

MODULE TAXES

CODE OF CONDUCT



Introduction

OTTO KRAHN Group

OTTO KRAHN (GmbH & Co.) KG, based in Hamburg, is the holding company for ALBIS PLASTIC GmbH (core business: thermoplastics distribution and compounding) and KRAHN Chemie GmbH (core business: specialty chemicals distribution).

The two distribution companies are involved in partially overlapping fields of business, and several of their departments work in close cooperation.

Company profile

The ALBIS PLASTIC Group has been established on the market for decades as a partner to the plastics processing industry and a thermoplastics compounder. ALBIS PLASTIC GmbH has more than 20 global subsidiaries, along with numerous compounding locations worldwide.

The KRAHN Chemie Group has been working in chemicals distribution for more than 100 years, and now offers an extensive portfolio of specialized chemical products. KRAHN Chemie GmbH is represented through subsidiaries in locations across Europe.

A tradition-rich trading company

The OTTO KRAHN Group is a business enterprise steeped in tradition: our founder, OTTO KRAHN, started the company more than a hundred years ago, back in 1909.

In keeping with Hanseatic qualities like fairness, reliability, and decency as well as with our company's innovative, international nature, we have developed a common system of values to use as a framework for our business activities. With regard to this Group Tax Policy, the values of precision and consideration in particular are the guiding principles.

These values provide all OTTO KRAHN Group employees with guidelines for behavior in their interactions with customers, business partners, colleagues, and the general public. We hold our company and our employees to a very high level of responsibility, and undertake to adhere to our values and to all local laws and customs wherever we do business.

Our corporate tax guidelines represent binding instructions on how we handle tax-related issues within the OTTO KRAHN Group. They are designed to support employees of our individual locations and business units in implementing OTTO KRAHN Group principles and values when dealing with tax matters.

For readability purposes, this document does not specifically refer to (for example) "male" or "female" employees or other persons. All personal references are expressly intended to refer equally to persons of any gender.

Description of fundamental approach to tax-related issues; guidelines for employees

The management is aware of the importance of fair and balanced tax systems to the polity of the individual states. The OTTO KRAHN Group advocates fair allocation of taxes among the individual states based on taxable income earned.

We have used the principles described here and our Code of Conduct to develop a Group Tax Policy, which has been approved by the OTTO KRAHN (GmbH & Co.) KG Executive Management; adherence to this policy is obligatory for the employees responsible for the individual business functions affected.

Adherence to statutory regulations and procedures

Applicable regulations and procedures are always followed

The OTTO KRAHN Group undertakes to follow all tax-related procedures and regulations in place within individual states that are of relevance to its business activities.

This applies, in particular, to submitting tax declarations and registrations by the statutory deadlines and in accordance with statutory procedures.

Introduction and continuous improvement of processes to ensure that statutory regulations are followed (e.g., regarding sales tax)

In order to prevent errors when addressing tax-related issues, the OTTO KRAHN Group places a great deal of importance on the continuous improvement of existing processes. Should errors occur despite these efforts, we use them as an opportunity to assess and adjust our processes. Insofar as errors related to tax declarations occur and are discovered after the fact, we will correct these errors and explain the situation to fiscal authorities promptly and thoroughly.

At present, a comprehensive "Tax Compliance Management System" is being rolled out within the OTTO KRAHN Group in order to document these processes and their development in a professional way.



Principles of tax planning

“Business decisions determine how taxes are handled”

We focus on business activities that offer our customers added value. Our corporate tax planning is tailored to fit our business activities and company strategy. The executive management of the OTTO KRAHN Group rejects any tax planning strategies that are only focused on making the most of tax breaks without promoting business activities. We may take advantage of tax breaks that tax authorities have established as a targeted incentive for specific business activities. These include, for example, the degressive depreciation method, or tax benefits related to research and development.

Forms of tax organization

In accordance with our principles of tax planning, our economic and legal tax organization strategies are derived from our commercial and legal needs. At the OTTO KRAHN Group, our tax planning focus is on avoiding risks, such as the risk of potential double taxation, and on minimizing risks related to legal uncertainties or regulatory gaps.

Governance

Executive management focus

The executive management of the OTTO KRAHN Group considers adhering to statutory provisions and guidelines an exceptionally important foundation for all business activities.

This also encompasses fulfilling tax standards and requirements. Responsibility for compliance with legal specifications ultimately rests with the Chief Financial Officer of the OTTO KRAHN (GmbH & Co.) KG: For the group’s subsidiaries, responsibility for adherence to local tax laws lies with each subsidiary’s Chief Executive Officer.



The OTTO KRAHN Group corporate tax department ensures compliance with internal tax processes

The tax department supports the various departments in their business activities and keeps track of changes in tax laws, in order to ensure compliance with all applicable directives and guidelines as regards business income tax and sales tax in Germany.

In order to be able to fulfill this obligation, the tax department reasonably undertakes to keep its knowledge of tax-related matters up-to-date.

Creating wage tax returns and answering energy tax-related questions are not the responsibility of the tax department – those questions are handled by other departments (HR and Procurement, respectively).

The tax department supports the IT department with regards to technical implementations in SAP.

Subsidiaries of the OTTO KRAHN Group have their own finance staff, who are responsible for submitting local tax returns and tax declarations. These employees have the necessary qualifications to carry out such tasks or get the support of adequately skilled advisors, if necessary. When fulfilling tax obligations, finance department employees can also call upon external tax advisors for support if needed.

When conducting new types of business, the corporate tax department is brought in to assess the situation and identify possible ways to proceed.

If local finance staff identifies significant tax-related risks, he/she reports these risks to the local CEO as well as to the corporate tax department. If deemed necessary following evaluation of the risk by corporate tax department, the tax situation will be communicated to the executive management of the OTTO KRAHN Group.

Risk management

- ▶ When evaluating tax situations, the OTTO KRAHN Group only deviates from fiscal authorities' opinions when there are relevant indications in the literature that do not represent merely a minority opinion, or if court decisions have been made on comparable situations. Any situation handled in a manner that diverges from the advice of the fiscal authorities will be identified within the framework of statutory regulations, for example when submitting the corresponding tax declarations.



- ▶ Errors that affect taxes shall be reported to fiscal authorities and corrected as quickly as possible (see also paragraph on II. 2 on improving company tax processes).
- ▶ The corporate tax department analyzes tax risks independently on the basis of its own tax expertise. External tax advisors are called in to assist if needed.
- ▶ Tax risks are not judged based on the potential risk of detection by authorities. Risks are always assessed under the assumption that the situation has already been disclosed to fiscal authorities in full.
- ▶ Certain tax risks resulting from uncertainties may be acceptable, if they are required by material business needs; any such structure shall be disclosed to tax authorities if and when it becomes evident that the structure deviates from tax authorities' view.

“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.”

Relationship with tax authorities/decision-makers (including preliminary decisions)

- ▶ Cooperative work – The OTTO KRAHN Group strives to maintain open, transparent, and cooperative relationships with tax authorities having jurisdiction from a locational and material perspective.
- ▶ As such, the OTTO KRAHN GROUP will strive to obtain a preliminary decision from tax authorities if existing laws require clarification, but not in order to pursue aggressive tax planning or obtain any type of preferential treatment over and above generally applicable regulations.

Should you encounter concrete, reliable information regarding the violation of one of the aforementioned principles, you are obligated to notify your supervisor, the Tax & Legal Director and the CFO of the OTTO KRAHN Group. If you prefer, the information you share will be treated confidentially to the extent permitted by law. You can also make any notifications via our anonymous whistleblower system (<https://www.bkms-system.com/ottokrahn>) which can also be accessed through our websites.

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

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