

### 1. Introduction/ background

#### a. Otto Krahn Group description

OTTO KRAHN (GmbH & Co.) KG, with its headquarters located in Hamburg, is the ultimate parent of the OTTO KRAHN Group incorporating ALBIS PLASTIC GmbH (core business: distribution and compounding of thermoplastics polymers) and KRAHN CHEMIE GmbH (core business: distribution of specialty chemicals). Both companies operate in related fields and work closely together in many areas.

#### b. Very brief description of businesses

The ALBIS PLASTIC Group established itself as competent partner for the plastic processing industry and as the leading compounder of engineering resins for many decades. ALBIS PLASTIC GmbH has more than 20 foreign subsidiaries and several compounding sites in different countries worldwide.

The KRAHN CHEMIE Group is a distributor for large international producers offering a broad range of chemical raw materials and special products. KRAHN CHEMIE GmbH has several subsidiaries throughout Europe.

#### c. Long tradition

The OTTO KRAHN Group was founded in 1909 by Otto Krahn. With a long tradition as a trading company, a common set of values was developed that is based on Hanseatic virtues like fairness, reliability and honour, and that draws upon the innovative power and international nature of our business.

We set very high standards of responsibility for our company and its employees, and we are committed to upholding our values as well as local laws and rules of conduct all over the world.

Our Group Tax Policy represents a binding summary of our behavioral standards within the area of tax. This Group Tax Policy describes the OTTO KRAHN Group's values, and supports our employees at all locations and in all business units in applying these values and principles in the workplace when having any contact with the area of tax.

#### d. Goal: description of group's approach with regard to all areas of taxation; guideline for employees

OTTO KRAHN Group management understands the importance of and strongly supports the concept of a fair and balanced tax system for each country in which it operates. Furthermore, OTTO KRAHN Group supports a fair allocation of taxes between the affected jurisdictions based on the contribution of the respective locations to the group's taxable profit.

Based on the principles described herein and in our Code of Conduct we developed this Group Tax Policy approved by the management board of OTTO KRAHN (GmbH & Co.) KG which employees in the relevant business function will adhere to.

## 2. Compliance and reporting principles

### a. Always be compliant with applicable laws and regulations

OTTO KRAHN Group is committed to ensuring that the applicable tax laws and legal requirements are fulfilled in all jurisdictions in which business activities are conducted.

This encompasses the filing of complete tax returns and reports in due time and complying with relevant tax legislation.

### b. Implement and maintain processes to ensure compliance with tax laws (e.g. VAT)

A principle at OTTO KRAHN Group is to continuously improve existing processes and implement new processes to avoid errors in handling taxes. In case errors occur, we see this as opportunity to correct and improve our processes. If and to the extent errors result in an assessment deviating from filed tax returns, the respective tax returns will be corrected accordingly and fully disclosed to the relevant tax authorities.

Currently it is planned to build a comprehensive tax management system to effectively manage and continually improve the current tax processes at OTTO KRAHN Group.

## 3. Tax planning principles

### a. "Tax follows business"

As a Hanseatic trading company we focus on business activities that create value. Tax planning principles follow and are aligned with these business activities and the group's overall commercial strategy. Thus, OTTO KRAHN Group does not engage in artificial tax planning aiming to actively take advantage of loopholes to reduce tax rates without any business needs. OTTO KRAHN Group will only use tax benefits that are implemented by legislation to incentivize certain activities or a certain behaviour by companies (e.g. special depreciation rates, special R&D deductions etc).

### b. Structures are determined by business or legal needs, no pure tax planning

Following our tax planning principles, business and legal structuring measures are always determined by business or legal needs. Tax planning should only serve the prevention of consequences that are generally unwanted by regulatory bodies, such as e.g. double taxation, and the mitigation of uncertainties in the area of tax or other duties.

## 4. Governance

### a. Important topic for group's management board

OTTO KRAHN Group's management board considers overall compliance with laws and regulations as an important pillar of OTTO KRAHN Group's business activities and, therefore, considers tax compliance as a very important task within OTTO KRAHN Group's operations. The CFO of OTTO KRAHN (GmbH & Co.) KG is ultimately in charge of compliance with all tax laws and regulations, although this said, locally responsible Managing Directors remain legally responsible for compliance with local tax laws.

### b. Dedicated Tax team at group level to ensure compliance with the OTTO KRAHN Group's processes (see 2b)

The tax department seeks to support business activities at OTTO KRAHN Group and is responsible for observing applicable tax laws, rules and regulation in the fields of corporate taxation and VAT in order to fulfill tax compliance requirements in Germany.

To meet these requirements the tax department has committed itself to continuously update its' knowledge of changes in tax laws and regulations.

The tax department is not in charge of wage tax deductions for employees and taxes on Energy. These fields are covered by Human Resources and Purchasing & Planning.

The IT department is in charge of the technical implementation of regulations in SAP supported by the tax department.

Each local OTTO KRAHN subsidiary has a finance team responsible for maintaining the finance function and this includes local responsibility for tax filings. The local finance team is resourced with team members holding relevant qualifications to carry out these tasks. Assistance is sought from external advisers where necessary for tax compliance or advisory purposes.

Where tax issues arise from unusual transactions or are identified as material these are raised to the OTTO KRAHN group tax team to seek their advice and assistance.

Where a significant risk is identified in relation to a tax matter this would be escalated by the head of the local finance team to the local OTTO KRAHN subsidiary's board members. This may also be further escalated to the OTTO KRAHN Group's board level should this be considered necessary based on the significance of the risk.

#### **5. Risk management (level of risk that is acceptable to the group)**

- a. Known deviations from tax authority's view are only acceptable if OTTO KRAHN's view is supported by substantial tax literature and/ or court decisions and when the deviation is disclosed towards the tax authorities within the applicable legal framework.
- b. Mistakes that are discovered will be disclosed to tax authorities and will be corrected, see also the above statements on internal processes.
- c. The internal tax department analyzes tax risks independently and based on professional know how. If required, the internal tax professionals are supported by external specialists.
- d. The OTTO KRAHN tax department does not consider the risk of discovery by tax authorities as a reasonable criterion for any risk assessment. All risk assessments will be made under the assumption that all information is completely disclosed to the tax authorities.
- e. Certain tax risks resulting from uncertainties may be acceptable, if they are required by material business needs; however, any such structure may be disclosed to tax authorities if it becomes visible that the structure deviates from tax authorities' view.

#### **6. Relationships with tax authorities/ governments (incl. rulings)**

- a. Cooperative approach  
OTTO KRAHN Group seeks to have an open, transparent and collaborative relationship with tax authorities globally.
- b. OTTO KRAHN Group would seek advanced clearance from tax authorities at appropriate times when clarifying points of legislation, however, this would not be used to achieve aggressive tax planning or deviations from the general application of tax laws and regulations.

This document was approved by the management board of OTTO KRAHN (GmbH & Co.) KG in December 2017.

*UK: This document is in compliance with the UK tax legislation. It is published in accordance with Schedule 19 Finance Act 2016 legislative requirements.*