

13. December 2022

Datwyler Tax Strategy

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1. Introduction

This document – approved by the Audit Committee of Datwyler Holding Inc. – sets out the Datwyler Group’s strategy and approach in managing its tax affairs. It is reviewed annually by the Group Chief Financial Officer (“CFO”) and Head of Corporate Taxes, and any amendment has to be approved by the Audit Committee of Datwyler Holding Inc. accordingly.

The Datwyler Group (Datwyler) comprises the Datwyler Holding Inc. and all subsidiaries over which the Datwyler Holding Inc. has the power to govern the financial and operating policies, so as to obtain benefits from their activities. At Datwyler, this is achieved when more than 50% of a subsidiary’s share capital or voting rights is unconditionally owned directly or indirectly by Datwyler Holding Inc.

2. Description of the Group and its overall tax values

Datwyler is focusing on high-quality, system-critical elastomer components and has leading positions in attractive global markets such as healthcare, mobility, connectivity, general industry and food & beverage. Datwyler concentrates on markets that offer opportunities to create more value and sustain profitable growth. With more than 25 operating companies, sales in over 100 countries and over 8’000 employees, Datwyler generates annual sales of more than CHF 1’100 million. Datwyler’s headquarter is based in Switzerland where the company was originally founded some 100 years ago. Key leadership roles including the business area heads and other senior operational functions are based in Switzerland. In addition, Datwyler’s finance and treasury functions and related activities are also centralised at the headquarters in Switzerland. Datwyler Holding Inc. is publicly listed on the SIX Swiss Exchange where it is part of the SPI (Swiss Performance Index).

For more details see: www.datwyler.com





On our journey from a Swiss family owned business to an international group, Datwyler has developed high standards and unique values. One of our four key values states: “We respect others”. That is why Datwyler upholds a code of conduct and is member of the UN Global Compact. With its long-term focus, Datwyler is aware of its responsibility towards its stakeholders, society and the environment. Within its sustainability strategy, Datwyler established a landscape with 12 focus areas. They are published under www.datwyler.com/company/sustainability.

Two of this focus areas are also key for Datwyler’s tax strategy:

- **Compliance and ethics:**
Datwyler wants to be a fair and responsible partner towards its customers, suppliers, employees, government and the general public. By this, Datwyler is committed to be a good corporate citizen in compliance with the letter and the spirit of the tax laws and regulations.
- **Transparency:**
Datwyler believes transparency is fundamental for stakeholders to recognize Datwyler as a reliable partner.

Based on these values and principles, Datwyler has drawn up this Tax Strategy, which is publicly available on our website.

3. Scope

The entities in scope are described under section 1. Datwyler’s Tax Strategy outlines the guiding principles to design, implement and manage Datwyler’s tax landscape with the goal of achieving business growth while in compliance with the letter and the spirit of the tax laws and regulations.

The Tax Strategy applies to taxes for which Datwyler is responsible and liable. Datwyler understands taxes as either direct taxes such as corporate income tax and indirect taxes such as value added tax or withholding tax whilst the same principles have to be followed with respect to other taxes and taxes collected on behalf of other entities e.g. social security contributions.

4. Objectives

4.1 Overall Objectives

Datwyler defines four key areas in its strategy to ensure the successful further development of the Group: Drive profitable growth; increase agility; advance sustainability; accelerate digitalization. The Tax Strategy described in this document is in line with Datwyler's overall strategy and its corporate governance principles.

Taxes represent a cost factor for companies. However, a good corporate citizen wants to contribute to the sustainable development of the society. Based on Datwyler's sustainability principles, Datwyler wants to bear its fair share of these developments. Datwyler is committed to be a good corporate citizen. This commitment is set out in the Code of Conduct, which states that the compliance with laws is the top priority of the company. Datwyler is in a long term business and is therefore interested in having a responsible and sustainable relationship with its stakeholders such as tax authorities.

Datwyler observes all legal and administrative regulations and is committed to comply with it at all times. With the relevant tax administrations, Datwyler maintains a strong and transparent working relationship.

Datwyler is committed not to engage in aggressive tax planning (seeking to take advantage of harmful tax practices) and activities and actions which constitute tax evasion or tax fraud. It follows a business-oriented approach based on functions, assets and operating risks which ensures that Datwyler pays the fair amount of taxes in each jurisdiction where it operates.

Datwyler is committed to openness and transparency and provides information on internal processes, roles, responsibilities and decision-making procedures, as well as rights and obligations of various stakeholders.

4.2 Focus Areas

4.2.1 Compliance with tax laws and regulations

As a multinational group with operations and sales in various jurisdictions, Datwyler is subject to a number of different tax laws. It is Datwyler's objective to adhere to the relevant tax regulations in each country in which we operate.

Datwyler's strategy is to have its economic results taxed in a compliant manner in all countries where it creates value.

Datwyler is committed not to engage in aggressive tax planning and does not use complex structures or off-shore domiciles to minimize its tax liabilities. We may encounter a number of risks or uncertainties in taking a tax position. For example a tax authority may apply or interpret the applicable tax provisions differently than Datwyler anticipated which may result in additional tax burden. Datwyler has processes in place to identify, closely monitor and minimize those uncertainties.

In the case where inefficiencies or possible gaps may be identified in tax processes, Datwyler will act to remediate the issues in a timely manner to ensure continued compliance.

4.2.2 Tax Planning

Datwyler's Tax Strategy is designed to create an efficient and sustainable tax environment that enables and supports the broader growth objectives, so as to preserve resources for reinvestment in our products and value for Datwyler and its shareholders. This results in an effective group tax rate that reflects Datwyler's global footprint.

Datwyler will use tax planning for purposes which are in line with the applicable tax laws. Moreover, Datwyler will not engage in artificial arrangements which have the purpose of decreasing its tax charge. Entities of the Group located in countries offering "privileged tax regimes" are established for business and operational reasons. We pay specific attention to ensure that any profit allocated to these entities is proportionate to the activities, functions and risks undertaken locally.

4.2.3 Transfer Pricing

We follow the OECD's approach to align taxation and business substance, to enhance coherence of taxation and to further develop transparency in the tax area. We continue to closely monitor developments such as the OECD BEPS initiatives and similar projects (e.g. EU-Directives).

Datwyler is committed to:

- set transfer prices in cross-border intercompany transactions based on functions performed, risks assumed and the value of tangible and intangible property for each type of intercompany transactions, i.e. apply the arm's length principle;
- follow internationally accepted methodologies and standards and comply with local laws and regulations for the pricing of intercompany transactions;
- support intercompany transactions through written agreements between the related parties involved and appropriate transfer pricing documentation.

4.2.4 Tax Risk Management

Datwyler is committed not to engage in aggressive tax planning and activities which constitute tax evasion or tax fraud. We closely monitor and manage our tax risks and aim to have a below median level of tax-related risk relative to our industry peers. Through the reporting and control systems, the Group Tax Function collects information on significant tax risks – whether in relation to compliance matters, financial reporting and planning, tax audit, or legislative developments.

The Group Tax Function may encounter a number of risks or uncertainties in taking a tax position. Therefore it has processes in place to identify, closely monitor and minimize as well as communicate its tax risks or uncertainties. Therefore, the Group Tax Function is involved in all structuring processes and checks the tax compliance. Moreover, the Group Tax Function is centrally responsible for setting up and defining the transfer pricing policy. This ensures that the individual intercompany transactions comply with applicable laws and regulations.

An overall process in place to ensure that Datwyler is complying with its tax obligations on time, in quality and has been documented in accordance with Datwyler quality standards. The documentation reflects the key principles and control definitions applied for tax and customs processes, such as segregation of duties and requirement for a second-person review.

In view of the scale of Datwyler and the number of entities, however, intercompany transactions are considered to be the most relevant source of taxation risk in relation to tax positions taken by Datwyler.

5. Governance and Organisation

The Group CFO bears the overall tax responsibility after the Audit Committee approved the Tax Strategy which was developed by the Head of Corporate Taxes. The Group CFO safeguards, that the tax strategy is aligned with the overarching global strategy and the business objectives of Datwyler. The Group CFO informs the Audit Committee of material tax management matters and substantial tax risks.

The Head of Corporate Taxes is responsible for the execution of the Tax Strategy as well as for ensuring that adequate controls are established across the tax processes and activities.

The Group Tax Function and the Head of Corporate Taxes have the primary mandate of setting policies, processes and controls in advancement of Datwyler's tax strategy. The activities of the Group Tax Function adhere to the overall governance structure of Datwyler. They are regulated by our Code of Conduct, internal control guidelines and external Corporate Governance. The Group Tax Function follows the applicable finance and accounting regulations, including Swiss GAAP FER standards and SIX Swiss Exchange guidelines. The Group Tax Function is performed by a central team with many years of experience in the field of taxation. A team of specialists is primarily responsible for transfer prices and their correct processing and documentation. In addition, they support the individual local finance managers in all kinds of tax issues. The Corporate & Business Controlling teams centrally monitor the tax reporting, which is carried out via the consolidation database. The focus is on material accuracy, appropriateness and completeness.

Tax matters are handled by personnel with a reasonable understanding of local tax legislation and then reviewed by an experienced tax specialist. If required expertise is not available, the commissioning of an external tax advisor might be appropriate. Any kind of non-routine engagements requires prior notification of the Group Tax Function.

6. Roles and Responsibilities

Key Roles	Responsibilities
Audit Committee	<ul style="list-style-type: none"> – Approval of the Group Tax Strategy (first approval also by the whole BoD) – Risk Monitoring of Tax Risks
Group CFO	<ul style="list-style-type: none"> – Execution of Group Tax Strategy as approved by the Audit Committee – Setting targets and monitoring performance of the Group Tax Function – Informing Audit Committee on an ongoing basis for material tax management matters and substantial tax risks

Head of Corporate Taxes	<ul style="list-style-type: none"> - Responsibility of overall tax management - Implementation of the Group Tax Strategy - Establish appropriate controls and reporting structures for tax activities - Implement and monitor transfer price principles and rules - Cascading targets and monitoring performance of Group Tax Function - Informing the Group CFO on tax strategic updates, tax legislative developments and on tax risks on quarterly basis
Group Tax Function	<ul style="list-style-type: none"> - Operational execution of the Group Tax Strategy - Monitor transfer price principles and rules and support in application - Control local tax activities and support in complex local tax topics - Reviewing local finance and controlling in material tax issues
Corporate and Business Controlling	<ul style="list-style-type: none"> - Notifying the Group Tax Function regarding any potential tax impact from non-routine business activity - Monitoring changes in transfer pricing principles - Reporting on tax items and monitoring local tax activities
Local Finance and Controlling	<ul style="list-style-type: none"> - Management of compliance in the local tax position - Executing activities in accordance with the Group Tax Strategy - Ensuring that tax processes are complete and accurate - Identifying and controlling tax risks