

## Tax Strategy

This tax strategy is the tax strategy for SPI Lasers UK Limited (both its Southampton and Rugby operations) and SPI Lasers plc (hereafter „SPI Lasers“).

### About Us

Since 2008 SPI Lasers has been part of the TRUMPF Group. The TRUMPF Group is an international group with its head office in Germany/Ditzingen. The high-tech company TRUMPF provides manufacturing solutions in the fields of machine tools and laser technology. These are used in the manufacture of the most diverse of products, from automotive, building technology and mobile devices to state-of-the art power and data storage. As an independent family business, TRUMPF thinks and acts long-term. TRUMPF stands for highly innovative products and services that are absolutely reliable and applicable for industrial use.

TRUMPF was founded in 1923 as a series of mechanical workshops, and has since developed into one of the world's leading companies for machine tools, laser technology and electronics for industrial applications. With over 14,000 employees, the company generated a turnover of €3.78 billion in the 2018/19 financial year. TRUMPF is and will remain a family business.

TRUMPF stands for quality, excellent products, highly efficient processes and outstanding results. The success of TRUMPF derives from the fact that TRUMPF lives common values and aspire to share objectives. TRUMPF has company principles which are intended to contribute towards clarifying these values and objectives and to make them an integral part of the company. They therefore describe the nature and scale of the activities and the way TRUMPF treat one another. The company principles are binding at all times for everyone who works in the company and are [available here](#).

In 2009 TRUMPF introduced a compliance program. An integral part of this program is the TRUMPF Code of Conduct. This outlines the basic rules which TRUMPF expects the management and all employees to comply with as regards ethically appropriate behaviour during business transactions across the globe. The TRUMPF Code of Conduct is [available here](#).

SPI itself is one of the world's leading manufacturers of Fiber Lasers, and one of the few to operate on a truly global basis. The mission of SPI is to provide the customers with the very best quality products and after sales service. With over 300 employees serving customers around the world, SPI aspires to become the best global manufacturer of Fiber Lasers as measured by stakeholders, customers and employees. SPI offers a wide range of Pulsed and CW Fiber Lasers as well as numerous after sales services for individuals, small businesses, mid-sized and large companies as well as for multinational corporations.

## **Tax strategy**

SPI Lasers believes that from the date of publication until it is superseded, it has fulfilled its duty to comply with Paragraph 16(2) Schedule 19 of the Finance Act 2016.

References to 'UK Taxation' are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax.

References to 'tax', 'taxes' or 'taxation' are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which the Group has legal responsibilities.

## **Aim**

SPI Lasers is committed to full compliance with all statutory obligations and full disclosure to relevant tax authorities. SPI Lasers' tax affairs are managed in a way which takes into account the group's wider corporate reputation in line with SPI Lasers overall high standards of governance.

## **Tax risk management and governance in relation to UK taxation**

SPI Lasers key tax risks fall into the following categories:

- Transactional – risks and exposures relating to specific transactions
- Operational – underlying risks associated with the application of the tax laws to routine business operations
- Compliance – risks implicit in the tax accounting arrangement adopted in the preparation and submission of tax returns, making tax payments, and responding to enquiries raised in the process of reaching an agreed position with the tax authorities
- Financial accounting – risks associated with the processes and internal controls for arriving at the tax entries in the financial statements

SPI Lasers approach to tax governance in order to fulfil its tax compliance obligations is as follows:

- Ultimate responsibility for SPI Lasers' tax strategy and governance rests with the Board of Directors of SPI Lasers UK Limited.
- The Chief Financial Officer (CFO) of SPI Lasers UK Ltd is the board member with executive responsibility for the tax matters on a day to day basis.
- The CFO reports to, and takes instruction from, the Board of Directors of TRUMPF (GLS) who are responsible for the overall tax strategy and governance of the TRUMPF Group worldwide.
- The CFO is responsible for ensuring that all applicable regulations as well as internal TRUMPF Group guidelines and governance procedures relating to taxation are observed for SPI Lasers and its worldwide subsidiaries.

### **Approach towards tax planning and levels of risk**

- SPI Lasers manages risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax.
- SPI lasers does not engage in artificial tax arrangements, such as tax planning that is not underpinned by commercial and economic substance. Tax planning measures are always in line with the tax legislation with low risk of non-acceptance by Tax Authorities. Advice is sought from external advisers where uncertainty exists.
- When entering in commercial transactions, SPI Lasers seeks to utilise available tax incentives, reliefs and exemptions in line with the spirit of tax legislation.
- At all times SPI Lasers seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen.

### **Relationship with HMRC**

SPI Lasers seeks to have a transparent and constructive relationship with tax authorities. When submitting tax computations and returns to the tax authorities, SPI Lasers discloses all relevant facts and identifies any transactions or issues where it considers there is a potential for the tax treatment to be uncertain. Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.

### **Ultimate Parent Company internal compliance principles**

One of the principles stated within the Code of Conduct is that the laws and statutes of the countries in which TRUMPF does business must be complied with. This corresponds to the fundamental values and applies regardless of the threat of prosecution. Unlawful actions are not in the interest of the company because they are unethical, lead to a serious loss of reputation and can result in criminal prosecution, civil damages and loss of business.

A further principle is that TRUMPF does not engage in tax evasion or subsidy fraud and TRUMPF does not aid and abet such behaviour. The assessment of tax or subsidy matters is often difficult. In case of doubt, the supervisor has to be consulted or the issue has to be clarified by the Group Tax Department.

### **Ultimate Parent Company tax objectives and activities**

The primary objective of the Group Tax Department is to protect the assets of the TRUMPF Group, and thus the family assets of the owner family, in compliance with the TRUMPF code of conduct with regard to tax matters and taking into account the corporate principles of the TRUMPF Group. To this end, the Group Tax Department has the authority to issue policies for the Group as a whole. The Group Tax Department is responsible for implementation of these policies and for revising their contents. The Group Tax Department's activities are aimed at ensuring that all tax-related requirements are complied with in the TRUMPF Group ("tax compliance") while at the same time making use of legal and legitimate options provided by the tax legislation. Specifically, this means that TRUMPF

- is a responsible company, including from a tax perspective, which takes TRUMPF's corporate social responsibility seriously at all locations.
- works together with public institutions, local tax authorities and our auditors in a constructive manner, commissioning tax law opinions where necessary
- takes a constructive, service- and solutions-oriented stance towards departments and entities within the TRUMPF Group while, whenever necessary, insisting that they comply with legal requirements.
- undertakes active tax planning exclusively for economic reasons on the basis of TRUMPF's business model and corporate values, but not in any abusive or aggressive manner or in any way that would damage the Group's reputation.
- represents the justified tax interests of the TRUMPF Group directly and indirectly, e.g., via active involvement in associations, thereby lobbying for our own concerns and those of the industry overall.
- pursues proactive risk management in order to reduce the tax risks for the Group as well as personal risks for those involved.

The TRUMPF Board (GLS) has the task of ensuring that all tax processes are identified, implemented and documented consistently within the TRUMPF Group. It delegates this task to its Chief Financial Officer, who delegates this task to the Head of Group Taxes where it relates to the responsibilities of the Group Tax Department and to the management of each foreign entity responsible for tax compliance and for implementation of the tax strategy in accordance with this policy. This applies regardless of whether GLS uses its own functions or a functional department to fulfill these duties or outsources this task to an external provider. It is therefore GLS's task to ensure – by means of suitable processes and by monitoring these – that these duties are fulfilled. Such processes include all departments within the Group that are involved in the origin, assessment and processing of tax matters.