



Lely Group  
Tax policy

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# 1 Introduction

## 1.1 Purpose of the Tax Policy

The purpose of this Tax Policy document is to create clarity on the tax objectives of the Lely Group and on the approach the Lely Group takes to achieve those tax objectives. As such, this Tax Policy describes the tax objectives and guiding principles, the tax strategy, how tax is organized, the roles and responsibilities, and the framework within which tax is managed within the Group.

Furthermore, this document fulfills the provisions as set out in the UK Finance Act 2016 – Schedule 19, requiring Lely group to publish its UK tax strategy (applicable to the UK group companies of Lely group – Lely Atlantic Ltd and Lely Center Midlands Ltd) as from financial years 2024 onwards.

## 1.2 Scope & target audience

The scope of this Tax Policy includes Lely Holding BV and all of its (directly or indirectly) 100% owned subsidiaries. It applies to corporate income tax, withholding tax, VAT (or other taxes on turnover or sales such as GST/HST, sales tax etc), payroll taxes, and subsidies. The Tax Policy applies to how the Lely Group operates in its relationships with tax authorities, employees, customers, contractors and other stakeholders.

The Tax Policy may be shared with external stakeholders, such as e.g. the (Dutch or overseas) tax authorities and / or the auditor.

## 1.3 Ownership, approval and review

Lely Group's Executive Board has approved the Tax Policy and is overall accountable for all Lely Group's tax matters. The Lely Tax Department reports at least annually to the Board on tax risks and adherence to the Lely tax strategy and principles.

The Tax Policy is updated on a regular basis by the Tax department, but at least once every two years. Any updates are similarly shared and discussed with the Board.

# 2 Tax objectives & guiding principles

## 2.1 Tax mission

Lely's vision is to create a sustainable, profitable and enjoyable future in farming and its mission is to create the future of farming through innovative and valued solutions. The strategy to fulfil this mission is currently set by Lely's Impact30, which focusses on five major themes; innovate for the future of farming, create a strong supply chain, deliver a unique customer experience, realise a premium distribution channel and develop a successful global organization.

Lely's tax strategy is aligned with its mission. The Lely Group is committed to being a good corporate citizen of the communities in which it operates, acting at all times with explicit and demonstrable honesty and integrity in all its dealings. We consider our tax payments as a contribution to the communities in which we operate, as part of our social value creation. This means that Lely is committed to contribute its fair share in taxation in those countries where it operates and that it has a risk-avoiding appetite when it comes to tax planning structures. This principle is also anchored in Lely's ESG commitments. In addition, Lely's Code of Conduct

describes the principles of integrity and ethics and provides the framework about how Lely wants to behave in business; by acting responsibly.

The Lely Group's Tax department contributes to the Group's mission by ensuring the right tax payments are made by Lely commensurate with where it generates profits, while managing its tax affairs efficiently, effectively and with integrity, as well as assuring the Group claims the subsidies and tax reliefs it is entitled to.

## 2.2 Tax objectives

The main objective of Lely group's Tax Department is to support Lely Group to realize its strategic goals as currently laid down in Impact30.

This main objective can be further divided in the following aspects:

- Support the business in developing new business models;
- Ensure Lely Group is compliant with relevant tax rules and tax regulations;
- Strengthen the internal organization with respect to tax processes and tax obligations;
- Continuous improvement of tax processes and procedures; and
- Maintaining a cooperative and transparent relationship with relevant stakeholders (e.g. the Dutch and overseas tax authorities, relevant other authorities, auditor).

## 2.3 Tax principles

To realize its tax objectives, the Lely Group adheres to the following tax principles:

- We observe the spirit and letter of all applicable tax laws, rules and regulations in meeting Lely Group's tax compliance and reporting responsibilities in all jurisdictions;
- We strive to pay the right amount of tax at the right time, in the countries where we create value, in accordance with internationally accepted standards as issued by the OECD;
- We apply diligent and professional care and judgment to ensure all tax related decisions are well-considered and evidenced;
- We ensure that the tax strategy is aligned with business and commercial strategy, and tax structuring is evaluated by ensuring that the commercial reality of the Lely Group takes precedence over other considerations;
- We do not seek or maintain presence in low-taxed or non-cooperative jurisdictions<sup>1</sup> for tax purposes, unless this is required for genuine commercial purposes (e.g. when having local sales in such jurisdictions);
- When claiming tax and/or subsidy incentives offered by governments, we ensure the incentives are aligned with our business and we follow the framework of local rules and regulations;
- We strive to work positively, pro-actively and transparently with the tax authorities, and relevant other authorities, to minimize the extent of disputes, to achieve early agreement on disputed issues when they arise, and achieve certainty, wherever possible;
- When we seek certainty in advance from tax authorities to confirm an applicable tax treatment, we do so based on full disclosure of all relevant facts and circumstances;
- When considering Tax, we ensure that due consideration is given to the Lely Group's corporate and social responsibilities.

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<sup>1</sup> This list of jurisdictions is updated annually by the Dutch tax authorities. Current version can be found here: <https://wetten.overheid.nl/BWBR0041785/2024-01-01>

## **2.4 Transparency, reporting, and technology**

The Lely Group is aware of the fact that in the public domain there is an increasing level of attention for the tax position of companies and supports transparency initiatives. This is demonstrated by the first publication of the Lely Group Tax policy during financial year 2024 while the content of this policy exceeds the currently applicable requirements for the Lely Group. In addition, we are continuously monitoring developments in this area and will ensure that any (new) formal requirements will be timely met.

As from financial year 2024 the Lely Group is required by law to prepare and file a country-by-country report containing aggregate tax information relating to the countries where Lely Group is active. This report will be submitted to the Dutch tax administration, and subsequently shared by the Dutch tax administration with the relevant foreign tax authorities. As of financial year 2025, Lely Group is expected to be required by law to prepare and publish a public country-by-country report, which will contain detailed country information for each EU Member State where the Lely Group is active, and in principle for all other countries aggregated information will be shown.

The use of technology to maximize the quality and accuracy of the data used for preparation of tax returns and other disclosures and to increase efficiency in the various processes, is important to Lely. The Tax Department has a continuous focus on improving and strengthening its tax processes. With the purpose to further increase efficiency, the Tax Department will closely monitor the developments in tax technology and will have continued attention to assess the right timing for Lely to implement certain technology.

## **3 Governance & Roles and responsibilities**

### **3.1 Governance**

The Lely Group has a Group Tax Department consisting of 3 employees, located in the Netherlands, responsible for all of the group's tax and subsidy affairs. The Head of Tax is reporting to the CFO of the Lely Group. Lely's Executive Board is ultimately accountable for Lely Group's tax matters. The external auditor of the Lely Group periodically reviews the tax position of the Lely Group as part of the audit of financial results of the Lely Group and holds periodic meetings with the Head of Tax to discuss relevant tax matters.

Other important roles in tax-related processes are performed by a.o. the Financial Shared Service Center (FSSC), Group Reporting & Expertise (GRE), Financial Control & Analytics (FCA), Financial Business Partners (FBP), Treasury, overseas administration / finance colleagues and HR.

### **3.2 Roles and responsibilities**

The primary roles of the Tax Department are as follows:

**Tax strategy** – It is the responsibility of the Tax Department to develop the tax policy and framework, create tax awareness within the Lely Group and manage the execution of the tax strategy.

**Tax risk management** - the Tax Department is responsible for tax risk management, which includes the preparation, implementation, monitoring and continuously improving Lely Group's tax control framework.

**Laws and regulations** – the Tax Department is responsible to monitor relevant rules and regulations and to timely inform the organization.

**Business support** – The Tax Department is responsible to advice and support the business when developing new initiatives, such as expansion to new countries, new business lines, new sales models etc.

Transfer pricing – The Tax Department is responsible for developing Lely’s transfer pricing policy, ensuring it remains in line with business developments and implementing processes and procedures to monitor that the policy is implemented in a correct way.

Tax audits – The Tax Department is responsible to coordinate and manage tax audits initiated by Dutch governmental authorities. The Tax Department must be informed by the responsible finance colleague and/or local management of any tax audits initiated by overseas governmental authorities.

Tax filings – The Tax Department is responsible for filing of the Dutch corporate income tax returns. Dutch VAT (or other indirect tax) filings are performed by the FSSC department in Maassluis. Filings for payroll taxes in the Netherlands are the responsibility of the HR department (outsourced to external party).

Day-to-day tax affairs of overseas Lely subsidiaries - The Finance teams (FSSC or local if not included in FSSC) are responsible for managing the day to day tax affairs of the overseas Lely subsidiaries. If and when such tax affairs affect the wider Lely group or if specific expertise is required, the finance professional liaises with Lely Group’s Tax Department in Maassluis.

Further details on Roles & Responsibilities will be described in internal guidelines.

## **4 Tax risk management**

### **4.1 Tax risk appetite**

In line with Lely’s tax principles, the Lely Group aims to comply with all statutory tax obligations and pay taxes in time, develop and maintain a transparent relationship with tax authorities, and disclose information and data as required by tax authorities.

The Lely Group has a conservative attitude towards tax planning. However, within the applicable rules and regulations and the framework as set out in this Tax policy, Lely Group finds it appropriate to seek to reduce the taxes paid over the long term, however, always bearing the following elements in mind:

- Any steps taken to lower a tax liability must be in line with Lely group’s business strategy and Lely’s business operations (business is leading), must be consistent with both our core values as applicable within the Lely group and as embedded in this Tax Policy, and consistent with the OECD Guidelines for Multinational Enterprises;
- Lely Group always approaches such issues with caution and with the use of specialist advice, if the circumstances so require;
- The implications of tax on all major decisions must be carefully evaluated and understood;
- Every effort will be made to document significant tax risks that arise from either our business operations or from transactions that relate to our legal structure and to accurately reflect these in the financial statements.

### **4.2 Risk assessment & risk response**

End of 2023, Lely has renewed its covenant regarding horizontal monitoring with the Dutch tax authorities. Underlying this new covenant is a set of Tax Control Frameworks which aim to ensure that all tax returns of the Dutch Lely group companies are submitted in time and complete. Associated with the Tax Control Framework is a set of monitoring procedures focusing on Lely’ key risks as identified by Lely and the Dutch tax authorities jointly. The Tax Department is responsible of continuously monitoring and updating the Tax Control Framework.

The Tax Control Framework is set up from a Dutch tax point of view, but important elements such as Transfer Pricing are already managed centrally by the Tax Department for the entire Lely group. Further rollout of

additional elements of the Tax Control Framework to overseas Lely group companies will be considered in the next years.

In addition, following an extensive project to optimize the internal process related to the customs and trade processes and to facilitate the international flow of goods, Lely has been granted the Authorized Economic Operator status from the Dutch Customs Authorities . The responsibility to maintain the AEO framework lies with the Planning & Logistics department and therefore, the topic is not discussed in detail in this Tax Policy.

### 4.3 Lely Tax Department involvement in transactions

The Lely Tax Department must be involved in the planning, implementation and documentation of all:

- Significant changes to existing business activities including reorganizations, new products, services and new country entries;
- Business or share acquisitions and disposals ;
- Changes in corporate structure;
- Transactions involving multiple jurisdictions, including cross-border financing arrangements;
- Significant business transactions;
- Intra-group trading arrangements that deviate from the standard trading arrangements;
- Significant new processes or systems affecting tax compliance.

In all of the above situations the Lely Tax Department, where relevant, must be involved well in advance of any arrangements being put in place to ensure they are in accordance with the Lely Group Tax Policy.

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**Revision status**

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