

Information on the executed tax strategy for tax year 01.04.2020 r. - 31.03.2021 r.

Denso Thermal Systems Poland Spółka z ograniczoną
odpowiedzialnością

List of terms and abbreviations

For the purposes of this document, the following terms have the following meanings:

Skrót	Opis
2020, Tax year 2020	Tax year started on 1 April 2020 and ended on 31 March 2021
Company, Denso Thermal Systems	Denso Thermal Systems Poland Spółka z ograniczoną odpowiedzialnością
Group, Denso Group	Group embracing Denso companies worldwide
CIT Act, Corporate Income Tax Act	Act of 15 February 1992 on Corporate Income Tax (consolidated text, Journal of Law of 2021, item 1800 as amended)
Tax Ordinance	Act of 29 August 1997 - Tax Ordinance (consolidated text, Journal of Law of 2021, item 1540 as amended)

Introduction

This document presents information on the tax strategy executed in tax year 2020 by Denso Thermal Systems Poland Spółka z ograniczoną odpowiedzialnością, which is part of the Denso Group.

Denso Thermal Systems as a taxpayer of corporate income tax with revenues exceeding in the financial (tax) year ended on 31 March 2021 the amount of EUR 50 million is required to prepare and publish information on the executed tax strategy for the financial (tax) year ended on 31 March 2021.

This information on the executed tax strategy was prepared in accordance with Article 27c.1.2 of the Act of 15 February 1992 on Corporate Income Tax (consolidated text, Journal of Laws 2021, item 1800, as amended).

Denso Thermal Systems Poland

The Company's core business is the production and sale of car parts and accessories, in particular heating systems (heaters and air conditioners), dashboards, "front end" modules and engine cooling modules for cars.

Denso Thermal Systems, as an entity belonging to the structures of the international Denso Group, implements the concept of Corporate Social Responsibility (CSR), i.e. building the image of a trustworthy entity, which counteracts various negative social phenomena. The implementation of CSR

principles into the business strategy favors the creation of a long-term competitive advantage and relations with the social environment of Denso Thermal Systems and its stakeholders.

Denso Group

The Denso Group, derived from the Japanese city of Kariya, is a leading supplier of advanced technologies, systems and components for the automotive industry and all leading global car manufacturers. Among the wide range of products, known for their high quality and the use of advanced technology, there are, among others, engine components, automotive electronics (starters, alternators, safety systems, satellite navigation), as well as heating and air conditioning systems. The Group's activity is based on the Kaizen philosophy, which assumes continuous, sustainable product development and quality control. Denso focuses on environmentally friendly solutions, meeting the idea of sustainable development.

Currently, the Denso Group operates through entities located in 35 countries, employing over 170,000 employees in all areas serving the automotive industry, i.e. design, product development, production and sales. Denso Group operates worldwide through 200 entities belonging to the Group. In Europe, the Denso Group has production plants, research and development centers and sales representatives located in 14 countries.

Basic information about the Company:

- ❖ **Name:** Denso Thermal Systems Poland Spółka z ograniczoną odpowiedzialnością
- ❖ **Registered office:** ul. Turyńska 100, 43-100 Tychy
- ❖ **NIP (Taxpayer Identification Number):** 6443012212
- ❖ **KRS (National Court Register) number:** 0000068446
- ❖ **REGON (Business Statistics Number):** 276965427
- ❖ **Share capital:** 28 500 000 PLN
- ❖ **Date of entry into the register of entrepreneurs of the National Court Register:** 06.12.2001

Tax processes and procedures responsible for managing the performance of obligations under tax law and ensuring their proper performance

The Company has structured tax processes that have been written down in the form of procedures presenting individual stages of process execution and an indication of the persons responsible for a given stage of tax settlements. Among the key documents regulating the Company's tax issues, the following have an important role:

- Denso Group Global Tax Policy¹, which regulates issues such as: ensuring an appropriate level of substantive knowledge among employees responsible for tax matters, compliance with international regulations in cross-border transactions, effective cooperation with tax authorities and external tax advisors, and
- Denso Group Code of Conduct², which is a set of rules and behaviors that are desired and accepted among employees and managers, also in the matter of preparing tax settlements.

In addition to written procedures in the field of tax settlements, the Company also has implemented procedures regulating the proceedings in matters related to the broadly understood

¹<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/compliance/compliance-doc-tax-policy-en.pdf?rev=b9b98ccf91f04daa873777cd8b237cfd>

²<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/compliance/compliance-doc-employee-behavior-guideline-en.pdf?rev=1b301ae2fcb34a0d87edc9e092864931>

accounting, including the rules for the circulation of accounting documents or the manner and period of their storage. Compliance with the accepted accounting standards has a direct impact on the correctness and continuity of the processes related to the Company's tax settlements.

Written procedures are periodically updated to reflect potential changes in the law, including tax law, and changes in the Company's business environment or its organizational structure.

In the opinion of the Company, the implemented processes and adopted procedures allow the Company for the effective fulfillment of the tax obligations incumbent on the Company.

At the same time, the Company's tax settlements were carried out by specialists who were substantively prepared to fulfill the tax obligations imposed on the Company. In order to ensure the correct functioning of tax processes, the Company's employees participate in tax-related trainings and courses as part of improving their professional qualifications and updating their substantive knowledge.

The accounting and reporting process in the Company has been organized in a way which ensures compliance of tax settlements with the regulations and the stability of the processes performed. Moreover, the Company's employees responsible for tax settlement use various IT programs and tools in order to support and improve their work. These programs are used, among others, for keeping accounting books or generating and verifying the correctness of VAT SAF-T files.

The Company's tax settlements are made with an appropriate level of control, including the principle of double checking the settlements (4 eyes review). In its tax settlements, the Company also follows the current position and practice of tax authorities and administrative courts in relation to a given issue. Additionally, the Company's tax settlements are verified by external tax advisors with whom the Company cooperates. External advisors are mainly involved in periodic audits of the Company's tax settlements, but also in the process of preparing tax calculations. In the event of ambiguous issues, the Company confirms and secures its position by obtaining opinions from external tax advisors in order to minimize the negative effects of misinterpretation.

Denso Thermal Systems operates in accordance with tax regulations and at the same time actively promotes compliance with them among its employees. The CFO of Denso Thermal Systems is responsible for overseeing the internal tax system, which includes the introduction, maintenance and improvement of tax compliance structures. The Company also pays attention to tax risks and manages them in such a way as to prevent the materialization of tax risks.

The Company also benefits from the support of the Group's tax specialists.

Information on the tax obligations fulfilled by the Company in the territory of the Republic of Poland

Reliable reporting and compliance with tax law with due diligence are the main goals of the Company in terms of tax obligations. This resulted primarily in the timely submission of all tax forms, tax information and tax declarations, meeting tax payment deadlines and collecting the required documentation. Denso Thermal Systems makes the necessary efforts to clearly and precisely reflect the actual state of affairs with complete, up-to-date and understandable information.

In the tax year 2020, the Company fulfilled tax obligations in all areas required by tax law, taking into account the scope of the Company's operations. The main taxes under which the Company fulfilled its tax obligations were Value Added Tax (VAT) and Corporate Income Tax (CIT). Information on the settlement of CIT, in particular, the amount of tax revenues, tax deductible costs, tax income and the tax due are published on the website of the Ministry of Finance.

The Company also performed obligations in the field of Personal Income Tax (PIT), Withholding Tax (WHT), excise duty, customs duties, as well as paid social and health insurance contributions on remuneration paid to employees of the Company (ZUS) and paid fees for discharging gasses or dust

into the air.

Voluntary forms of cooperation with the National Tax Administration

In 2020 the Company did not use any voluntary forms of cooperation with the National Revenue Administration.

Information on the number of information on tax schemes provided to the Head of the National Tax Administration divided into taxes to which they relate

In 2020, Denso Thermal Systems did not identify tax schemes, therefore the Company was not obliged to provide the Head of the National Revenue Administration with information on tax schemes referred to in Article 86a.1.10 of the Tax Ordinance.

Information about transactions with related entities

In 2020, the Company carried out the following transactions, the value of which exceeded 5% of the balance sheet total of assets within the meaning of the accounting law, determined based on the last approved financial statements of the Company:

- purchase of raw materials, materials, semi-finished products for production from entities from Italy;
- cash-pooling transactions with an entity from the Netherlands.

Moreover, the Company timely fulfilled its transfer pricing obligations. In accordance with the applicable regulations, the Company verified the transactions subject to the documentation obligation in 2020 and prepared the Local File together with relevant comparative analyzes.

In addition, the Company submitted the information on transfer pricing (TPR-C form) and a statement on the preparation of local transfer pricing documentation.

Information on restructuring activities planned or undertaken by the Company that may affect the amount of tax liabilities of the Company or related entities

In 2020, the Company did not undertake and did not plan to undertake any restructuring measures that could affect the amount of tax liabilities of the Company or its related entities.

Information on tax settlements in territories or countries applying harmful tax competition

In 2020, the Company did not make tax settlements in territories or countries applying harmful tax competition specified in executive acts issued under Article 11j.2 of the CIT Act and under Article 86a.1.1 of the Tax Ordinance Act.

In particular, in 2020 in the above-mentioned territories / countries, the Company:

- has not been registered for tax purposes;
- did not submit tax returns or forms;
- did not collect and pay taxes.



Information on motions submitted by the Company

In 2020, the Company did not submit any motions for an individual interpretation, general interpretation, binding rate information or binding excise information.