



Always  
better  
together  
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# The LEGO Group

## Global Tax Strategy



# Introduction

The mission of the LEGO Group is to inspire and develop the builders of tomorrow and it is our aspiration to reach many more children with our play experiences by globalizing and innovating the LEGO® System in Play.

Since the LEGO Group's foundation in 1932 by Ole Kirk Kristiansen, the founding family's values have continually been reflected in what we do.

Our four promises, Play Promise, Partner Promise, Planet Promise and People Promise, are deeply rooted in the LEGO brand and shape the way we engage with the world around us as a responsible play experience provider.



## 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.

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 on an annual basis. The Strategy is aligned with the LEGO Group Code of Conduct and it is applicable across the entire LEGO Group.

## 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.

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.



## Stewardship and Tax Governance (continued)

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.

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 the 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).

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.

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 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.

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.

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.



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