

Tax Policy for KIRKBI



KIRKBI



Introduction

KIRKBI A/S (KIRKBI) is the Kirk Kristiansen family's private holding and investment company located in Denmark. KIRKBI develops and owns businesses that help build a better future for children around the world. As the holding company of the LEGO Group and other companies owned by the Kirk Kristiansen family, KIRKBI's dedication to this purpose dates back to 1932 when Ole Kirk Kristiansen began crafting toys in his carpenter's shop in Billund guided by the principle that for children "only the best is good enough".

The financial strength of KIRKBI, built through generations of family ownership and responsible investments, enables KIRKBI to take the necessary steps to drive real change. KIRKBI is committed to reinvesting future proceeds from the LEGO Group and other activities into three business areas that support the overall purpose:

- **LEGO Holding**
- **KIRKBI Climate**
- **KIRKBI Education**

Guided by the Kirk Kristiansen family's dedication and entrepreneurial spirit, KIRKBI actively engages in its businesses with the long-term perspective needed to make a lasting difference. To help build a better future for all children.

KIRKBI's values naturally govern how its business is managed and by extension, its tax affairs. As a socially engaged corporate citizen, KIRKBI recognises the role that taxes play in society and acknowledges that to ensure sustainability, companies and investors must have a responsible approach to tax matters.

The KIRKBI Tax Policy is aligned with KIRKBI's Code of Conduct which requires business partners and employees to act in an ethical and responsible manner. Being "responsible" in respect of tax implies doing business and making investments in a way that meets the expectations of a good corporate citizen. This means not engaging in aggressive tax planning, having a balanced tax risk profile, and paying taxes where profits are earned in accordance with international transfer pricing rules.



Purpose and scope of the KIRKBI Tax Policy

The purpose of the Tax Policy is to set ambition and expectations around tax in a broad context with description of how KIRKBI views and manages tax planning, tax operations as well as tax risks.

The Tax Policy is inspired by the GRI Sustainability Reporting standard #207.

The KIRKBI Tax Policy applies to all entities controlled by KIRKBI and further serves as the approach taken towards all non-controlled investments.

KIRKBI Tax principles

1. Tax affairs and risks are managed in a professional manner with a commitment to comply with not only the letter of the law but also the spirit of the applicable tax laws and regulations
2. Business is operated through structures driven by commercial considerations and supported by economic substance and sound business rationales with no engagement in aggressive tax planning nor application of purely tax driven structures
3. Maintaining a transparent and trusting relationship with local tax authorities around the world through an open and collaborative approach





1. Manage tax affairs and risks in a professional manner

Tax compliance

KIRKBI makes its best efforts to comply with tax regulations and disclosure requirements in the countries in which business is carried out and investments are made. KIRKBI uses local advisers as appropriate and ensures that local finance and business managers are supported in their roles with respect to tax matters.

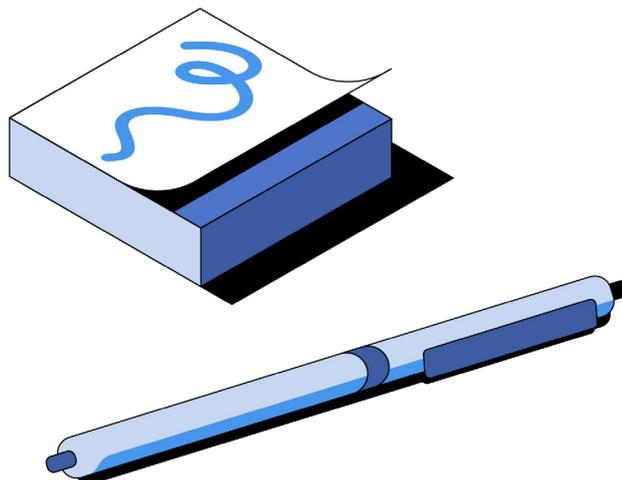
Intercompany transactions and dealings within KIRKBI take place on arm's length terms as defined by the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. This is further described in the annual Transfer Pricing Documentation.

Tax risk management

Tax risks are defined as any exposure with respect to taxes (direct or indirect) that may result in costs, which are unforeseen in financial forecasts and planning, or which have not been factored into the reported financial results. Tax risks are continuously monitored with the purpose of mitigating these as much as possible. When in doubt on material matters, KIRKBI may request a formal ruling from the tax authorities.

KIRKBI strives to ensure that business activities and investments – including tax treatment of these activities - do not give rise to negative media attention. Therefore, a part of the overall decision-making and risk assessment process is to ensure that due consideration is given to KIRKBI's reputation, brand, and corporate and social responsibilities when considering tax matters.

For non-controlled investment activities KIRKBI takes a proactive approach to handling potential tax risks through initial due diligence and pre-investment tax reviews. KIRKBI seeks to ensure that measures are taken to minimise the risk of structures and transactions being challenged by tax authorities. This implies that investment structures must be robust.





2. Tax structures

KIRKBI considers taxes to be operating expenses, which are legally due in any territory, in accordance with rules set by local governments. In line with this KIRKBI believes that tax planning is acceptable with the purpose of ensuring competitive returns from business activities and investments and reducing double taxation. Acceptable tax planning measures include implementing structures with the purpose of reducing or eliminating certain withholding tax exposures or planning the price range available according to traditional transfer pricing approaches. For example, KIRKBI does not consider it aggressive to:

- Make use of available tax treaties to manage the tax costs where there is sufficient substance
- Use losses from previous years to offset against future profits
- Make use of tax incentives and exemptions offered by jurisdictions to enhance sustainability
- General use of holding companies and debt financing
- Structure transfer pricing set-up in accordance with acceptable practices
- Prepare for and carry out generational change of the ownership structure of KIRKBI with an emphasis on not triggering extraordinary taxation

Tax planning measures in KIRKBI should always support the overall business. This implies that all transactions and investment structures must be in line with the commercial activities and should be based on sound business objectives and rationales.

KIRKBI will not engage in aggressive tax planning. Aggressive tax planning is defined as exploitation of technicalities in a tax regime and exploitation of inconsistencies between tax regimes to reduce tax liability. It also includes transactions, which are carried out solely or with the principal purpose of avoiding tax, and where the substance of the transaction is not in accordance with the form hereof.

In line with these principles, KIRKBI expects external fund managers, who are managing parts of the non-controlled investments to also use caution when investing in portfolio companies, not investing in intermediary holding companies incorporated or tax resident in:

- Jurisdictions that are deemed "non-compliant" according to the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes peer review process at the time of the investment, or
- Jurisdictions listed on the EU's list of non-cooperative tax jurisdictions at the time of the investment

Finally, KIRKBI expects external fund managers to be transparent on their approach to tax and further expects external fund managers to engage cooperatively in dialogue with the investors.



3. Collaboration and transparency

KIRKBI will promote collaborative interaction with tax authorities, provide transparency on tax matters and when required engage in tax advocacy work.

Collaborative interaction with tax authorities

When possible, KIRKBI enters into “tax governance” and “enhanced relationship” agreements with tax authorities. KIRKBI has signed a Tax Governance Agreement with the Danish Tax Authorities.

KIRKBI will aim for all dealings with the tax authorities to be conducted in a collaborative, courteous and timely manner, including participation in tax audits in a collaborative, open and fair manner based on mutual respect, transparency and trust. KIRKBI will share with tax authorities what they have a legitimate right to see. Negotiations and settlements are made and based on principles in accordance with applicable legislation. If errors in tax returns or correspondence with tax authorities are discovered, KIRKBI will disclose and correct them as soon as reasonably practical after an error is identified.

As a general rule, KIRKBI strives to avoid any controversy with tax authorities, however, in case of disagreement where KIRKBI is confident that the chosen tax position is legally and morally defensible KIRKBI will stand firm on the taxpayer’s rights and if needed take the case to the judicial system.

Transparency

KIRKBI supports the international initiatives which are implemented at the level of the OECD and the EU to bring increased transparency to the tax activities of businesses.

KIRKBI will proactively report to the public on tax matters through information provided in the annual financial statements. This will include information on tax policy, total tax contribution and Country-by-Country reporting, if legally required.

Tax advocacy work

KIRKBI will, when deemed appropriate, engage in tax advocacy work, including provision of positive and constructive feedback to public consultations contributing to the development of effective tax systems, legislation, and administration. The tax advocacy work is mostly carried out through recognised industry groups and only in extraordinary situations will KIRKBI engage in tax advocacy work by contacting relevant stakeholders directly.



How this policy is promoted for non-controlled investments

KIRKBI promotes responsible tax behaviour and expects companies in the investment portfolio as well as fund managers to show the same level of commitment.

Responsible tax is an integral part of the due diligence process carried out prior to making an investment. The degree of influence over the KIRKBI investments varies, but KIRKBI seeks to ensure that portfolio companies, business partners, investment partners and external fund managers act in line with the KIRKBI Tax Policy. In certain cases, KIRKBI may establish prerequisites that must be met prior to any investment.

Prior to any significant investment, a Tax Policy Compliance assessment will be prepared and signed off by the KIRKBI Head of Tax. This is done to ensure that third party fund managers act as responsible investors and have an ethical mindset aligned with KIRKBI.

Roles and responsibilities

This Tax Policy has been approved by the Board of Directors of KIRKBI. The adherence to the tax Policy is secured as part of the ongoing work and the existing practices of KIRKBI's tax team which is overseen by the KIRKBI CFO. KIRKBI has a whistleblower system to report on illicit activities or those violating internal guidelines, including the Tax Policy.

While this Tax Policy has been approved by the KIRKBI Board of Directors and will be reviewed by the Board on a yearly basis, the KIRKBI Head of Tax is accountable for the execution of the Tax Policy and the relevant governance.

