



# TAX STRATEGY OF THE TIMKEN COMPANY

## Introduction

The Timken Company is a US listed multinational group which designs and manufactures mechanical bearings and transmission components for use in a range of industries. The Timken Company (“the Group”) employs more than 18,000 employees in 35 countries and generated global turnover of \$3.6bn during the year ended 31 December 2018 (last published results at time of updating the 2019 Tax Strategy)

The UK subsidiaries of the Group (referred to herein as the “UK Group”) are required by law to publish a document setting out their approach to conducting their UK tax affairs and dealing with UK tax risks for the year ended 31 December 2019.

The Timken Company places a global emphasis on the need to act ethically and with integrity in respect of all aspects of its operations, including its UK taxation affairs. The Timken Company’s Standards of Business Ethics policy is the Group’s Code of Conduct, containing the moral and ethical standards by which each associate, officer and director of the Group and its subsidiaries is required to conduct the business activities of The Timken Company.

The Timken Company expects its moral and ethical standards to be upheld by acting with honesty, fairness, respect and responsibility in all dealings. A link to the Standards of Business Ethics policy can be found [here](#).

As part of the above, the Group is committed to:

- Following all applicable laws and regulations relating to its UK tax activities.
- Adhering to The Timken Company’s core value of ethics and integrity in relation to its dealings with the UK Tax Authority. This includes maintaining an open, honest and collaborative relationship with the UK Tax Authority.
- Using tax incentives and reliefs to minimise the tax cost of conducting business while ensuring that these reliefs are not used for purposes which are knowingly contradictory to the intent of the legislation.

## Approach to Risk Management and Governance Arrangements

The Group aims to be fully compliant with tax rules in the UK. It carries out an assessment of the risks that may impact all aspects of its operations, including UK taxation risks.

It is the Group’s strategy to manage and minimise exposure to these tax risks through the use of internal controls. The Group’s attitude towards the level of control required over the processes designed to reduce taxation risks is driven by the likelihood of occurrence and scale of impact of each UK tax risk. These controls are subject to internal and external audit to verify their effectiveness.

The UK Group’s tax affairs are the primary responsibility of members of the Group’s Finance Departments. In addition, the Group’s European tax manager and Vice President of Tax provide oversight and strategic direction where appropriate. External training is carried out in order to

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ensure that a sufficient and appropriate level of knowledge is maintained by employees in relation to their areas of responsibility for specific UK taxes.

The Group also uses external tax advisors as appropriate. For example, where there is uncertainty in how the relevant law should be applied, external professional tax advice is sought to support the Group's decision making process.

### **Attitude Towards Tax Planning**

The Group applies its Code of Conduct to tax planning and only enters into transactions which have a sound legal and commercial basis. Transactions that could be seen to be contrived or without business purpose, or are for the main purpose of reducing the UK companies' tax liabilities, are not entered into.

Tax is taken into consideration in the commercial decision making process to ensure that an appropriate level of internal or external expertise is available in order to clearly understand the tax implications of any decision taken.

The Group aims to act in a tax efficient manner, utilising UK tax reliefs available such as capital allowances, group relief and other tax loss reliefs. Reliefs are utilised to the fullest extent permitted by UK law and as would be deemed appropriate and reasonable by an informed third party. The Group will not pursue reliefs in an aggressive manner or in any situation where there is uncertainty as to the relevant entity's entitlement to the relief.

### **Approach Towards Dealings with HM Revenue & Customs**

Included within the Group's Standards of Business Ethics policy document is the requirement for all employees to fully comply with requests made by a Government. This requirement also applies to dealings with the UK Tax Authority, HM Revenue & Customs ("HMRC").

All interactions with HMRC by Timken employees are respectful, timely and cooperative. The Group is dedicated to maintaining a strong relationship with HMRC, and acts in a transparent and collaborative manner in all of its dealings with HMRC.

As noted above, in areas where the Group is unsure of the correct treatment under UK tax law, third party clarification is sought from external advisors. Where uncertainty remains, advance clearance may also be sought from HMRC in certain circumstances, if considered appropriate. For example, this may include a situation where there is uncertainty regarding the application of specific tax legislation to a transaction.

### **Acceptable Level of UK Taxation Risk**

The Group adopts a conservative approach to UK tax risk. It seeks to comply fully with all relevant tax laws, together with regulatory and other obligations and to act in a way which adheres to the Group's code of conduct, the Standards of Business Ethics policy, as outlined above.

### **Approval of Tax Risk Strategy**

This document has been approved by The Timken Company's Vice President of Tax, Teri Wilson on 6<sup>th</sup> December 2019.