise.

The in-house tax teams are appropriately skilled to handle these matters and receive regular tax training and updates to ensure knowledge is always up to date. This enables the team to identify, monitor and manage risks within the business.

It also enables the team to identify where specialist external advice is required to ensure the business can remain compliant. External advisors are used to assist the business in achieving its core tax principles as outlined in this document.

#### **5. Attitude to arranging our tax affairs**

The primary tax objective of all UK entities is to pay the correct amount of tax at the point at which it is properly due. The companies will utilise exemptions and reliefs that are legitimately available and in accordance with the wording and spirit of the law.

The group is mindful of its reputation in the marketplace and seeks to operate in a manner of a responsible taxpayer.

Transactions between group companies are conducted on an arm's-length basis and in accordance with OECD principles. The group do not undertake profit allocation on the basis of tax rates, and profit follows the business activities of the group.

Where tax incentives are implemented by the Government to support investment, employment and economic development, MAN ES SE and MAN ES CH regarding their Permanent Establishments in the UK will only ever seek to implement these in the manner intended.

Engagement in artificial tax arrangements (those without commercial substance) is not undertaken. Where a point is unclear or uncertain, the companies may seek clarification from HMRC, external advisors or the judiciary as appropriate. This is done in order to ensure that the companies comply with their primary tax objective. Tax is not the commercial driver for decision making within the group nor a key performance indicator.

*MAN ES SE and MAN ES CH regarding their Permanent Establishments in the UK regard their publication of the tax strategy as compliant with the duty under Finance Act 2016, Schedule 19 paragraph 22(2).*

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This will depend on the particular characteristics of each individual project, especially specific site and operational conditions.