

DNOW UK Limited, Maclean Electrical Group Limited and MTS Supply Chain Services Ltd.

UK Tax Strategy

Introduction

DistributionNOW is a global distributor of products to energy and industrial markets and also provides supply chain management to drilling contractors, E&P operators, midstream operators and downstream energy and industrial manufacturing companies around the world. In the United Kingdom, DistributionNOW conducts operations primarily through DNOW UK Limited, Maclean Electrical Group Limited and MTS Supply Chain Services Ltd. (collectively the “DistributionNOW UK Companies”).

The UK Finance Act 2016 requires any multinational group with a turnover in excess of €750 million and at least one UK subsidiary or a UK permanent establishment to publish its UK tax strategy for each financial year.

UK Tax Strategy

This document sets out the strategy and approach of the DistributionNOW UK Companies in conducting their UK tax affairs and dealing with UK tax risk (the “Tax Strategy”) and is regarded as being in compliance with the requirement under Finance Act 2016 schedule 19. The Tax Strategy applies to all directors, officers, employees, agents and representatives and joint venture partners of the DistributionNOW UK Companies. The Tax Strategy is effective for the year ending December 31, 2017 and will be periodically reviewed and updated as necessary (at least on an annual basis) by DistributionNOW’s Tax Department and approved by the DistributionNOW UK Companies Board of Directors. The Tax Strategy is made available to all of the Companies’ stakeholders.

The Tax Department partners with the DistributionNOW UK Companies to ensure that:

1. The Tax Strategy is adopted and followed consistently with clear lines of responsibility and accountability
2. There is an alignment of the Tax Strategy with the DistributionNOW UK Companies approach to corporate governance and risk management; and
3. The DistributionNOW UK Companies pay the right amount of tax at the right time as required under the laws and regulations of the countries in which they operate as well as follow all international transfer pricing guidelines

Tax Department Mission Statement

The DistributionNOW UK Companies are committed to conducting their tax affairs consistent with DistributionNOW's Tax Department Mission Statement:

1. To observe all applicable UK laws, rules and regulations in meeting tax compliance and reporting responsibilities everywhere the Companies operate
2. To apply diligent professional care and judgment to ensure all tax decisions are well considered and documented
3. To ensure that tax strategy is aligned with business strategy, and tax planning opportunities with commercial and economic substance are evaluated within clear risk parameters
4. To work positively, proactively and transparently with HMRC to minimize the extent of disputes and to achieve early agreement on disputed issues when they arise
5. To support the business units in creating, building and protecting shareholder value
6. To train and support personnel to ensure they have the skills, technical expertise and knowledge to effectively and accurately fulfill their tax responsibilities and perform their duties to the best of their abilities

Importantly, the Tax Department will provide advice and guidance to the Distribution NOW UK Companies to ensure the business units comply with such laws, rules, regulations and requirements. In providing such advice and guidance, the Tax Department will seek advice from third party advisers when necessary. Within the Corporate Tax Department, management responsibilities will be carried out by employees having the necessary experience and skill set.

At all times, tax decisions will be made in a manner which is consistent with, and complements, the Tax Strategy. Key business decisions will be made cognizant of the tax consequences and with the aim of optimizing the after-tax returns for the Companies' stakeholders. The Tax Department will assist the business units to ensure there is consistency with these tax decisions.

The Companies' internal controls clearly define responsibilities and accountability for the DistributionNOW UK Companies' tax affairs. All tax decisions are made at appropriate levels.

Diligent professional care and judgement is employed in assessing tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed. Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be sought from third party advisers to support the decision-making process.

In assessing the risks of a tax action or decision, the following is considered:

- The legal and fiduciary duties of the DistributionNOW UK Companies' directors and employees
- The Tax Strategy

- The UK Companies' Core Values (with emphasis on the Social Responsibility Core Value which specifies the way the Companies will interact with the surrounding community) and other relevant policies such as the Policy on Business Ethics
- The maintenance of the Companies' positive reputation
- The tax benefits and impact on the Companies' reported results compared to the potential financial costs involved, including the risk of penalties and interest
- The wider consequences of potential disagreement with tax authorities, and any possible impact on future relationships