# Tax

ForFarmers believes that paying taxes is an integral part of companies' responsibility to society at large. ForFarmers accordingly does not use contrived or abnormal tax structures that are intended for tax avoidance, have no commercial substance, or do not meet the spirit of local or international tax law. ForFarmers Group does not have any companies that are located in countries that are identified as tax havens by the OECD.

This document provides more information about the tax policy, principles, risk management, and tax knowledge of ForFarmers, next to the audited text and financial statements as disclosed in the Annual Report.

## Tax policy

ForFarmers is conscious of its responsible role and position in society, and this determines its attitude vis a vis its tax policy. ForFarmers has set principles (see below), which – in its opinion – are in accordance with how a responsible tax payer should act. These principles take into account the interests of various stakeholders, such as customers, shareholders, employees, tax authorities, regulators, and society at large.

ForFarmers aims to pay the correct amount of tax at the right time, on the profits it made and in the countries where the value was generated relating to those profits. ForFarmers considers fulfilling its tax obligations as part of creating long-term value for all stakeholders.

Many governments have updated, or are in the process of updating, transfer-pricing documentation requirements, including country-by-country reporting to the tax authorities. ForFarmers has filed the country-by-country reports for 2016 and 2017 and procedures have been set-up to ensure that ForFarmers complies with the new requirements and supporting documentation required in various countries. ForFarmers closely monitors related developments and will follow up on legislative proposals in this respect as applicable.

## Tax principles:

### ForFarmers commits to:

- Act in accordance with all applicable tax laws at all times and in compliance with international standards (such as OECD Guidelines). ForFarmers aims to take account of the letter as well as the spirit of the tax laws and regulations;
- Be tax compliant and pay taxes when they are due and owed;
- Prepare and file all tax returns in the form specified and within the time required;

- Prepare and retain the documentation required by the tax laws, or which may be needed to answer any questions raised by tax auditors or tax authorities;
- Have an open and transparent communication line to the tax authorities in the countries where this is possible and accepted. During the year several meetings with the tax authorities are conducted;
- Ensure that tax is aligned with the business, and that there are no tax driven structures that are not in line with the business operating model and tax regulations;
- Pay the correct amount of tax according to where value is created within the normal course of commercial activity and apply transfer pricing calculation using the 'arm's-length' principle.

## Tax Governance

ForFarmers acknowledges the importance of good internal risk management and control systems, and strives for a high level of risk awareness in the organisation by actively monitoring risk management. This system is entrenched in the organisation, all the way from the Executive Board and the Executive Commit-tee, under supervision of the Supervisory Board, to all operational and financial departments. ForFarmers uses the methodology for the control and management of the different risks, which is based on the model formulated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

ForFarmers has low risk appetite for risks regarding compliance with legislation and regulations, including taxes. A Tax Control Framework ('TCF') has been designed in 2018 to control the risks related to corporate income tax, VAT and wage/labour taxes. For each risk to be mitigated, control measures have been determined and implemented. These are regularly assessed to ensure they are effective and fall within the desired ForFarmers risk appetite. The TCF is being implemented in the Netherlands, and will subsequently be im-plemented in the other countries.

External auditors verified that the financial statements prepared by ForFarmers represent a true and fair view of the financial position of the organization. Group tax discussed key transactions as well as any relevant correspondence with tax authorities with the external auditors.

ForFarmers' Managing Board is responsible for establishing the approach to taxation under the supervision of the Audit Committee of the Supervisory Board. Finance Director of each country is responsible for a correct and timely tax filing, supported if applicable by a local tax manager. In addition each filing is reviewed cen-trally by the Group Tax Manager, Director Accounting, Tax and Treasury and the CFO.

## Tax knowledge

Employees involved in the various direct and indirect taxes attend seminars and trainings to stay up-to-date on tax law and regulatory changes.

To enable effective commercial decision making, it is essential that all the tax implications of business decisions are clearly understood by the key stakeholders. It is possible that such proposals may have several different tax outcomes. In such cases the Tax Manager will provide advice to ensure that proposals are undertaken in a tax efficient manner whilst ensuring ForFarmers continues to comply with tax laws. In case there is insufficient tax expertise within ForFarmers or the legislative impacts are unclear, ForFarmers may seek external advice to support the decision making process.

## Effective tax rate and tax paid

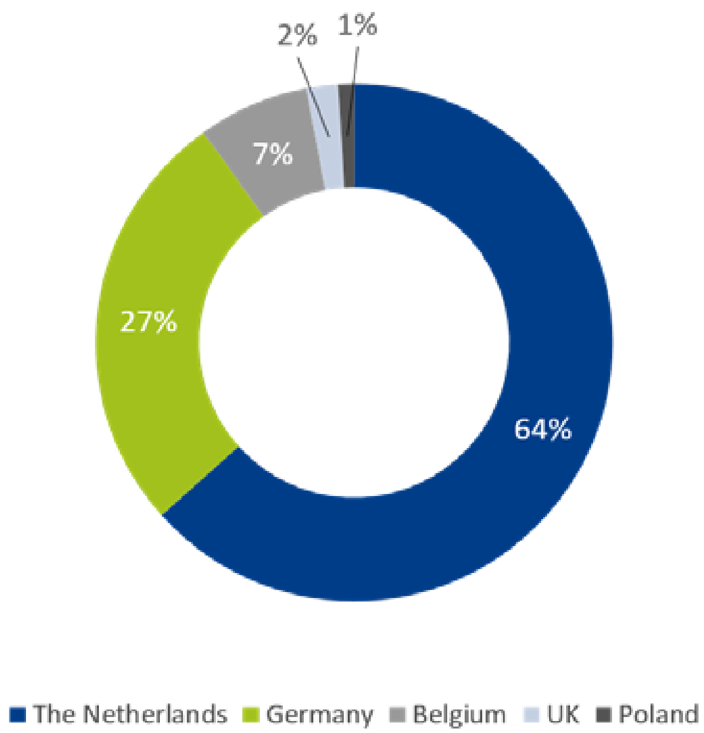
In 2017 and 2018 the difference between the statutory Corporate Income Tax (CIT) tax rate of the Netherlands (Group holding country) and the effective CIT tax rate at a Group level was as follows:

| In thousands of euro | 2018 | | 2017 | |
|---|---|---|---|---|
| **Profit before tax** | | **74,454** | | **75,532** |
| Less share of profit equity-accounted investees, net of tax | | -2,907 | | -3,884 |
| Profit before tax excluded the share of profit equity-accounted investees, net of tax | | 71,547 | | 71,648 |
| Income tax using the Dutch domestic tax rate | 25.0% | 17,887 | 25.0% | 17,912 |
| Effect of tax rates in foreign jurisdictions | 0.4% | 301 | 0.9% | 611 |
| Change in tax rate | -1.7% | -1,190 | 0.2% | 116 |
| **Tax Effect of:** | | | | |
| Non-duductible expenses | 2.8% | 1,998 | 0.8% | 625 |
| Tax incentives | -0.9% | -661 | -1.7% | -1,234 |
| (De)recognition of deferred tax assets | -1.1% | -807 | -0.6% | -444 |
| Prior year adjustments | -3.2% | -2,304 | -1.9% | -1,357 |
| **Total** | **21.3%** | **15,224** | 22.7% | 16,229 |

On a country level, the difference between the statutory and effective CIT tax rates, as well as the amount of Corporate Income Tax paid per country was as follows in 2018:

| Tax rates | 2018 | 2017 |
|---|---|---|
| The Netherlands | 25.00% | 25.00% |
| Germany (average) | 27.86% | 28.38% |
| Belgium | 29.58% | 33.99% |
| Poland | 19.00% | n/a |
| United Kingdom (averge) | 19.00% | 19.25% |

| Effective tax rates | 2018 | 2017 |
|---|---|---|
| The Netherlands | 20.91% | 22.04% |
| Germany | 20.13% | 25.19% |
| Belgium | 30.97% | 36.19% |
| Poland | 4.19% | - |
| United Kingdom (averge) | 17.82% | 1.60% |



## The difference in statutory and effective rates was driven by:

- **Netherlands:** The effective tax rate is lower than the statutory tax rate due to amongst others innovation box benefits and the tax impact due to the change in future tax rates in the Netherlands. Based on the enacted Dutch tax law, the Dutch corporate income tax rates will decrease from 25% to 22.55% per January 1, 2020 and per January 1, 2021 to 20.5%. All deferred tax calculations are updated based on deferred tax rates. This adjustment has a positive impact on the Dutch DTL position;
- **Germany:** The effective tax rate is lower due to recognition of the deferred tax assets relating to the net operating losses;
- **Belgium:** The effective tax rate is higher because of non-tax deductible items;
- **Poland:** The effective tax rate is lower due to usage of subsidies for regional investments;
- **UK:** The effective tax rate is especially in 2017 lower because of prior year adjustments. In 2018 this effect was smaller.

## Cash tax paid

There are a number of reasons why the corporate income tax cash payments in a particular year will be different from the corporate income tax charge in the financial statements, including (but not limited to):

- Moment of payment: Tax payments relating to a particular year's profits will typically be due partly in the current year and partly in the following year;
- Deferred tax: The tax charge includes deferred tax which is an accounting adjustment arising from timing differences. Timing differences occur when an item has to be included in the financial statements in one year but is required to be taxed/deducted for tax in another year.

For further information, please see the ForFarmers' annual report, which can be found on:
https://www.forfarmersgroup.eu/en/investors/annual-reports.aspx

## Executive Board

### Disclaimer



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