Höganäs Group – Our Approach to Tax in the UK

This UK tax strategy sets out the Höganäs Group’s general tax arrangements as well as the approach to tax risk management, attitude to tax planning and working with HMRC.

ABOUT THE HÖGANÄS GROUP

The Höganäs Group (or ‘the Group’ or ‘Höganäs’) operates in the field of powder metallurgy, and is a world leading metal powder producer which creates new business opportunities and a profitable growth for its cooperation partners and customers. The Group facilitates a broad range of metal powder solutions in the environmental, industrial and automotive sector. The Höganäs products are primarily metal powder components and consumables, namely iron powder and high alloys.

The Group has approximately 1,875 employees working in 15 countries, including the UK. The Group’s base and head office is placed in Höganäs, Sweden.

Höganäs’ mission is to lead the way within sustainability and to create a sustainable society through metal powder technology. By engaging together, we aspire to become a role model within industrial sustainability.

OUR GROUP’S APPROACH TO TAX

The Höganäs Group acts as a responsible global corporate tax citizen in compliance with applicable tax law and regulations. It is our primary objective to act in accordance with the respective tax laws in the countries in which we operate. We make tax part of every important business decision and report and disclose our tax positions in accordance with applicable regulations and requirements.

As part of a multinational group we maintain our commitment to the highest ethical standards and transparent business practices through a Code of Conduct, group tax directives and wider group guiding principles. Each individual subsidiary, including in the UK, is aligned with and follow the Group’s policies and principles.

OUR UK BUSINESSES

In the UK we have well-established affiliates, operating through two companies which are headquartered in Tonbridge and Bridgend.

- Höganäs Great Britain Ltd – operating since the 1960’s, Höganäs Ltd manufactures high speed steel powder (iron powder) and supplies leading brand products to end customers across the UK and worldwide.
- Abril Industrial Waxes Ltd – acquired by the Höganäs Group in 2015, Abril is a market leader in wax technologies and manufactures speciality products, waxes and lubricants for industrial purposes and consumer goods.

HOW WE GOVERN OUR TAX AFFAIRS IN THE UK

On a group level, our Group Board of Directors based in Höganäs, Sweden is ultimately accountable for the Group’s approach to tax. The Group Chief Financial Officer (‘Group CFO’), the Group Legal Counsel and the Head of Tax maintain responsibility for managing the Group’s tax affairs and to ensure that appropriate governance procedures are in place for the respective entities.

The Group CFO has delegated authority for local tax compliance matters to local finance managers. In the UK, this is the local Commercial Manager who is responsible for the day-to-day management of the UK tax affairs. The Commercial Manager communicates with and is supported by the Group’s central
finance function and audit committee, to assess potential UK tax risks and to ensure that they are kept abreast of UK tax developments, predominantly through the Group’s quarterly reporting process.

The Group’s processes relating to different taxes are allocated to appropriate specialists 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.

**OUR ATTITUDE TO TAX PLANNING IN THE UK**

Tax planning decisions and structuring of affairs are made based on sound commercial principles and are in accordance with the Group tax policy and relevant tax legislation. We do not employ legal entities for purposes of tax avoidance. We only engage in reasonable tax planning that is aligned with our commercial, economic and reputational goals.

We seek professional advice from independent external advisors who play a key role in helping us to identify and evaluate potential tax risks associated with our operations and due to changes in tax laws.

We do claim tax reliefs and allowances available in the manner in which intended by HMRC 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 Group will use its best judgment in determining the appropriate course of action, using available reliefs and incentives where possible and liaising with HMRC where appropriate.

**OUR ATTITUDE TO TAX RISK IN THE UK**

Being part of a multinational group and one which prides itself on its ethical approach, our reputation is extremely important to us. This has influenced our tax risk appetite, and we are not prepared to accept tax risks that may adversely impact our reputation. Further, we do not proactively consider aggressive tax planning. In order to ensure that the outcomes are consistent with commercial realities, we do not engage in artificial tax arrangements.

We seek to reduce the level of tax risk arising from our operations as far as is practically reasonable by implementing various internal tools for the various business units to follow.

**OUR RELATIONSHIP WITH HMRC**

In line with the Group’s general tax policy, we seek to have an open, honest and positive working relationship with HMRC.

Our level of interaction with HMRC is fairly limited as our tax affairs are straightforward and most of the communication with HMRC is through our third party advisors who act as our tax agents.

We are committed to prompt disclosure and transparency in all tax matters and in correspondence with HMRC. 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.

Where there is a difference of opinion or legal interpretation between HMRC and ourselves, we seek to engage in proactive discussions in order to resolve any disputes, and to achieve as rapid a conclusion as possible.
This UK tax strategy was approved on 20/12/19 and applies to the year ended 31 December 2019. It applies to Högans Great Britain Ltd and Abril Industrial Waxes Ltd and has been prepared in accordance with paragraph 22(2), Schedule 19 of the Finance Act 2016. The tax strategy covers all taxes and applies from the date of publication until it is superseded.

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For any queries on our approach to tax, please contact: Robin Carmichael/Jens Thor

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