L T Foods Limited – India (LTFL)
Tax Management & Strategy

Good practice in tax management and strategy

Taxation is an important topic for LTFL and our stakeholders in terms of;
- compliance and
- LTFL approach to Creating Shared Value.

We actively manage, monitor and control our tax affairs, and believe it is good practice to voluntarily disclose information about our tax management and tax contributions.

Tax aligned to our business principles

Over several years, we have developed 10 tax management principles and four foundations for our long-term tax strategy. The principles and foundations are in line with LTFL Corporate Business Principles and are cascaded down to, and monitored across our organization.

These principles and foundations are based on the recognition that tax is an integral element of our overall corporate social responsibility, as well as on the fundamental objective of tax compliance and of responsible and sustainable planning.

Our 10 tax management principles

1. In line with The LTFL Corporate Business Principles our tax policy and objective are to comply in good faith with the letter and the spirit of all applicable tax laws and obligations in all countries where we operate, across all direct and indirect taxes, as a company and employer, as well as with international treaties and international tax guidelines (OECD).

    - As LTFL operates and pays taxes in many countries with very different and fast-changing tax legislations and interpretations, we monitor, adjust and improve our tax compliance

    - We identify, disclose and fix proactively any compliance gap or error that could happen, or adjustments that could arise upon tax audits and settlements

2. We recognize that all taxes that we pay and collect for governments are an integral element of our corporate social responsibility and therefore of LTFL Creating Shared Value. We publicly disclose:
    - Our Effective Tax Rate
    - Our total tax contributions

3. We do not pay taxes that are not legally due or that are claimed based on unprincipled or unjustified basis.

4. We pay our taxes locally, in the countries where our organizations and operations are located:
   - Where our actual economic and business activities take place
   - Where the business value is created
   - In accordance with the way we actually operate our businesses

5. We take tax positions that are defendable under full disclosure:
   - We do not engage in tax evasion, artificial or high-risk transactions
   - We do not adopt tax schemes, based on form without commercial substance
   - We do not use offshore entities that lack business purpose and substance
   - We do not use hybrid instruments and entities that result in tax avoidance, double deduction or double taxation
   - We do not use secrecy jurisdictions or so-called tax havens for tax avoidance

6. We engage in open and respectful dialogue, cooperation and transparency with tax authorities, whenever possible and reciprocal:
   - We use appropriate mechanisms to clear in advance the tax impact of major transactions with relevant tax authorities
   - When appropriate, we may engage constructively in expressing our views on the formulation of tax legislation and regulations

7. We seek to anticipate and resolve disputes without recourse to courts wherever possible. We protect the reputation of the company.

8. We consider the interests of key stakeholders, such as shareholders, employees, consumers, customers, authorities and the communities where we operate.

9. We develop and improve the efficiency of our Tax Organization:
   - In terms of adequate personnel, resources, up-to-date expertise, training and systems; and
   - By developing tax awareness across LTFL functions and businesses

10. We maintain and operate our tax affairs:
    - Within a strong Tax Governance, Reporting and Control Framework, Policies and Guidelines; and
    - In accordance with the LTFL Tax Strategy agreed by the Group Chief Financial Officer and the Executive Board, as well as with the Board and its Committees as applicable

Four foundations of our tax strategy

1. We have a fiduciary duty vis-à-vis our shareholders to manage and plan our total tax costs of doing business in a responsible and sustainable way:
   - In compliance with laws, The LTFL Corporate Business Principles and the above Tax Management Principles; and
   - Taking into account potential impacts on stakeholders and on our reputation

2. Our Tax Organization aims to create and protect shareholders' value and minimize tax risks through proactive tax management of our business operations and transactions, together with the business management and other functions:
    - Value creation is about managing responsibly and sustainably our total tax costs of doing business within clear risk parameters and in line with the Group business operations and strategies
    - It is not about 'tax minimization' or 'tax optimization' for the sake of it
    - We do not have any performance objective (KPI) based on effective tax rates or tax payments

3. We do responsible and sustainable, business-driven tax planning:
    - Analyzing and managing the tax impacts of current and future business operations and transactions
    - Based on genuine business rationale and with a long-term view of sustainability and predictability
    - In the areas of the Group's business models, its supply and value chains, its structure, its organizations, its assets, its investments and its financing
    - By claiming tax benefits, incentives and low tax rates available under applicable laws, as long as they are justified legally and from an economic business standpoint

4. Our Transfer Pricing Policy aims to reflect adequately the allocation of profits among countries and our subsidiaries.
    - Based on their economic and value contribution (functions, decision making, assets, risks) and LTFL is committed not to transfer value created to low tax jurisdiction
    - Under market conditions, in line with the 'arms' length' principle and in compliance with local and international laws, including the new OECD 'Base Erosion & Profit Shifting' Action Reports
    - In a consistent and symmetric way across areas, activities and countries, while recognizing differences in transfer pricing legislation and requirements in some countries and differences in business situations, if any
    - That we disclose and explain under all applicable transfer pricing documentation requirements, including the OECD 'Master File' and 'Local Files', to all qualifying countries through the Indian Tax Administration

Country-by-Country Reporting (CbCR)

In compliance with the OECD 'BEPS' Actions, the Country-by-Country reporting (CbCR) for an entity are applicable, if the consolidated group revenue is more than ₹6,400 crore and parent entity is resident in India and part of an International group.

At present the group consolidated group revenues are less than the threshold limit of ₹6,400 crore and Country-by-Country reporting is not applicable to the LTFL.