



Policy Statement

United Kingdom Tax Policy Statement

General Overview:

In compliance with its duty under paragraph 19(2) to Schedule 10 of the Finance Act 2016, Woodward, Inc. (“the Company”) is publishing its tax strategy for the year ended 30 September 2018.

Woodward, Inc. contributes to society through various taxes such as corporate income taxes, duties, payroll taxes, and also indirectly through VAT levied on the products sold to customers. All taxes are paid according to the laws and regulations in the countries we operate. The Company sees tax as an important part of its corporate social responsibility.

Tax planning, compliance and governance begins with our global tax department, which is headquartered in the U.S., with a team in Germany, and is staffed with experienced practitioners. We seek external tax advice when there is a need for specialist guidance and support. For example, we seek advice in relation to material or non-routine transactions or areas of uncertainty surrounding the interpretation of tax law. Our corporate tax policies and strategy closely follow our financial and ethical policies and guidelines. In addition, our finance and code of conduct policies provide guidelines for our tax professionals to follow.

Our current U.K. operations are relatively small compared to the whole of the Company, and we strive to apply all of the processes and systems of controls that we use globally in each of our locations regardless of their size.

Compliance & Governance:

We are committed to complying with all applicable tax laws, filings and reporting disclosures. We have an established network of internal and external tax and finance professionals who are knowledgeable on the various direct and indirect taxes and who monitor ongoing tax law changes as well as changes in our business so that we may adapt our processes and deliverables accordingly. This network, along with our framework of internal policies and controls seeks to ensure the complete and accurate communications of tax positions and risks to Woodward leadership, our board of directors and shareholders as need through our established governance and reporting processes.

Planning and Risk Management:

Our tax department supports the commercial needs of the business. The department engages with the relevant business functions to assess the tax treatment of the relevant transaction or new business strategy. We align tax planning to the Company’s operational objectives and goals to provide tax efficient business processes while minimizing our consolidated tax risks and liabilities. Our Code of Business Conduct dictates that “Our philosophy is to serve our stakeholders well, while striving to balance differences in their goals and objectives. All interactions with our stakeholders are conducted ethically and with integrity”. We have a low tolerance for tax risk and strive to obtain certainty for our financials reporting obligations and prevent any potential negative impacts to our shareholders, the Company’s reputation and brand.

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Relationship with HMRC:

The Company engages with tax authorities, including in the UK, Her Majesty's Revenue and Customs ("HMRC"), with honesty, integrity, respect and fairness and in a spirit of collaboration and co-operative compliance. The Company is prepared to litigate where there may be a disagreement on interpretation of law but will first seek to resolve any disputed matters through proactive and transparent discussion.

This statement is published on behalf of Woodward, Inc. and its affiliated entities and is approved by its board. The publication of this statement is regarded as satisfying the statutory obligation under Paragraph 16(2) and 25, Schedule 19, Finance Act 2016.

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Covered in the Disclosure	<u>Requirement</u>
<input checked="" type="checkbox"/>	<p>What must be in your strategy</p> <p>Your tax strategy should be approved by your Board of Directors, be in line with the overall strategy and operation of your business and include:</p> <ul style="list-style-type: none"> • details of the paragraph of the legislation it complies with • the financial year the strategy relates to • how your business manages UK tax risks • your business’s attitude to tax planning • the level of risk your business is prepared to accept for UK taxation • how your business works with HMRC • any other relevant information relating to taxation <p>It does not need to include the amounts of taxes and duties paid as part of your tax strategy, or information that might be commercially sensitive.</p>
<input checked="" type="checkbox"/>	<p>How your business manages UK tax risks</p> <p>Include all information that demonstrates your business’s approach to risk management and governance. This may include, but is not limited to:</p> <ul style="list-style-type: none"> • how your business identifies and reduces inherent tax risk due to the size, complexity and extent of change in your business • the governance framework you use to manage tax risk • the levels of oversight and involvement of the Board of Directors • a high level description of any key roles, responsibilities, systems and controls in place to manage tax risk
<input checked="" type="checkbox"/>	<p>Your business’s attitude to tax planning</p> <p>Outline your business’s attitude towards tax planning and give details relating to UK taxation. Also include all information regarding the approach your business has towards to tax planning, including:</p> <ul style="list-style-type: none"> • details of any code of conduct your business has for tax planning

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	<ul style="list-style-type: none">• an outline of what influences your business's tax planning and how this affects your tax strategy• your approach to structuring tax planning• an explanation of why you might seek external tax planning advice
<input checked="" type="checkbox"/>	<p>The level of risk your business is prepared to accept for UK taxation</p> <p>Explain:</p> <ul style="list-style-type: none">• what levels of risk your business is prepared to accept, and give details of the internal governance process for measuring this• the influence relevant stakeholders have
<input checked="" type="checkbox"/>	<p>How your business works with HMRC</p> <p>Explain how your business deals with HMRC. We may already know this but it must still be included in the document. It may include (but is not limited to):</p> <ul style="list-style-type: none">• an explanation of how your business works with HMRC to meet statutory and legislative tax requirements• how your business works to be transparent with HMRC on current, future and past tax risks across all relevant taxes and duties

From: <https://www.gov.uk/guidance/large-businesses-publish-your-tax-strategy#what-must-be-in-your-strategy>