



Tax Governance Framework of Kuehne + Nagel Group

Introduction

Kuehne + Nagel is one of the world largest integrated logistic providers, and strives to be a world class operator, the employer of choice in logistics and a good corporate citizen. The Group's business activities generate a substantial amount and variety of taxes such as corporate income tax, stamp duties or withholding taxes.

We further collect and pay value-added and other indirect taxes as well as employee taxes. Altogether, these taxes paid form a significant part of the economic contribution to the countries in which the Group operates.

The Group's Code of Conduct sets the expectation for everyone at Kuehne + Nagel and includes the approach to tax. This commitment is underpinned by the principles mentioned hereunder.

The code of conduct can be found here:

https://www.knportal.com/about_us/corporate_social_responsibility/compliance/

The Tax Governance Framework is owned by the Chief Financial Officer. It is overseen and regularly reviewed by the Audit Committee. The implementation is the responsibility of the Head of Group Tax, reporting to the Chief Financial Officer. He ensures that the Management Board and the Audit Committee are updated appropriately. He reports to them and explains comprehensively the tax implications of any substantial business changes within the Group. Further, he provides updates on governments' tax policies in areas where they may have an impact on the Group.

Tax Principles:

1. Compliance

Kuehne + Nagel acts in strict accordance with the applicable tax laws and complies with international standards, namely OECD standards, and fully respects a government's right to determine its tax rate and tax collection mechanism.

2. Substance, Transparency and Arm's length Principle

The Group may engage in tax efficient structuring of its operations, but only to the extent that this reflects the commercial reality of how it conducts its business. For purposes of taxation of profits, Kuehne + Nagel's taxable results arise where substance and value is commercially created along its business activity.

Following OECD principles, The Group understands substance as economically owning an asset and actively executing decisions of taking on and management of risks associated to this taxable result. Kuehne + Nagel is transparent in its approach to tax. All transactions must have a commercial and business reason and the Group adheres to the OECD's arm's length principle.

3. Relationship with tax authorities

Kuehne + Nagel constantly aims to develop and sustain a mutually respectful relationship with national tax authorities based on trust and transparency.



4. Tax Risk Management

As a large multinational operating in more than 100 countries, Kuehne + Nagel is exposed to a variety of tax risks, grouped as follows:

a) Tax reporting and compliance risk:

This risk is manifested through failures associated with submission of late or inaccurate returns, claims and elections not made in time or where finance or operational systems and processes are not sufficiently robust to support tax compliance and reporting requirements;

b) Transactional risks:

These risks may arise where transactions are carried out without appropriate consideration of the potential tax consequences or where advice taken is not correctly implemented;

c) Reputational risk:

This risk is additional to financial risks that may arise and has the potential for a wider impact than other tax risks on Kuehne + Nagel's relationship with its stakeholders, such as shareholders, customers, tax authorities and the general public;

These tax risks are managed as per following principles:

1. Kuehne + Nagel manages these tax risks in accordance with its Internal Control System similar to operational risks across the Group.
2. In addition to its Group's tax oversight role, the Group Tax provides advice to the Group and its business activities on tax-related issues, undertakes or assists with tax filings, manages relationships with tax authorities and assists in various forms of tax reporting. Internal controls and escalation procedures are put in place to identify, quantify and manage key tax risks.
3. Where appropriate, Kuehne + Nagel looks to engage proactively with tax authorities to disclose and resolve issues, risks and potentially uncertain tax positions. The subjective nature of many tax rules however means that it may be difficult to mitigate known tax risks.

Despite the fact that Kuehne + Nagel's approach is consistent with the principles set out in the tax strategy and the fact that the Group's actively seeks to minimise its tax risk profile, as the group operates in over 100 countries and has to deal with complex and varied tax legislation in those countries, an element of tax risk may arise. As a result, at any given time, the Group may be exposed to financial and reputational risks arising from its tax affairs.

This Tax Governance Framework of Kuehne + Nagel Group has been established and put into practice because the taxes the Group pays are an important part of the Group's economic contribution and helps the development of many countries in which they operate.

Kuehne + Nagel believes that responsible tax behaviour is an essential element of its sustainability strategy.