

INFORMATION REGARDING TAX STRATEGY IN FY2020

LG Energy Solution Wrocław Spółka z ograniczoną odpowiedzialnością

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[Updated: _____]

[Confirmed by: Management Board of the Company]

List of terms and abbreviations

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

Abbreviation	Description
2020	Fiscal year started on January 1 st , 2020 and ended December 31 st , 2020
Group	LG
the Company, LG Energy Solution Wrocław	LG Energy Solution Wrocław spółka z ograniczoną odpowiedzialnością

Preamble

This document presents information on the tax strategy implemented in 2020 by LG Energy Solution Wrocław, prepared on the basis of Art. 27c Sec. 1 of the Act of February 15th, 1992 on corporate income tax (Journal of Laws of 2021, item 1800, i.e. of October 4th, 2021, as amended; hereinafter: "CIT Act").

LG Energy Solution Wrocław, as a taxpayer of corporate income tax, with a turnover exceeding EUR 50 million, achieved in the financial (tax) year ended on December 31, 2020¹, is obliged to prepare and publish information on the implemented tax strategy for the financial (tax) year ended on December 31, 2020.

This information of the Company has been prepared in accordance with Art. 27c Sec.2 et seq. of the CIT Act.

LG Energy Solution Wrocław

LG Energy Solution Wrocław deals with the production of batteries for electric cars, including all their components - electrodes, cells and modules, as well as battery technical service. The production plant in Biskupice Podgórne is the only plant of this type in Europe.

The Company is a part of the LG Energy Solution Group, which is a leading global company engaged in production activities in the electromobility and electronic sectors. The Group consists of the parent company LG Energy Solution based in Seoul, South Korea, and related entities located in Asia, Europe and North America. The Group is one of the technology leaders in the production of batteries used in electric cars. The Group employs over 20,000 people worldwide.

¹ <https://www.gov.pl/web/finanse/indywidualne-dane-podatnikow-cit>

Table 1. Basic information about the Company

Company's name	LG Energy Solution Wrocław Spółka z ograniczoną odpowiedzialnością
Company's seat	LG 1A, 55-040 Biskupice Podgórne
Identification data	KRS: 0000614214 NIP: 8961550941 REGON: 364187232
Share capital	4 645 372 000 PLN
Date of entry into the register of entrepreneurs of the National Court Register	2016-04-27
Number of employees (average employment) in 2020	3 904

Processes and procedures for managing the performance of obligations under tax law and ensuring their proper performance

***Legal basis:** Pursuant to Art. 27c Sec. 2 point 1 letter "a" of the CIT Act, the taxpayer provides information on the processes and procedures for managing the performance of obligations under tax law and ensuring their proper performance*

The Company has implemented rules of conduct in tax matters, which are based on the applicable provisions of tax law, as well as commonly accepted practices. The implementation of these principles is reflected in the documentation prepared by the Company in specific tax areas, and the overriding document in this regard is the Tax Strategy, which regulates the Company's approach to the most important issues such as long-term tax goals, involvement of the management body in the process of making tax decisions, ensuring compliance with tax law regulations or the approach to tax risk. The Company is in the process of formalizing the principles of tax governance, i.e. mechanisms relating to the division of tasks, roles, powers and obligations with regard to tax issues and related legal aspects, in order to ensure maximum reliability of tax settlements.

The Company ensured the proper fulfillment of obligations under the tax law by using appropriate procedures and internal processes. The procedures and processes functioning in the Company have been developed and implemented taking into account the nature of the Company, its organizational structure and the specificity of the industry in which the Company operates. The implemented processes allowed for gaining control over tax matters, which resulted in ensuring compliance with tax regulations as well as reporting requirements and risk management in this area.

In terms of documentation supporting tax processes, the Company has, in particular, process maps indicating the next stages and involved organizational units in the field of settlements, including CIT, VAT, WHT, Intrastat, as well as fulfillment of customs obligations. Process maps also indicate the scope of performed verifications as well as completed and prepared documents. In addition to the documents developed at the local level, the Company adheres to numerous group procedures.

An important document in force in the Company is the [Code of Ethics](#), which defines the basic values and rules of conduct applicable in the entire LG Energy Solution Group in the scope of, inter alia, comply with the law, avoid corruption, respect human and labor rights, take precautionary measures to protect the environment, health and safety. In addition, the [Supplier Code of Conduct](#) and the [Responsible Supply Chain Policy](#), which define, inter alia, rules of conduct in the field of social, environmental and management issues. The above documents directly translate into the Company's approach to tax obligations and settlements, which should be conducted in a fair, transparent manner and carried out with due diligence and within the time limits resulting from applicable law.

The Company makes every effort to ensure that the communication of information between the management and employees responsible for making strategic business decisions and the department responsible for the

Company's tax settlements is complete and understandable. In the scope of risk management and control, the Company took steps to identify tax risks through appropriate inspections and monitoring, and then their elimination or reduction. In the event of risk occurrence, measures were taken to minimize or completely eliminate it, in line with internal procedures.

The Company had appropriate IT tools, including primarily an extensive accounting system ensuring correct and complete records of the collected data. The IT tools were adapted to the current needs of the Company and allowed for the correct preparation and completion of tax returns, financial statements and other statutory obligations.

Voluntary forms of cooperation with National Revenue Administration's authorities

Legal basis: pursuant to art. 27c Sec. 2 point 1 letter "b" of the CIT Act, the taxpayer provides information on voluntary forms of cooperation with the authorities of the National Revenue Administration

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

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

Legal basis: Pursuant to Art. 27c Sec.. 2 point 2 of the CIT Act, the taxpayer provides information on the taxpayer's fulfillment of tax obligations in the territory of the Republic of Poland, along with information on the number of information on tax schemes referred to in art. 86a § 1 point 10 of the Tax Ordinance, with a breakdown into the taxes they relate to

In its activities, the Company focused on reliable reporting and compliance with regulations, including timely submission of all tax returns, forms and information, collection of documentation and meeting tax payment deadlines. The company made every effort to ensure that the information provided faithfully reproduced the facts and was complete, up-to-date and understandable.

The Company fulfilled tax obligations in all areas required by tax law, taking into account the scope of the company's operations. In particular, it was the corporate income tax (CIT) and the tax on goods and services (VAT). Information on the settlement of corporate income tax (i.e. the value of tax revenues, tax deductible costs, tax income, tax due) is regularly published on [the website of the Ministry of Finance](#) in accordance with applicable regulations.

In addition, the Company fulfilled its obligations in the field of real estate tax (RET), personal income tax (PIT), withholding tax (WHT) and tax on civil law transactions (TCLT), and paid social and health insurance contributions on remuneration paid employees of the Company (SSI) and made contributions to the State Fund for Rehabilitation of the Disabled (SFRD).

Information on the number of information on tax schemes provided to the Head of the National Treasury Administration, broken down by taxes to which they relate

Legal basis: Pursuant to Art. 27c Sec.. 2 point 2 of the CIT Act, the taxpayer provides information on the taxpayer's fulfillment of tax obligations in the territory of the Republic of Poland, along with information on the number of information on tax schemes referred to in art. 86a § 1 point 10 of the Tax Ordinance, with a breakdown into the taxes they relate to

In order to correctly and timely fulfill the obligation to report tax schemes, the Company has a procedure to identify potential tax schemes and their analysis, as well as their appropriate reporting.

In 2020, the company did not provide the Head of the National Revenue Administration with information on the tax schemes referred to in Art. 86a § 1 point 10 of the Tax Ordinance.

Information regarding transactions conducted with related entities

Legal basis: Pursuant to art. 27c of Sec. 2 point 3 letter “a” of the CIT Act, taxpayers provide information on transactions with related entities within the meaning of Art. 11a Sec. 1 point 4 of the CIT Act, the value of which exceeds 5% of the balance sheet total of assets within the meaning of the accounting regulations, determined on the basis of the last approved financial statements of the company, including entities that are not tax residents of the Republic of Poland

In 2020, the company made the following transactions, the value of which exceeded 5% of the balance sheet total of assets within the meaning of the accounting regulations, determined on the basis of the company's last approved financial statements:

- transactions related to obtaining a guarantee or surety concluded with an entity based in Korea,
- purchase of raw materials, materials and semi-finished products for production with entities based in Korea, the United States of America, China and Poland.

The Company timely fulfilled its transfer pricing obligations, in particular, it has transfer pricing documentation (master file, local file and benchmarks) for 2020. In addition, the Company submitted 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

Legal basis: Pursuant to art. 27c of Sec. 2 point 3 letter” b” taxpayers provide information about restructuring activities planned or undertaken by the taxpayer that may affect the amount of tax liabilities of the taxpayer or related entities within the meaning of art. 11a Sec. 1 point 4 of the CIT Act

At the end of 2020, LG Energy Solution, Ltd. became the new owner of the Company. The change should not affect the amount of the Company's tax liability. Detailed information on the transaction is available in the [press release](#) published by the LG Group.

Information regarding motions applied by the Company

***Legal basis:** pursuant to Art. 27c Sec. 2 point 4 of the CIT Act, taxpayers provide information on submitted applications for the issuance of:*

- a) a general tax interpretation referred to in Art. 14a Sec. 1 of the Tax Ordinance,*
- b) interpretation of the provisions of the tax law referred to in art. 14b of the Tax Ordinance,*
- c) binding rate information, referred to in Art. 42a of the Value Added Tax Act,*
- d) binding excise information referred to in Art. 7d Sec. 1 of the Excise Duty Act*

In 2020, the Company submitted an application for an individual tax interpretation in the field of corporate income tax. In 2020, the Company did not submit any applications for the issuance of:

- general tax ruling,
- binding rate information
- binding excise information

Information on making tax settlements for the taxpayer in territories or countries applying harmful tax competition

Legal basis: pursuant to art. 27c Sec. 2 point 5 of the CIT Act, taxpayers provide information on making tax settlements of the taxpayer in territories or countries using harmful tax competition indicated in executive acts issued pursuant to Art. 11j Sec. 2 of the CIT Act and pursuant to art. 23v Sec. 2 of the PIT Act and in the announcement of the minister competent for public finance issued pursuant to Art. 86a § 10 of the Tax Ordinance

The Company did not make tax settlements in territories or countries using harmful tax competition indicated in executive acts issued pursuant to Art. 11j Sec. 2 and pursuant to art. 23v Sec. 2 of the Act of July 26, 1991 on personal income tax (consolidated text, Journal of Laws of 2021, item 1834, as amended) and in the notice of the minister competent for public finance issued pursuant to Art. 86a Sec. 10 of the Tax Ordinance.

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

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