

Tax strategy of VR Group

Approved by the board of directors 21.12.2022

1 Introduction

The tax strategy of VR Group describes VR Group's approach to taxation and the main principles and guidelines which steer the tax management in VR Group.

VR Group seeks to achieve its long-term profitability goals ethically and responsibly. Responsibility is at the core of VR Group's business and an integral part of VR Group's strategy. The tax strategy of VR Group is guided by our responsibility promises and Code of Conduct.

The tax strategy and any change to it is approved by the Board of Directors of VR-Yhtymä Oyj, the parent company of VR Group.

2 Tax strategy in general

As a main principle, VR Group is committed to paying all the applicable taxes in the countries in which we operate, and to reporting the tax information to comply with the legal requirements, transparency objectives of VR Group, and the reporting instructions of the Finnish government for the state-owned companies.

The tax strategy applies to all VR Group employees, companies, and businesses.

3 Main principles of tax management

3.1 Tax policy

Purpose is to ensure high-quality management of tax matters in all operating countries and cooperate continuously and openly with the tax authorities. In addition, purpose is to continuously develop the management of tax matters.

3.2 Tax compliance

VR Group is committed to comply with all local tax laws and regulations, as well as the international standards, such as the OECD transfer pricing guidelines.

3.3 Tax planning

VR Group does not practice aggressive tax planning. VR Group does not use tax havens or similar low tax jurisdictions for tax planning purposes.

3.4 Business operations

All business transactions and structures are based on commercial rational and business reasoning. Tax aspects are considered in the business decisions. VR Group aims for predictable, flexible, and cost- and tax-efficient solutions.

3.5 Tax risk management

VR Group avoids tax risks by monitoring business processes and following new tax legislation. Purpose of tax risk management is to identify and mitigate tax risks, to create efficient and predictable business conditions, and to avoid any major tax-related disputes. VR Group requests preliminary rulings and other guidance from the tax authorities in significant questions, if there is uncertainty about the correct treatment in taxation. In addition, VR Group purchases services from external tax consultants in complex tax matters to comply with applicable legislation.

4 Roles and responsibilities in VR Group's tax management

The Chief Financial Officer (CFO) is responsible for VR Group's tax management and strategy. Tax Manager, who is in the CFO's organization, is responsible for the implementation of the tax strategy, as well as group-level supervision and guidance. Tax Manager ensures that practices supporting the tax matters are followed in all operating countries. In addition, Tax Manager is responsible for VR Group's transfer pricing model.

The tax function is centralized at the head office enabling consistent tax policies, strategies, and processes. The local finance teams, led by the local finance directors, are responsible for the day-to-day tax matters in accordance with the applicable legislation and group-level instructions.

Tax issues, such as tax strategy, legal processes and tax-related risks are followed on a regular basis by the Audit Committee of VR's Board of Directors.

5 Transparency and tax reporting

5.1 Transparency

VR Group is committed to manage tax matters transparently and appropriately. Communication with the tax authorities is open and proactive, which not only reduces tax risks but also increases predictability in business.

5.2 Tax reporting

VR Group publishes tax information as a part of the financial statements. The notes of the financial statements include more detailed information of the taxes in the income statement and the estimated amount of tax receivables and liabilities.

Tax footprint of VR Group is published annually as a part of the Corporate Responsibility Report. In addition, VR Group follows special tax reporting instructions prepared by the Finnish government for the state-owned companies.

6 Transfer pricing

6.1 Transfer pricing principles

VR Group's transfer pricing model is prepared in accordance with the local legislation and the OECD guidelines, and it is implemented in the same way in all operating countries. The transfer pricing principles are evaluated regularly so that the pricing of intra-group transactions is at arm's length level.