

MRC Global UK Group Tax Strategy



December 2018

UK Tax Strategy

1. Introduction

MRC Global group is the largest global industrial distributor, based on sales, of pipe, valve and fitting products and related products and services to the energy industry. We are a US listed group with customers in over 100 countries around the globe.

The objective of this document is to record and communicate the strategy of management of tax for the UK entities within the MRC Global group (hereafter referred to as 'MRC Global UK' or 'the Group'). This document sets out the approach taken to tax management as well as providing a framework under which tax responsibilities within this Group are managed.

Tax includes both direct and indirect tax; corporation tax, employment taxes, VAT, excise duty and tax accounting arrangements.

The primary trading company within MRC Global UK is MRC Transmark Ltd. This tax strategy has been reviewed and supported by both the board of MRC Transmark Ltd and MRC Global's VP of Tax. The ultimate parent of the UK group is MRC Global Inc., a US listed company headquartered in Houston.

This document is effective for the year ending 31st December 2018 and applies until amended or replaced. This document is regarded as satisfying the statutory obligation as set out in the UK tax strategy publication requirement in Part 2 of Schedule 19 FA 2016.

This strategy applies to all MRC Global entities organized in the UK and the scope of this report is limited to those UK tax resident entities.

2. Summary

MRC Global UK has established the following key principles in relation to its tax policy:

- To ensure full compliance with all UK statutory obligations;
- To ensure adequate accounting and control systems to support the preparation of accurate and complete returns;
- MRC Global UK does not pursue aggressive tax avoidance or evasion schemes
- It is recognised that tax is a cost to the business which is controlled and managed to ensure that excessive tax is not paid;
- To ensure tax allowances available are maximised and all available tax relief claimed;
- To maintain a constructive professional relationship with HMRC;
- To maintain adequate documentation to support tax decisions made

3. Roles and Responsibilities

Overview

Responsibility for accounting and tax processes rests primarily with the UK Financial Controllers. The FC's are supported on tax matters by MRC Global's Tax department, with outsourced support provided on International tax matters, and support from other professional advisers as appropriate. The Financial Controllers report to the Executive Finance Director for the International segment, based in Bradford, UK. The Global Tax department is based in Houston, including the VP of Tax and International Tax Manager, with additional outsourced support provided from the UK.

The UK Financial controllers

The submission of tax returns is the responsibility of the UK Financial controllers, with the support of their Finance teams. This includes both direct and indirect tax returns including VAT and duties.

Maintenance of appropriate accounting systems is the responsibility of the finance department. Any significant changes to systems which would affect the management of taxes are discussed between the finance and tax departments before proceeding.

Tax department

The tax department alongside the UK FC's are jointly responsible for ensuring key employees have sufficient tax awareness to ensure MRC Global UK remains compliant on all tax matters. The tax department is responsible for monitoring tax developments that may impact key areas of the business and ensuring the business is advised of significant legislative changes as appropriate.

In order to do this, it is necessary that the tax department is adequately resourced and technically up to date by meeting professional CPD requirements.

The use of professional advisers

Compliance with MRC Global UK's tax strategy is primarily the responsibility of the UK Financial Controllers, together with the assistance of MRC Global's tax department. However, MRC Global UK recognises the benefits of utilising professional tax advisers and the expert knowledge they can provide to help ensure ongoing tax compliance. MRC Global UK engages with established and well recognised firms of professional tax advisers and employs their services across all taxes as required.

MRC Global UK will specifically seek external advice in relation to significant transactions where the tax cost is high, or the tax risk is considered high. MRC Global UK will determine when external advice is required based on discussion between the tax department and the UK Financial Controllers.

MRC Global UK will critically review advice received and where significant uncertainty remains will take appropriate steps to address this uncertainty.

Spend on external tax advice is discussed between the FC and the tax department.

4. Governance and Systems

MRC Global UK will maintain a co-operative relationship with HMRC. The Group's policy is to mitigate exposure to any potential penalties. Therefore, where errors are found these will be disclosed to HMRC as appropriate. The underlying systems implications will be considered, and corrective action taken as necessary.

MRC Global UK's presence in the UK is below the thresholds set for the Senior Accounting Officer (SAO) legislation, and as such MRC Global UK is not subject to the SAO documentation requirements. However, MRC Global UK acknowledges the importance of robust accounting systems to support accurate tax submissions, with the UK finance team sufficiently supported, qualified and resourced to ensure these are maintained.

As a subsidiary of a US listed company, MRC Global UK is subject to Sarbanes-Oxley (SOX) standards and is frequently subject to internal audit reviews to ensure the SOX standards are maintained. Such SOX audits are in addition to the quarterly financial reviews performed by MRC Global UK's external auditors.

5. Tax Strategy Statement

MRC Global UK's tax strategy is aligned with the overall business strategy and with MRC Global's approach to corporate governance and risk management wherever we operate.

It is of primary importance that we pay the correct amount of tax at the right time, under all relevant laws and regulations. It is important that all areas of our business feel supported from a tax point of view to enable MRC Global UK to achieve its commercial objectives. This includes managing tax risk but is also about making sound investment decisions with the knowledge of all future associated tax costs. We also work with the business to claim any appropriate tax incentives that are available and aligned with our business model.

MRC Global UK may consider different tax outcomes when considering how to structure commercially motivated transactions but does not undertake aggressive tax planning for the purpose of tax avoidance. We understand the importance of corporations not wilfully engaging in tax schemes that go against the intention of legislative authority.

MRC Global UK does not pursue aggressive tax avoidance or evasion schemes and values certainty in all areas of taxation. Where uncertainty exists, external advice may be sought on this in particular circumstances. MRC Global UK maintains a simple business model with negligible intellectual property, which supports MRC Global UK's approach to remain driven by commercial requirements before tax incentives.

Where tax planning is brought to the attention of MRC Global UK this will be critically evaluated based on the Group's stated tax strategy and taking into consideration both reputational risk and the degree of risk considered to be attached to that planning.

MRC Global UK's focus and drive is the provision of excellent service and delivery to our customers in the energy sector. The role of MRC Global's tax department will remain the supporting of the commercial business to service our customers, and the continuing compliance of our tax responsibilities.