

DMG MORI's approach to tax – tax strategy

DMG Mori UK Limited regards the publication of the information set out below as complying with the duty under Finance Act 2016, Schedule 19, para 16 (duty to publish a tax strategy) in the current financial year (the year ended 31 December 2017).

Date of publication: December 2017

Introduction

1. Tax planning
2. Relationships with government
3. Transparency
4. Policy on tax risk management and governance

Introduction

DMG MORI Group is a worldwide leading manufacturer of cutting machine tools. As a global integrated machine tool company, we provide our customers with innovative machines, automation and complete technology solutions.

DMG MORI Group is aware of its responsibility towards its business partners, shareholders and employees as well as to the environment and to society. The DMG MORI Group therefore specifically undertakes to uphold clear principles and values. These provide the framework for our social and corporate actions.

Our business activities generate a substantial amount and variety of taxes. We pay corporate income taxes, royalties, stamp duties, employment and other taxes. In addition, we collect and pay employee taxes as well as indirect taxes such as excise duties and VAT. The taxes we pay and collect form a significant part of our economic contribution to the countries in which we operate.

DMG MORI Group is committed to complying with tax laws in a responsible manner and to having open and constructive relationships with tax authorities.

OUR ACTIONS are governed by personal responsibility, sustainability and integrity. Our code of conduct sets out what is expected of everyone at DMG MORI Group and our approach to tax aligns with that. The code of conduct is published on our website.

Our commitment is underpinned by the following principles:

1. Tax planning

The Group's attitude towards tax planning, including in the context of UK taxation, is that the DMG MORI Group aims to support the commercial needs of the business by ensuring that the business is operated in the most tax efficient manner while remaining compliant with all relevant tax laws and regulations.

We conduct transactions between DMG MORI group companies on an arm's-length basis and in accordance with current OECD transfer pricing principles.

The tax function is involved in relevant commercial decision making processes to provide thorough input as to the tax consequences of any potential activity. All transactions must have a business purpose and commercial rationale, and the Group does not undertake artificial or aggressive tax arrangements.

2. Relationships with government

We seek to build and sustain relationships with governments and fiscal authorities that are open, constructive and based on mutual respect. We work collaboratively wherever possible with fiscal authorities to resolve disputes and to achieve early agreement and certainty. The approach the Group takes when dealing with HM Revenue & Customs is the same as with other governments and fiscal authorities. DMG Mori UK Limited seeks to meet all tax filing and payment deadlines, respond to correspondence in a timely manner, operates a policy of full disclosure, and works constructively with HM Revenue & Customs.

3. Transparency

We support the principle behind multilateral moves towards greater transparency that increase understanding of tax systems and build public trust.

4. Policy on tax risk management and governance

DMG Mori UK Limited follows DMG MORI's risk management system as part of its internal control processes. We identify, assess and manage tax risks and account for them appropriately. We implement risk management measures including controls over compliance processes and monitor their effectiveness.

The group tax department at DMG MORI AKTIENGESELLSCHAFT in Germany reports on a periodic basis to the Group Finance and Audit Committee on how tax

risks are managed, monitored and assured and on improvements that are being made (e.g. quarterly Risk Reporting). In this way the Group Compliance Management System and the Group Finance and Audit Committee provides governance and oversight of tax risks.

DMG MORI Group has implemented a process across the business to ensure that appropriate governance of compliance with applicable laws and regulations is in place.

We have a low tolerance for risk of material errors in tax compliance and seek to minimise the risk of uncertainty and disputes. If there are areas of uncertainty, as mentioned in section two above, we work openly and constructively with the tax authority in question. As such, we have implemented compliance policies and procedures to mitigate inaccurate reporting.

DMG MORI Group stays abreast of any changes in tax law through legislative updates.

The group head of tax at DMG MORI AKTIENGESELLSCHAFT owns and implements our approach to tax which is approved by the Group Finance and Audit Committee. The group head of tax is also responsible for ensuring that policies and procedures that support the approach are in place, maintained and used consistently around the world, and that the global tax team has the skills and experience to implement the approach appropriately.

The global tax team works closely with all Group companies. At this level tax risks are monitored and managed actively. All relevant tax related documents are reviewed and approved by the appropriate person.

As necessary, DMG MORI Group engages 3rd party tax advisers to ensure adherence to applicable tax law. In the UK specifically, DMG Mori UK Limited engages professional advisers where necessary to ensure compliance with the UK tax system. For example, where there are upcoming changes in legislation, or where there are on-off transactions, the company will seek external advice.