

Tax Strategy – the Guidance Group

Guidance Marine Limited Guidance Navigation Holdings Limited

This document sets out the strategic tax objectives for the Guidance Group of companies, wholly owned subsidiaries of Wartsila corporation of Finland. This strategy is not designed to be an operational manual with detailed instructions on the execution of the processes. Our tax strategy is reviewed annually.

The Managing Director and Financial/Business Controller are responsible for management of the tax affairs of the Guidance group of companies.

This strategy applies from the date of publication until it is superseded. References to 'UK taxation' are to the taxes and duties in the UK which include:

- All corporate income taxes
- Indirect taxes (VAT, Stamp Duty Land Tax)
- Employment taxes (PAYE / National Insurance / Construction Industry Scheme)
- Other applicable tax matters

The tax strategy is approved by the Boards of the Guidance group companies and sets out the general tax arrangements as well as the policy and approach to tax risk management, attitude to tax planning and working with HMRC.

Aim and Alignment with Wartsila policy

As part of a multinational group we are aligned with and follow the wider Wartsila guiding principles, code of conduct and tax policy for the group.

Guiding principles

We act as a responsible global corporate tax citizen in compliance with applicable tax laws and regulations.

We promote ethical and transparent business practices and do not employ legal entities for purposes of tax avoidance. We encourage an open and honest dialogue between tax policy makers and business.

We make tax part of every important business decision.

We report and disclose our tax positions in accordance with applicable regulations and requirements.

Tax code of conduct and tax policy at the Guidance Group

We are committed to provide transparent and accessible information to tax administrations in order to facilitate an understanding of our tax strategy and the underlying business models. We promote an open and honest dialogue between tax policy makers and businesses as the basis of our daily work.

We see the strict compliance with the legal framework set by national legislators as our obligation.

We meet internationally recognised standards by applying transfer pricing policies such as the arm's-length principle. This approach is consistent taking in all countries that the Guidance Group operates in and ensuring appropriate remuneration where the value is created.

The increasing complexity and uncertainty in the international and national tax systems requires us to have mechanisms in place that ensure all policies and regulations are adhered to. It is our primary objective to act in accordance with the respective tax laws in the countries we operate in.

We are committed to complying with our tax obligations and maintaining good relationships with HM Revenue & Customs. To do this we only engage in reasonable tax planning that is aligned with our commercial, economic and reputational goals. We keep HM Revenue & Customs informed of business activities, results and key developments and pro-actively disclose and resolve issues, risks and uncertain tax positions.

The Guidance Group in the UK

Tax strategy and strategic objectives

The Guidance Group in its current form was established in 2011, whereas the first ever group company was founded in 1991, and now operates exclusively in the maritime industry from its primary location in Leicester. The Guidance Group performs R&D, product manufacturing, global sales and service and operationally reports into the Marine Solutions division of the Wartsila corporation.

Generally the tax strategy and strategic objectives are intended to establish a clear and unequivocal approach to all aspects of tax reporting and compliance in which ever industry the company operates.

The tax strategy is focused on ensuring that taxes (and tax risks) are managed to provide outcomes consistent with commercial reality and are within the parameters of the Guidance Group's and Wartsila Group's strategic objectives. The strategy also requires that all tax obligations are complied with in the UK and other relevant jurisdictions.

With the tax landscape constantly changing, the tax affairs and tax risk management procedures are regularly reviewed to ensure that processes and measures are up-to-date so that we are able to identify, assess, manage and mitigate tax risk as well as being aligned with the Wartsila Group's business strategy and governance framework.

Tax risk management and risk appetite

The day to day management of Guidance Group tax affairs is provided by the local company finance team.

Processes relating to different taxes are allocated to external advisors or appropriate specialist functions within the wider Wartsila global group; 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.

Guidance Group seeks to reduce the level of tax risk arising from its operations as far as is practically reasonable and utilises tax reliefs and allowances available in the manner in which intended by HM Revenue & Customs 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 Company, and its advisors, 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.

The Guidance Group does not engage in artificial tax arrangements and ensures that the outcomes are consistent with commercial realities.

The Guidance Group appetite for tax risk is low and we only structure our affairs based on sound commercial principles and in accordance with the Wartsila Group policy and relevant tax legislation. Aggressive tax planning is not proactively considered and external advice is sought where appropriate.

Relationship with HMRC

It is the Guidance Group's general policy to be transparent and proactive in all interactions with HMRC through regular meetings and communications with HMRC as required.

We have an open, honest and positive working relationship with HMRC. We are committed to prompt disclosure and transparency in all tax matters with HMRC. We recognize that there will be areas of differing legal interpretations between ourselves and HMRC and where this occurs we will engage in proactive discussion to bring matters to as rapid a conclusion as possible.

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.