

TAX STRATEGY

Introduction

Alfa Laval is a Swedish listed multinational group which is a world leader within the key technology areas of heat transfer, separation and fluid handling. The worldwide group employs over 16,000 employees, the majority of which are located in Sweden, Denmark, India, China, the US and France. Worldwide consolidated turnover for the period ended 31 December 2017 totalled SEK 35bn.

The UK Group entities of Alfa Laval AB publ (head of the Alfa Laval group), are required by law to publish a document setting out their approach to conducting UK tax affairs and dealing with UK tax risks.

This document has been approved by the Board of Alfa Laval Holdings Limited (ALH) and is intended to comply with the Group's (defined as ALH and its subsidiary entities) requirements under paragraph 19(2), Schedule 19 of the Finance Act 2016, for the period ended 31 December 2017. This document shall be updated as appropriate, in subsequent accounting periods.

Risk management and governance

The Group's UK tax affairs are primarily the responsibility of members of the UK Finance Department, led by the Finance Director, in collaboration with senior finance staff from the UK entities. Professional tax advice is sought to support the Group's decision-making process where appropriate.

The Group aims to fully comply with all applicable UK tax laws and regulations. As part of this aim, it manages and minimises exposure to UK tax risks by maintaining an effective control environment. These controls include seeking internal advice from Central Group colleagues, and external advice from professional tax advisors where there is uncertainty in how the relevant law should be applied, in order to ensure compliance with the tax legislation and regulations, and to reduce the tax risk to an acceptable level.

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

Tax planning

The Group is committed to paying the amounts of tax legally due in the UK, whilst ensuring tax efficiency in accordance with the commercial objectives of the business.

Limited tax planning may therefore be undertaken to utilise tax incentives or opportunities, where these align with business operations, and meet the intended objectives of the legislation. For the avoidance of doubt, the Group does not seek to reduce UK tax by entering into artificial transactions which lack economic substance.

In the majority of instances where tax planning is undertaken, the Group seeks external advice to ensure that the planning is carried out in a tax efficient manner, but also that the planning is carried out in accordance with the spirit of the legislation which does not give a result contrary to the intentions of parliament.

Acceptable levels of risk

The Group has a conservative approach to acceptable levels of UK tax risk and typically, only a minimal (non-material) level of tax risk will be accepted. The Group's approach is that the Finance Director will review each material transaction on a case by case basis and, where there is uncertainty with regards to the intention of the legislation, or how it should be applied, external advice will generally be sought to help assess the risk and assist in the Group's decision-making process.

The Group is committed to ensuring that decisions regarding acceptable levels of tax risk are made at the appropriate level, and that the individuals involved apply diligent professional care and judgement to arrive at well-reasoned conclusions as to whether the risk should be accepted or how it should be managed.

Approach towards dealing with HMRC

The Group seeks to comply with all reporting obligations and to ensure that all filings are submitted to HMRC, and tax payments are made, on a timely basis.

The Group is committed to an open and transparent relationship with HMRC. This includes making accurate and timely disclosures in the tax computations to reflect transactions undertaken in the period.

The Group is aware that from time to time, there may be disagreements with HMRC. The Group seeks to act in a professional and collaborative manner to resolve all such disputes on a timely basis. Where such disputes arise, the Group may engage external advisors to help resolve the disputes promptly and fairly.