

## **SCHAEFFLER Group`s approach to tax**

### **Introduction**

The SCHAEFFLER Group is a global supplier of both automotive and industrial products. Top quality, outstanding technology, and an exceptionally innovative spirit forms the basis for the continued success of the company. By delivering high-precision components and systems in engine, transmission, and chassis applications, as well as rolling and plain bearing solutions for a large number of industrial applications, the Schaeffler Group is already shaping "Mobility for tomorrow" to a significant degree.

Schaeffler (UK) Ltd. and the Barden Corporation (UK) Ltd. represent the SCHAEFFLER Group in the UK. Schaeffler (UK) Ltd. as a leading rolling bearing specialist can provide industry customers with innovative bearing solutions from a single source. The Barden Corporation (UK) specialises in the design and manufacture of super precision ball bearings for safety-critical and harsh environment applications in a broad range of market sectors, from aerospace bearings to high performance machine tools.

SCHAEFFLER Group`s worldwide business activities generate a substantial amount and variety of taxes, including in the UK corporate income tax, stamp duty, employment and other taxes. In addition we collect and pay employee taxes as well as indirect taxes such as excise duties and VAT.

In line with the SCHAEFFLER Group`s approach to tax Schaeffler (UK) Ltd. and the Barden Corporation (UK) Ltd undertake to comply with all applicable UK and international tax laws. This is just one aspect of sustainable corporate management. Violations against these laws may result in significant consequences for the SCHAEFFLER Group and / or individual employees. During all corporate decisions, the SCHAEFFLER Group considers the tax-related consequences by using an open and honest dialog and a transparent tax policy for the company. The SCHAEFFLER Group focuses on meeting all obligations as a taxpayer using the governance and risk management processes that are in place.

### **Risk management and governance arrangements in relation to taxation**

Efficient cooperation between the Board of Managing Directors and the Supervisory Board, as well as an openness and transparency in corporate and financial communications, are key aspects of the SCHAEFFLER Group`s corporate governance that strengthen the confidence of shareholders, business partners, and employees in the company`s management and supervision.

The SCHAEFFLER Group`s risk management system, including tax risk management, is an integral component of its governance structure and covers both tax risks and opportunities. Responsibility for the risk management system rests with the Board of Managing Directors of Schaeffler AG. The Board of Managing Directors regularly reports to the Schaeffler AG audit committee and ensures that necessary risk management measures are approved.

The tax strategy of the SCHAEFFLER Group is to comply with all relevant tax laws and obligations and to safeguard a tax-optimized handling of all issues under these circumstances, as well as to handle all tax-related consequences resulting from business transactions in Germany and in other

jurisdictions. The Executive Board of Schaeffler AG is aware of the social responsibility of the company and the requirement for an adequate financing of the countries, which means in particular the appropriate tax contribution owed by the SCHAEFFLER Group, including Schaeffler (UK) Ltd. and the Barden Corporation (UK) Ltd. according to the economic capacity in UK and other countries.

### **The level of risk in relation to taxation that we are prepared to accept**

The Executive Board of Schaeffler AG implements a tax compliance management system focused on preventing damages and controlling risks, which serves to ensure compliance with tax-related obligations throughout the Group and is in line with the governance model of the SCHAEFFLER Group.

The Executive Board has transferred the tasks to review compliance, along with tax-related obligations for the companies, that are part of the SCHAEFFLER Group, to the Corporate Tax Department. The tax compliance management of the Schaeffler (UK) Ltd. and the Barden Corporation (UK) Ltd. is within the responsibility of UK tax team. Processes relating to different UK taxes are allocated to appropriate specialist functions within the tax team who carry out a review of activities and processes to identify key risks and ensure mitigating controls are in place.

### **SCHAEFFLER Group`s attitude towards tax planning**

SCHAEFFLER Group engages in reasonable tax planning which supports our business and reflects our commercial and economic activity. The UK entities do not engage in artificial tax arrangements.

Transfer Prices between SCHAEFFLER Group`s affiliated companies are subject to the Arm`s Length principle and other applicable OECD principles. Therefore, affiliated companies within the SCHAEFFLER Group conduct their business and prepare their contract agreements as is customary between independent parties under the same or similar (comparable) conditions. SCHAEFFLER Group supports the implementation of OECD`s requirements on country-by-country reporting ("CBCR") as part of the Base Erosion and Profit Shifting (BEPS) project, and in alignment with our values of transparency and integrity.

### **SCHAEFFLER Group`s approach towards dealings with HMRC**

Schaeffler (UK) Ltd. and the Barden Corporation (UK) Ltd. will cooperate with all tax authorities in an open and respectful manner. SCHAEFFLER Group seeks to build and sustain relationships with governments and fiscal authorities that are constructive.