

# The LEGO Group Global Tax Strategy

Execution in Poland over 2023

## Introduction & Objectives

The LEGO Group is committed to complying with applicable laws and regulations in the countries where we operate. We want to maintain good corporate social responsibility practices in jurisdictions and communities where we are present. We consider it legitimate to pay back to society and local communities.

The LEGO A/S Board of Directors is accountable for defining the LEGO Global Tax Strategy, covering all taxes including customs and export controls, and will review this strategy on an annual basis. The Strategy is aligned with the LEGO Group Code of Conduct and it is applicable across the entire LEGO Group.

In Poland a fully owned subsidiary under the name **LEGO Polska Sp. Z.o.o.**, hereafter referred to as **LEGO Poland**, is registered (registered address ul. Wołoska 22A, 02-675 Warszawa, KRS 0000033901, REGON 010835263, NIP 5261011494). **LEGO Poland** is held by LEGO A/S, the head of the LEGO Group, incorporated in Denmark. The ultimate parent of LEGO Poland is KIRKBI A/S, also incorporated in Denmark.

The principal activity of **LEGO Poland** is the distribution, wholesale and retail of LEGO® branded products on the Polish market.

## Responsible Tax

The LEGO Group endorses the Responsible Tax Principles, which are embedded in this Tax Strategy, providing direction towards our approach towards taxes.

In 2015, all nations agreed on the 17 United Nations Sustainable Development Goals (SDG) creating a framework helping to build a world that is socially fair, environmentally secure, economically prosperous and more inclusive. Taxation plays a key role helping countries to finance their policies to achieve these Goals.

The LEGO Group believes that our responsible approach to tax, which is enshrined in this Tax Strategy, will help in contributing to the overall achievement of these SDG's, especially numbers 12, 16 & 17. SDG 12 which is about ensuring responsible consumption and production patterns, SDG 16 which is about promoting just, peaceful and inclusive societies and SDG 17 which is about revitalizing the global partnership for sustainable development are supported by our active participation in public consultations and our contribution to the debate on responsible tax behaviour.

## Accountability and Tax Governance

The LEGO Group Chief Financial Officer, with oversight from the Audit Committee, is accountable for the execution of the tax strategy and tax governance while the Head of Global Tax, reporting to the Group Chief Financial Officer, is responsible for the implementation of such strategy including the application of tax management processes in the area of tax risk management and the monitoring of controls and compliance activities.

The Global Tax Department is responsible for overseeing the day-to-day management of the LEGO's Group tax affairs and is involved in all important business developments, ensuring that tax consequences are timely considered in the decision-making process.

**LEGO Poland** is benefitting from a global compliance framework for which processes and controls have been designed and implemented including roles, responsibilities and mandates to deliver a high quality of overall tax compliance. These global processes and controls have been customised for local compliance requirements. For **LEGO Poland** localized end-to-end compliance processes are in place for significant processes including corporate income taxes and VAT.

The Global Tax Department consists of a global team of tax & customs specialists dedicated to geographical as well as functional areas. This set-up allows for working closely with our business stakeholders as well as with the local tax authorities.

The LEGO Group has a shared service environment (referred to as "BSO") providing support with the accounting and tax compliance activities. For **LEGO Poland** this support is provided by the BSO team located in Kladno, Czech Republic. Acknowledging that tax matters are complex in nature, a dedicated team of specialists within the BSO is working on the tax compliance obligations.

In addition to the above processes:

- an external tax advisory firm has been appointed for the preparation of the income tax return (CIT-8) as well as for the Transfer Pricing documentation (TPR-C & ORD-U) and VAT compliance.
- a specialized payroll service provider has been engaged, which together with the BSO and HR-department is ensuring the compliance around the Personal Income Tax filing obligations.

These external service providers are not only supporting the actual compliance processes, but they also inform the Global Tax Department about any upcoming changes in legislation, allowing for the timely adoption of the compliance processes and internal controls.

Tax related topics are also shared on a recurring basis with the LEGO Group top management with the aim of discussing:

- Tax policies and directions for the LEGO Group entities.
- Tax risk management strategies.
- Strategic initiatives to pursue tax opportunities that are in line with tax and legal requirements worldwide and with the commercial objectives of the LEGO Group.
- A holistic tax overview to the LEGO Group's top management to ensure that management are aware of any material tax matters.

To ensure accountability and governance, the responsibility of the Global Tax Department is to actively monitor the tax laws and regulations in all countries where the LEGO Group operates and to establish the optimal processes to ensure continuing quality in tax compliance. When there is unclarity on how such laws and regulations have to be applied to our business, Global Tax will seek to enter into an early dialogue with tax authorities. Furthermore, Global Tax ensures that due tax controls are identified, monitored and implemented. In addition, Global Tax ensures appropriate measures are in place to secure a timely and correct compliance for all taxes due.

In 2023 **LEGO Poland** fulfilled its tax obligations as a taxpayer in relation to the following taxes:

- Corporate income tax
- Value-Added Tax (VAT)

In 2023 **LEGO Poland** fulfilled its tax obligations as a remitter in relation to the following taxes:

- Personal income tax
- Withholding tax

<b>Item</b>	<b>Polish reference</b>	<b>Frequency</b>	<b>2023 compliance obligation submitted</b>
Corporate Income Tax return (2022)	CIT-8 Zeznanie o wysokości osiągniętego dochodu (poniesionej straty) przez podatnika podatku dochodowego od osób prawnych	Yearly	Yes
Transfer Pricing Return (2022)	TPR-C & statement	Yearly	Yes
Related Party Return (2022)	ORD-U	Yearly	Yes
Country by Country Reporting Notification (2022)	CBC-P	Yearly	Yes
WHT return (2022)	IFT-2R	Yearly	Yes
VAT return	VAT-7 Deklaracja dla podatku od towarów i usług JPK_VAT (SAF-T)	Monthly	Yes
EU Sales / Purchase List	VAT-UE Informacja podsumowująca o dokonanych wewnątrzwspólnotowych transakcjach	Monthly	Yes
Personal income tax/Payroll tax	PIT-4R	Monthly	Yes
MDR	MDR-3 - Informacja korzystającego o zastosowaniu schematu podatkowego	ad hoc	Yes (3 reports in total, relating to WHT)

As a rule, the LEGO Group takes every reasonable and appropriate step to file any and all tax return submissions or tax filings correctly and on time, including those for LEGO Polska. Where there may have been minor errors and/or late filings resulting from technical issues, these will have been resolved as soon as possible.

The LEGO Group employs appropriately qualified and trained tax employees with suitable levels of expertise and understanding.

Through our LEGO Compliance Line we provide employees the possibility to raise compliance issues or concerns in a confidential way, by telephone (in local language) or by web form. External parties may also raise concerns to our legal compliance team using a dedicated email address.

It is a requirement that the Global Tax Department educates employees of the LEGO Group in relation to its tax strategy.

### **Working with Tax Authorities**

The LEGO Group has an open and transparent dialogue with the tax authorities in countries where it operates.

It is fundamental to us that the relationship with the local communities in which we operate is based on trust, mutual respect and a cooperative spirit. When applicable and in line with this tax strategy the LEGO Group endeavours to build relationships of co-operative compliance and enters into Advance Pricing Agreements (APA).

During 2023 **LEGO Poland** did not have engagements with the Polish Tax Administration in relation to any form of voluntary cooperation, such as: advance pricing agreements (pol. uprzednie porozumienie cenowe), horizontal monitoring (pol. umowa o współdziałanie) nor were there tax agreements concluded with members of the horizontal monitoring (pol. porozumienie podatkowe).

**LEGO Poland** also did not have a GAAR securing opinion (pol. opinia zabezpieczająca) in 2023. In April 2023, the company received a WHT Clearance (pol. opinia o stosowaniu zwolnienia z poboru zryczałtowanego podatku dochodowego) regarding the application of exemption from collection of the flat-rate income tax, which is referred to in article 22, section 1 of the CIT Act, pursuant to article 22, section 4 of the CIT Act with respect to the dividends or advances of dividends paid to LEGO A/S.

The LEGO Group has signed several Advance Pricing Agreements, which govern the price for the relevant inter-company transactions and allows for an open dialogue with local tax authorities, which we sound on a regular basis.

During 2023 there were no APA's nor rulings applicable for **LEGO Poland**, such as:

- Binding Excise Information, pursuant to Article 7d(1) of the Polish Excise Duty Act,
- Binding Rate Information, pursuant to Article 42a of the Polish VAT Act, Tax binding ruling providing interpretation of tax regulations, pursuant to Article 14b of the Polish Tax Code,
- General tax ruling, pursuant to Article 14a(1) of the Polish Tax Code

In 2023, **LEGO Poland** did not submit any applications for the above-mentioned issue, information or interpretation.

When relevant for the LEGO Group we provide positive and constructive feedback to public consultations contributing to the development of effective tax systems, legislation and administration. We do this mostly through recognized industry groups.

## Tax Risk Management

We recognize that tax laws establish a legal framework for companies to operate within and that it remains the responsibility of the company to respect the spirit, as well as the letter of the law, by exercising sound judgement in its application.

Global Tax is responsible at all times for identifying, mapping, monitoring and managing tax risks, ensuring they comply with the standards of this LEGO Group's Global Tax Strategy. For this purpose, Global Tax employs risk management processes, including compliance and risk monitoring systems.

Due to its high ethical standards, the LEGO Group accepts a very low margin of unidentified tax risks and therefore has an equally low tolerance for the risk of adverse audit conclusions. When in doubt, we may require a formal ruling from the tax authorities.

In addition, as part of our work to comply with applicable tax laws and regulations, the LEGO Group, when dealing with partners (e.g., customers, suppliers and employees) will employ reasonable care as part of an effort to prevent us from facilitating arrangements whose main purpose is to create an improper or unjustified tax benefit.

## Tax Planning

Our tax planning is in accordance with the LEGO Group Code of Conduct and aims for responsible and fair solutions.

We engage in responsible tax planning through analysing the tax impacts of current and future business operations based on business rationale. We apply the arm's length principle on intercompany transactions following the guidelines issued by the OECD. In addition, we do not engage in artificial tax arrangements nor do we use so-called "tax havens". Entities which are based in low-rate jurisdictions exist for substantive and commercial reasons.

During 2023 **LEGO Poland** did not have any intercompany transactions with entities based in territories or states applying harmful tax competition as set forth in implementing regulations issued on the basis of Article 11j par. 2 of the Polish CIT Act and on the basis of Article 23v par. 2 of the Polish PIT Act and in the Notice issued by the minister responsible for public finance based on Art. 86a par. 10 of the Polish Tax Ordinance.

The LEGO Group uses simple and transparent frameworks and structures. We evaluate the opportunities for tax incentives supporting economic development where they require substance and are aligned with our business. We strive to implement such incentives in line with the intended framework, providing transparency allowing authorities to assess the economic impact.

During 2023 there have been agreements between **LEGO Poland** and LEGO System A/S leading to transactions exceeding 5% of the total value of the assets as per 31<sup>st</sup> of December 2023. These transactions concern:

- Purchase of LEGO branded products and marketing materials which were distributed by **LEGO Poland** on the Polish market.
- Marketing services
- Administrative services
- Internal financial services

During 2023 there was no restructuring undertaken, planned nor anticipated impacting **LEGO Poland**.

We always maintain a close dialogue with auditors and external tax advisors to leverage their professional expertise in our planning processes and when taking tax decisions.