



UK Tax – as at 31 December 2017

This note is published in compliance with the United Kingdom Finance Act 2016, Schedule 19 section 16.

Colfax Corporation Inc. (“Colfax”) is a dual-platform diversified industrial company incorporated in the United States. Colfax currently operates under two divisions globally and in the UK- Howden Group (www.howden.com) and ESAB (www.esab.co.uk). Howden Group specialises in providing quality solutions for air and gas handling in multiple sectors, such as mining, power generation and food & beverage. ESAB is a world leader in the production of welding and cutting equipment and consumables. In December 2017 Colfax disposed of its fluid handling business, reducing its platforms from three to two. The fluid handling business had minimal UK activities.

Colfax is dedicated to creating an enduring premier global enterprise based on a unique business culture that:

- Does all things with integrity, respect and candour;
- Has a deep commitment to excellence to associates and customers as its foundation; and
- Is known for consistent delivery of world-class performance.

Colfax strives to achieve this by adopting a business-wide system of “continuous improvement”, or kaizen, known as the Colfax Business System (“CBS”). More information on CBS can be found [here](#).

This document sets out the group’s principles that govern the management of our UK tax affairs across all Colfax Group companies.

UK Tax Risk Management & Governance

The United Kingdom makes up a significant part of Colfax’s business operations. Colfax has an in-house tax department that manages these risks internally. Key roles include:

- VP Tax: responsible for senior executive leadership, strategy and direction;
- Director of Tax Planning & Policy: responsible for tax aspects of acquisitions, dispositions and restructurings, smooth integration of acquired entities, and advising on current and future impact of tax policy developments;
- Global Transfer Pricing Director: responsible for group-wide transfer pricing matters and ensuring Colfax adheres to the OECD’s BEPS framework as it applies to Group entities, as well as tax audit matters;
- UK Group Tax Manager: responsible for UK tax matters, including reporting, compliance and working together with HMRC;
- Wider Colfax Tax team: there are a further seven members of the Colfax Tax team, located in the US and Switzerland. Responsibilities include global tax reporting & compliance, US state and federal taxes, transfer pricing, M&A activity and other advisory projects; and
- External staff members: As at December 2017 Colfax is supported by two external consultants, who assist with global M&A activity and UK tax reporting and compliance matters.



The tax department has an overarching objective to collaborate with and train the wider Colfax Group community to ensure that taxation matters are recognised and considered appropriately throughout the Group.

The most significant tax risks faced by the UK group can be summarised as follows:

- Colfax grows via acquisition activity as well as organically. This comes with inherent tax risk that is managed by the tax department being a key part of M&A and post-deal integration teams. External consultants are also engaged as required to ensure that all acquisition administrative and structuring matters are properly planned and executed in full compliance with applicable tax laws and regulations.
- Colfax UK entities have significant overseas activity and this can increase the possibility of international tax risks. We manage these risks by working with our internal audit, transfer pricing, finance and treasury departments, as well as senior management at all levels, to share information and design, implement and assess procedures and controls to ensure that tax is a key consideration when doing business overseas. Training also forms an important part of this area, along with publication and maintenance of group policies on a group-wide intranet.

Tax risks are reviewed quarterly as part of the tax reporting required by the US parent company. The Colfax Tax Committee consists of the platform tax leader for each of Howden and ESAB, along with senior tax management, and holds regular meetings to discuss the tax issues arising and settled during the previous quarter. This review includes the entire UK group. Tax reports to the CFO of Colfax and provides updates on all tax matters, including the UK. The CFO in turn is part of the Board of Directors of Colfax.

As Colfax is an American parented group there are also requirements under the Sarbanes Oxley Act, and the analysis and reporting required as part of this important legislation is also used when documenting and considering tax risks in the United Kingdom.

UK Tax Planning

Please refer to the Colfax Code of Conduct that can be found [here](#).

Colfax aims to be fully compliant with tax legislation in every jurisdiction in which it operates and pay the correct amount of tax due on time. Any significant change or restructuring taking place within the Group is reviewed and signed off by the tax department as part of a group-wide Request For Approval process. This process mandates that plans and business case documents are reviewed and signed off by key back-office departments, e.g. tax, treasury, legal and accounting. This ensures that the tax implications of every step are understood and agreed by all.

Where there are multiple routes available to achieve the same commercial objective, tax will review these and identify those which result in an efficient achievement of the commercial objective while ensuring that the correct amount of tax is identified and paid. Colfax structures its affairs based on sound commercial principles and does not engage in aggressive tax planning. A “more likely than not” approach is taken when determining whether a tax risk is acceptable.



Colfax seeks external advice where there are resource restrictions, specialist guidance requirements or matters where the tax due could be subjective. This ensures that contemporaneous and compliant tax positions are taken by Colfax and robustly documented and understood by the Group.

Working with HMRC

We work closely with our Customer Relationship Manager as part of the Large Business unit of HMRC and aim to work professionally, collaboratively and openly with him on our tax affairs as we do with tax authorities worldwide. We meet regularly to discuss the UK group taxation matters and may engage directly with him on material tax events to clarify or confirm the application of the relevant UK tax legislation.

Our current risk assessment of “low” reflects our open approach and the size and complexity of our tax matters within the HMRC Large Business community.