Vestas

The Vestas Group's Tax policy

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1 Purpose
The purpose of the Vestas Group Tax Policy is to define global management of taxes including governance, structuring and risk management.

2 Scope
The policy applies to all decisions that directly or indirectly affect reporting and/or payment of taxes notwithstanding the nature of the tax as long as it fall or could fall under the liability of any Vestas Group Company.

3 Roles & responsibilities
Group Tax is responsible for:

- Maintaining a global tax framework to accommodate the Vestas Business Model
- Global transfer pricing Policy
- Validation of new legal structures, financing and business flows
- Tax advisory towards the rest of the Group
- Maintaining a global control-framework
- Consolidating the Group tax position
- Managing tax risk reporting and mitigation plan

Regional Finance Leads are responsible for:

- Securing local tax compliance and filing
- Navigating the Global Tax framework
- Managing tax risks relating to project execution
- Monitoring, controlling and reporting taxes to Group

Shared Service Center is responsible for:

- Selected rule-based accounting & controlling activities that support local compliance processes

4 Tax Policy
4.1 Statement on Taxes

Vestas continuously wants to be a compliant corporate tax citizen in collaboration with our operations and stakeholders to sustain our reputation and support shareholder interests.

4.2 Guidance

Vestas consider a sustainable policy on tax compliance to be a corner stone of the Group's license to operate in a global environment. This is supported by the Vestas code of conduct providing that corporate decisions must in all aspects reflect integrity. When faced with difficult decisions guidance can be found in Vestas values of Accountability, Collaboration and Simplicity.

Keeping in mind a strong emphasis on tax compliance Vestas also recognize that a tax policy is part of securing the long-term competitiveness of a multinational Group. Therefore, in order to support shareholder interests Vestas, aim at meeting industry standards for competitiveness in the countries where Vestas does business. Vestas has a strong focus on protecting the Vestas brand by avoiding reputational damage that will harm relationship with shareholders or customers. Vestas also see a sustainable tax practice as part of social responsibility where local operations must be matched by local contribution as part of the overall CSR strategy.

4.3 Tax Governance

The tax policy is governed by a global organization where the roles have been defined to secure an efficient reporting structure where:

- Overall tax policies and strategy are centralized in the HQ together with global controlling functions & subject matter experts providing support to local management, and
- Local tax compliance and tax filing is the responsibility of local management seeking guidance from global policies and guidelines.

In order to execute in accordance with the policy Vestas retain the necessary level of trained tax professionals to adequately ensure understanding of the Vestas business model, comply with tax filing requirements in a sufficient and timely manner and to develop and maintain the information necessary to explain how Vestas business decisions has affected individual tax filings.

4.4 Transfer Pricing

Vestas subscribe to the OECD Transfer Pricing framework applying the arm's length principle and as part of the tax policy allocate taxable income where the true and fair value is considered to be created based on general recognised transfer pricing principles. Execution of the tax policy does however require significant amount of judgement.

4.5 Tax Disputes

From time to time Vestas is faced with individual tax authorities that disagree to the judgement performed internally by Vestas. Such situations most commonly arise out of transfer pricing where judgements often give rise to a different opinion. In these cases, Vestas seek to be as transparent as possible in demonstrating the basis for the judgement. Where a common understanding cannot be reached, Vestas will consider escalating to administrative- and judicial courts as well as application of mutual agreement procedures, when available, to eliminate the risk of double taxation.

4.6 Tax Planning

As part of the Global tax policy Vestas has defined guiding principles for a number of occasions where difficult decisions must be made on recurrent basis:

- Tax Heavens: When establishing subsidiaries and branches Vestas will solely consider this based on the business opportunities that represents them self. Vestas does not engage in establishing subsidiaries or branches in any jurisdictions where this is not supported by a business decision and a physical footprint
- Structuring: Vestas does not rely on legal structures that are constructed to avoid or artificially defer corporate tax payments or unduly shift the tax jurisdiction governing transactions
- Tax rulings and APAs: Vestas generally accept unilateral- & bilateral agreements, APAs and MAP as a mean to secure tax compliance. Based on this Vestas actively pursue a strategy to confirm the judgement underlying the adopted principles in jurisdictions where complexity is high. Where possible Vestas seek to adopt bilateral measures to support transparency
- Tax incentives: Vestas operate in a number of jurisdictions where the government has introduced incentives to encourage specific investments & activities. Such incentives commonly reduce the corporate tax rate temporarily or postpone tax payments through advanced depreciations. Vestas seek to benefit from such tax incentives where this is industry standard for being competitive
- Stakeholder tax planning: Vestas generally expect vendors, partners and customers to share Vestas values in respect to tax planning. To the extent possible Vestas monitor the behaviour of partners from project to project. Based on this screening Group Tax, together with management, continuously evaluate if stakeholders act within Vestas values of integrity and accountability and take appropriate actions.

4.7 Tax Risk Management

Vestas recognize that the complexity of a global tax policy require a clear strategy on managing risk. This is supported by the Vestas tax risk management principles that are based on a two-tier system:

- A bottom-up reporting of identified tax risks from local management that is assessed and consolidated centrally, and
- A centralised evaluation of the systemic risks related to operating based on a global business model

The risks are consolidated on a quarterly basis and prioritized based on likelihood and impact. Actions are planned on how to most efficiently mitigate and prevent identified tax risks.

The Vestas Material Risk Policy forms a central element of the tax and VAT governance in relation to project activities and corporates structure by securing that decisions with material impact on the tax risk profile will be decided by management based on recommendations from the corporate structure committee and Group Tax. Controlling is performed on an annual compliance list where local management confirms that they have fulfilled the statutory filing requirements in the jurisdictions where they operate.

Tax risks are reported to management on a quarterly basis together with assurance that sufficient contingencies are in place.

4.8 Effective Tax Rate & Payments

Based on the tax policy in place Vestas expect a stable tax rate marginal around the statutory tax rate and translating in to tax payments on par with the reported tax rate.

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