

SKF UK Tax Strategy – Year ending 31 December 2018

Introduction

This document sets out SKF UK group of companies' strategy and approach to conducting its tax affairs and dealing with tax risk, and is made available to all stakeholders via the website www.skf.com/uk. The document will be periodically reviewed by the UK tax team and any amendments will be approved by the Managing Director.

The SKF UK group companies are as follows (hereinafter referred to as "SKF"):

- Trelanoak Limited
- SKF (U.K.) Limited
- Pilgrim International Limited
- Wynwards (U.K.) Limited
- Phillipers (U.K.) Limited
- Cooper Roller Bearings Company Limited
- SKF Motion Technologies UK Limited (divested 3 December 2018)

Our ultimate parent company, Aktiebolaget SKF, actively promotes sustainable and ethical business practices. This approach is communicated through The SKF Code of Conduct.

SKF Group general tax strategy is to pay corporate income tax where profits are made. Part of the SKF UK companies' role in upholding the ethical principles of the Group is to be responsible administrators of UK taxes, paying the right amount of tax at the right time.

Tax Strategy

SKF regards the publication of this tax strategy as complying with its duty under paragraph 16(2) of Schedule 19 of the Finance Act 2016 to publish the group tax strategy.

Our overall tax strategy is to:

- Meet all legal requirements and to make all appropriate tax returns and tax payments
- Observe the letter of the law as well as the spirit of the law
- Seek to utilise available tax reliefs and incentives where available in a manner which is consistent with the government's policy objectives
- Consider the tax impact in major or complex business decisions
- Operate in an environment where we consider tax in the context of our reputation and brand

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- Comply with appropriate tax risk processes, and ensure there is Board oversight into this compliance.

Risk Management and Governance Arrangements

SKF strives to make its affairs transparent and compliant with tax legislation and engage with HM Revenue & Customs in open dialogue, seeking guidance and clearance where required on general and specific areas of taxation and compliance.

The internal structure is set up to ensure that the Board of Directors understand the importance of tax compliance and how it is achieved.

- There is constant dialogue between the Board, managers and those individuals tasked with the operation of relevant functions, regarding the way our business manages its tax risk
- The business portrays a positive view towards tax compliance and the importance of meeting its obligations.

SKF keeps under review how tax obligations are met, by seeking external tax advice and investing in tax training for staff.

Tax Planning

SKF undertakes tax planning as part of the overall business strategy. Professional advice is sought on a transactional basis, with the depth of such advice being driven by our assessment of the risk presented by each opportunity.

SKF does not undertake aggressive tax planning with the sole purpose of obtaining a tax advantage. SKF has a responsibility to minimise the tax risk and exposure to negative publicity through non-compliance.

Any structuring or planning that is undertaken will have commercial and economic substance and will have full regard to the potential impact on the companies' reputations and broader goals.

Attitude towards risk

SKF sees compliance with tax legislation as key to managing our tax risk. SKF understands the importance of tax in the wider context of business decisions and has processes in place to ensure tax is considered as part of our decision-making process.

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SKF has relationships with professional advisers that provide access to expert advice on specialist areas of tax. The approach is to ensure compliance and understanding of responsibilities with regards to tax, rather than looking for ways to aggressively avoid payment of tax.

Tax compliance is an important factor in SKF's internal control system, which is managed and coordinated by SKF Group Audit and is also reviewed and audited by external auditors.

Relationship with HM Revenue & Customs

SKF believe in good and sound relationships with HMRC and always try to be as transparent as is practical and appropriate.

The SKF UK group of companies' aim is to avoid unnecessary disputes with HMRC and thus minimise tax risk. We will seek to achieve this through continuing regular face-to-face meetings with HMRC to discuss current business initiatives and the associated tax accounting and, where appropriate, seeking pre-transaction clearances.

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