

KRM Group - UK Tax strategy - 2017

KRM AG regards the publication of this tax strategy as complying with the duty under paragraph 16(2) of Schedule 19 of the Finance Act 2016 to publish the group tax strategy in the current financial year (2017).

Introduction

KRM AG is a part of the ECCO Group. The ECCO group was founded in 1963 by Karl Toosbuy. The headquarters of the ECCO group is located in the town of Bredebro in south-western Denmark. The headquarters of KRM AG is located in Switzerland.

The ECCO business model is rather unique within the shoe industry as ECCO owns and operates the entire value chain from “cow to customer”. The Group operates in most segments of the footwear market (Men, Women and Kids) and in selected segments of the sports shoe market (namely Golf, Outdoor and Walking).

Sale of ECCO products is conducted in 2,100 shops around the world and are handled by a mix of ECCO-owned subsidiaries, joint ventures and third party distributors. Sales are made through a mix of sales channels such as wholesale and retail.

In January 2009 ECCO Holding A/S established KRM AG (Karsprzak Retail Management) to assist ECCO on retail management. KRM’s focus is exclusively operating ECCO owned and operated stores in Europe.

In alignment with the ECCO Group strategy and as part of its brand execution, KRM works to provide consumers with the best shoes and the best service. This is done through a network of more than 300 fully owned stores, the ECCO online shop and offices in our active European markets. KRM AG is present in 24 European countries, and KRM (Great Britain) Limited has been operating in the UK since July 2010.

KRM follows ECCO’s code of conduct which includes that “ECCO will only achieve long-term business success by demonstrating good corporate citizenship...” This is seen through ECCO’s general approach to tax, which is 100 % commitment to tax compliance everywhere ECCO operates.

Risk management and governance arrangements

The management of the daily tax matters are administered by KRM Group Finance and Accounting team at KRM headquarters. Group Finance reports to the CFO, who together with the KRM Tax Committee is responsible for the tax strategy and management of the tax risks for the KRM group.

It is the responsibility of Group Finance to ensure that KRM is compliant in all tax matters, but also that KRM’s business is conducted in the most tax efficient manner. Group Finance seeks to be compliant to tax legislation by making sure that meets relevant deadlines in regards to payment and filing.

Tax planning

KRM’s objective is to be compliant with all relevant tax legislation. The overall approach is to support the commercial needs of the business in the most tax efficient manner, but at the same time be compliant with all relevant laws. The strategy is to pay the correct amount of tax, at the right time.

In regards to intercompany transactions between KRM and other related parties, KRM applies the guidelines provided by OECD (Organization for Economic Co-operation and Development) and UK legislation.

KRM is aware that all business decisions are affected by tax and tax risks. Consequently KRM seeks to make tax compliance a part of the decision making process, and hereby try to avoid any tax disputes or risks in the future.

Attitude towards risk

KRM is not involved in aggressive tax planning but rather takes a conservative approach. The company will choose the most tax efficient approach, but always in compliance with the relevant legislations.

KRM realizes that tax compliance is increasingly complex and therefore KRM tries to act in a proactive way to ensure that all taxes are paid and according to the legislation in the countries where KRM operates. The attitude towards tax risk is low and this is why KRM seeks to be compliant in all tax matters.

Working with HMRC

From ECCO's code of conduct: "No matter where in the world ECCO operates, this is done according to a set of principles which stipulate that we will behave in a correct and decent manner. This is our heritage as a Danish company." This statement also applies for KRM.

To meet this intent, KRM's focus is to provide HMRC with timely tax compliance. Also it is the objective of ECCO Group Tax to work with the HMRC in a transparent and honest way.

KRM wishes to work with the HMRC in a proactive way, to minimize the risk of disputes.