



Tax Strategy – The UK Wartsila Group Companies

Wartsila is committed to the highest standards of corporate governance and responsibility. Such standards also apply to the management of tax affairs.

Introduction

This document sets out the strategic tax objectives for the UK Wartsila Group of companies (the “UK Group”), wholly owned subsidiaries of Wartsila Corporation in Finland. This strategy is not designed to be an operational manual with detailed instructions on the execution of the processes.

The respective Managing Directors and Financial Controllers are responsible for management of the tax affairs of each of the UK Group of companies.

This strategy applies from the date of publication until it is superseded. References to “UK taxation” are to the taxes and duties in the UK which include:

- All corporate income taxes
- Indirect taxes (VAT, Stamp Duty Land Tax)
- Employment taxes (PAYE/National Insurance/Construction Industry Scheme)
- Other applicable tax matters

The tax strategy is approved by the Boards of the UK Group companies and sets out the general tax arrangements as well as the policy and approach to risk management, attitude to tax planning and working with HMRC.

Aim and Alignment with Wartsila policy

As part of a multinational group we are aligned with and follow the wider Wartsila guiding principles, code of conduct and tax policy for the group.

Guiding Principles

We act as a responsible global corporate citizen in compliance with applicable tax laws and regulations.

We promote ethical and transparent business practices and do not employ legal entities for purposes of tax avoidance. We encourage an open and honest dialogue between tax policy makers and business.

We make tax part of every important business decision.

We report and disclose our tax positions in accordance with applicable regulations and requirements.

Tax code of conduct and tax policy at the Wartsila UK Group



We are committed to provide transparent and accessible information to tax administrators in order to facilitate an understanding of our tax strategy and the underlying business models. We promote an open and honest dialogue between tax policy makers and businesses as the basis of our daily work.

We see the strict compliance with the legal framework set by national legislators as our obligation.

The increasing complexity and uncertainty in the international and national tax systems requires us to have mechanisms in place that ensure all policies and regulations are adhered to. It is our primary objective to act in accordance with the respective tax laws in the countries we operate in.

We are committed to complying with our tax obligations and maintaining good relationships with HM Revenue & Customs. To do this we only engage in reasonable tax planning that is aligned with our commercial, economic and reputational goals. We keep HM Revenue & Customs informed of business activities, results and key developments and pro-actively disclose and resolve any issues, risks and uncertain tax positions.

The Wärtsilä Group in the UK

Tax strategy and strategic objectives

Generally the tax strategy and strategic objectives are intended to establish a clear and unequivocal approach to all aspects of tax reporting and compliance in which ever industry the company operates.

The tax strategy is focused on ensuring that taxes (and tax risks) are managed to provide outcomes consistent with commercial reality and are within the parameters of Wärtsilä Group's strategic objectives. The strategy also requires that all tax obligations are complied with in the UK and other relevant jurisdictions.

With the tax landscape constantly changing, the tax affairs and tax risk management procedures are regularly reviewed to ensure that processes and measures are up to date, so that we are able to identify, assess, manage and mitigate tax risk as well as being aligned with the Wärtsilä Group's business strategy and governance framework.

Tax risk management and risk appetite

The day to day management of the Group's tax affairs is provided by the local companies finance teams.

Processes relating to different taxes are allocated to external advisors or appropriate specialist functions within the wider Wärtsilä global group; who carry out a review of activities and processes to identify key risks and mitigating controls in place. These key risks are monitored for changes in business and legislation and processes and controls are updated accordingly.



The Group seeks to reduce the level of tax risk arising from operations as far as is practically reasonable and utilises tax reliefs and allowances available in the manner in which intended by HM Revenue & Customs and statute. There will, however, be circumstances where this amount may not be clearly defined, or where alternative approaches may result in differing tax outcomes. The Company and its advisors, will use its best judgement in determining the appropriate course of action, using available reliefs and incentives where possible and liaising with HMRC where appropriate.

The Group does not engage in artificial tax arrangements and ensures that the outcomes are consistent with commercial realities.

The Group appetite for risk is low and we only structure our affairs based on sound commercial principles and in accordance with the Wärtsilä Group Policy and relevant tax legislation. Aggressive tax planning is not proactively considered and external advice is sought where appropriate.

Relationship with HMRC

It is the Group's general policy to be transparent and proactive in all interactions with HMRC through regular meetings and communications as required.

We have an open, honest and positive working relationship with HMRC. We are committed to prompt disclosure and transparency in all tax matters with HMRC. We recognise that there will be areas of differing legal interpretations between ourselves and HMRC and where this occurs we will engage in proactive discussion to bring matters to as rapid a conclusion as possible.

Any inadvertent errors in submission of tax returns and tax computations to HMRC are fully disclosed as soon as reasonably practicable after they have been identified.