CAPRI

HOLDINGS LIMITED

GLOBAL TAX STRATEGY

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This Tax Strategy is published by Capri Holdings Limited, a company tax resident of the United Kingdom and the head of the Capri group of companies ("**Capri**" or the "**Company**") published on January 29, 2019. This Tax Strategy applies to all companies forming part of the Capri group (hereinafter referred to as the "**Group**" or the "**Capri Group**", "**we**" or "**our**"). The Tax Strategy requires strong governance and consideration of our reputation, while delivering value to shareholders. Michael Kors (UK) Ltd., Michael Kors (UK) Holdings Ltd., Michael Kors (UK) International Limited, Michael Kors (UK) Intermediate Ltd., Versace UK Plc, and Jimmy Choo Group Limited consider this publication as complying with their duty under paragraphs 19(2) and 22(2) (respectively) in Schedule 19 of the Finance Act 2016 for the financial year ending March 31, 2019.

Overview

Capri Holdings Limited is a global fashion luxury group, consisting of iconic brands that are industry leaders in design, style and craftsmanship. Its brands cover the full spectrum of fashion luxury categories including women's and men's accessories, footwear and ready-to-wear as well as wearable technology, watches, jewelry, eyewear and a full line of fragrance products. The company's goal is to continue to extend the global reach of its brands while ensuring that they maintain their independence and exclusive DNA. Capri Holdings Limited is publicly listed on the New York Stock Exchange under the ticker CPRI.

The Capri Group is committed to complying with tax laws in a responsible manner. Our business activities generate a substantial amount of taxes across the globe. We pay tax in accordance with all relevant laws and regulations in the countries in which we operate. This includes, amongst other taxes, corporate income tax and stamp duty, and we collect and pay, amongst others, employment taxes, customs and excise duties and value added tax ("**VAT**"). The taxes we pay and collect form a significant part of our economic contribution to the countries in which we operate, including the United Kingdom, Italy and the United States. In addition, transactions between entities within the Capri Group are conducted on an arm's- length basis and in accordance with the current Organization for Economic and Co-operation Development ("**OECD**") principles.

Our Global Tax Strategy

The Capri Group, giving consideration to our business activities and taking account of the prevailing regulatory environment, establishes entities in jurisdictions suitable to hold our overseas investments.

Corporate income tax is payable on the profits made by the companies in the Capri Group after allowable business expenses have been deducted, as permitted according to the tax laws in the relevant country. We pay the right tax on the profits we make, and in the countries where we create the value that generates those profits. Our tax strategy therefore requires that we must:

- Respect the tax laws applicable in each country, including not only the letter of the law but the underlying tax policy intent;
- Understand how and where the different companies in the Capri Group contribute to creating value, and ensure that the prices paid on transactions between companies in the Capri Group properly reflect where value is created (in other words, each entity operates at "arm's-length");
- Prepare all tax returns in the form specified in the local country and timely file those returns;

- Prepare and retain the documentation required by local tax laws and any other documentation which will be needed to answer questions (if any) raised by our tax auditors;

- Employ appropriately qualified and trained tax professionals, and where appropriate engage external advisors, each with the right levels of tax expertise and understanding of Capri's business;

- Work collaboratively, wherever possible, with tax authorities; and

- Endeavour to obtain certainty on all tax matters, firstly by ensuring that our transfer pricing policies are consistently applied across the Group and, secondly, where appropriate, by entering into Advance Pricing Agreements with the relevant country's tax authorities based on full disclosure of all relevant information.

Managing tax risk

The commercial needs of the Capri Group drive the business. As a global business, we are subject to taxation in each country in which we operate. The tax laws and regulations in these countries differ, and are often complex and subject to interpretation. Recent developments in the international political and tax arena, such as the OECD's Base Erosion Profit Shifting ("BEPS") initiative, increase the likelihood of changes to tax systems globally, creating added uncertainty in the countries in which we operate.

We consider that tax risk is ideally managed by the prevention of unnecessary disputes. We seek to minimize our tax risk and prevent unnecessary disputes by complying with our *Global Tax Policy* and by:

- Adopting technical tax positions that have a strong basis in the tax law;
- Providing clear explanations of those positions to the relevant tax authorities;
- Consulting with outside CPA firms and law firms on such tax positions;
- Preparing thorough documentation, particularly relating to facts, justifying such tax positions;
- Establishing and maintaining open and constructive relationships with tax authorities wherever possible; and
- Ensuring accurate and complete tax returns through strong compliance procedures.

The Tax Risk Framework below sets out the mitigating actions that all tax professionals working for the Capri Group are expected to take to manage and monitor key tax risks. There are 7 key risk areas covered by the tax risk framework – policy, organization, people, governance, risk management, compliance & documentation and reporting.

Framework	**Risk**	**Mitigating Action**
Policy	Transactions and behaviour not in line with our *Global Tax Policy*	Annual review of transactions with auditors and management to ensure transactions are performed in compliance with our *Global Tax Policy*
Organization	Absence of correct organizational structure to correctly implement our *Global Tax Strategy*	Organizational structure reviewed quarterly by the Group Chief Financial Officer ("CFO") and SVP, Tax and Risk Management and Treasurer "SVP Tax")
People	Insufficient tax skills and training	Regular educational and training seminars and webcasts for tax department
Governance	Insufficient controls in place to monitor decision making within the Capri Group	Identify, assess and manage tax risks, and account for them appropriately Report on a quarterly basis to the Capri Disclosure Committee on how tax risks are managed, monitored and assessed as well as improvements (if any) being made
Risk Management	Insufficient compliance procedures in place	Periodically the SVP Tax reviews the procedures in place to ensure all decisions are taken at the appropriate level and supported with documentation that evidences the facts, conclusions and risks involved - getting comfort from third parties where required
Compliance & Documentation	Failure to meet the statutory tax filing and disclosure obligations	Annual compliance calendar and tracker monitored weekly
Reporting	Tax positions not accurately reflected in reporting	Monthly review of tax positions and quarterly reviews of positions with management and external auditors

Transactional risk

As noted, the commercial needs of the Capri Group drive the business. This often results in a number and variety of transactions being undertaken with, and sometimes between, the Capri Group companies. Our tax professionals work with the business to provide clear and relevant advice on the tax consequences arising from any given transaction. In the event more than one legitimate option exists to achieve the same result, the most tax efficient option in compliance with local laws and regulations is recommended to the business.

In any transaction there may be uncertainty as to how the relevant tax laws and regulations will apply - and uncertainty may also arise from certain judgement calls made by the business – particularly in the more complex areas. The more unusual and less routine a transaction is, then generally, the greater the tax risks associated with it are likely to be. One-off, non-routine transactions, such as acquisitions/disposals of various Capri Group businesses or parts of a Capri Group business, or significant restructuring projects or reorganizations, will generally bear greater tax risks than our routine everyday business (for example, selling products and services).

Capri has well-designed procedures and systems in place for the processing of routine transactions. Moreover, our global tax department acts in accordance with our *Global Tax Policy* when engaging in any transaction. Examples of routine transactions include: preparation and review of the current and deferred taxes on the financial statements, preparation and review of corporate income tax returns, and preparation and review of financial statement disclosures.

For non-routine, one-off transactions, our global tax department is involved from the beginning to ensure that the Capri business is provided with clear and relevant tax advice on the consequences arising from the transaction and understands our strategy to avoid any unnecessary internal or external disputes.

For any material tax planning or transaction undertaken by the Group, we utilize the assistance of outside CPA firms and legal counsel. Additionally, no material tax planning or transaction should be entered into without external advisors providing a minimum of "more likely than not" opinion. This means that the Capri Group will only enter into a transaction where it is more than likely that a tax position will be sustained if it were to be examined and/or litigated based on the technical merits of the position. Plans or transactions that are above a certain materiality threshold level must also be approved by Capri's CEO and also by the Board of Directors of Capri (or the appropriate committee thereof).

Our global tax department is involved throughout the transaction, complying at all times with the *Global Tax Policy*, to ensure the transaction is correctly structured under the tax laws of the relevant jurisdiction(s) and any appropriate consents/approvals are obtained in advance from the local tax authorities. We keep accurate records and retain all documentation in relation to the transaction. All material transactions are undertaken with the assistance of external advisors and are reviewed extensively by our external auditors.

Operational risk

Operational risk concerns the underlying risks that stem from the tax laws, regulations and decisions around the world to the routine everyday business operations of a company or, in our case, the Capri Group. Different types of operations will have different levels of tax risk associated with them.

Given the global presence of the Capri Group and the current tax reforms taking place around the globe, Capri seeks to ensure that there is consistent communication between the various stakeholders within our businesses. For example, regular calls are scheduled between all Capri key business heads and finance groups and our tax department to ensure the tax team is abreast of all key Capri initiatives. Our tax team is well positioned and has the right processes in place to ensure that the Capri Group complies with the local tax laws and regulations in the countries where we operate, including new laws driven by the OECD's BEPS initiative.

Compliance risk

Capri complies with all tax laws, regulations and disclosure requirements in all countries in which we operate. This requires that:

- Capri, in accordance with local laws, submits all tax returns by their due dates. Where necessary, third party assistance is used to complete the necessary filings ;
- Where a material position is taken in a tax return, this position is supported with documentation and legal interpretation. To this end, it is strongly recommended that clear documentation of facts and circumstances surrounding a material transaction are recorded at the time of the event;
- The tax department keeps apprised of, and monitors, changes in tax law and practice relevant to the Capri Group, with the aim of mitigating any adverse impact to a company within the Capri Group. The department also undertakes regular training in order to assess any consequences of changes in tax law/practice for the Capri Group; and
- The tax department manages its compliance affairs to minimize the risk of any adverse publicity.

Key Stakeholders

Tax Department responsibilities and organization

Capri’s tax department forms part of the Capri Group Finance function. The Finance department, reports to the CFO. Our SVP Tax leads a global team with specific geographic and technical responsibilities.

The tax department is organized on a centralized basis, which ensures that we have consistent tax policies, strategies and processes in place for the team to follow, and that we can invest in the team’s continuing professional development. Our tax department must act in compliance with the *Global Tax Policy*. As outlined throughout this strategy, advice is sought from external advisors on material transactions and whenever the necessary expertise is not available in-house.

CEO/CFO

The SVP Tax reports to the CFO. They meet regularly to discuss current matters and all tax initiatives. Once a quarter, they undertake a thorough review of the tax function. All material, non-routine tax transactions are approved first by the CFO and then by the CEO before being presented to the Board of Directors of Capri (or the appropriate committee thereof).

The Board of Directors of Capri

The Board of Directors are responsible for overseeing management’s overall approach to risk management (including tax risk). The Board has an active role, as a whole and also at the committee level, in overseeing management of our risks to ensure our risk management policies are consistent with our corporate strategy.

The Board regularly reviews the major strategic, operational, financial and legal risks facing the Capri Group as well as potential options for mitigating these risks. The Board has delegated to its committees responsibilities for elements of the Company's risk management program that relate specifically to matters within the scope of such committee's duties and responsibilities. The Audit Committee is responsible for the oversight of accounting, auditing and financial related risks.

As outlined throughout this strategy, the Capri Group has robust internal policies, processes, and training and compliance programs to ensure we have alignment across our business and meet our tax obligations. The Board of Directors of Capri (or the appropriate committee thereof) are ultimately responsible for setting and approving the Capri Group tax strategy, policies and risk management. Where the Capri Group is considering entering into a material transaction, final approval from the Board of Directors (or the appropriate committee thereof) is required before proceeding.

The SVP Tax meets with the Board of Directors of Capri (or the appropriate committee thereof) at least annually to provide updates on the global tax landscape at Capri, any pending legislation that may impact the Capri Group and any on-going audits,and to advise the Board of Directors of Capri (or the appropriate committee thereof) of any risks that may impact the Capri Group (e.g. due to changes in law).

In determining the level of tax risk the Capri Group is willing to take in a given year, the Board of Directors of Capri (or appropriate committee thereof) considers the reputational risk of proposed and expected transactions within the Capri Group to avoid any negative impact on shareholder value. The Capri Group's appetite for risk is governed by its "more likely than not" principle. Consistency and transparency in applying this level of risk tolerance across the Capri Group is essential. All members of the Capri Group tax department should, at a minimum, meet this level of risk tolerance when making any tax-related decision, and act proactively ensure and continually improve Capri's tax risk decision-making.

Tax Planning

We may engage in tax planning to structure our operations in a tax efficient manner. Our tax planning is driven by our business goals and commercial objectives and ensuring that, in meeting these goals and objectives, the taxes paid reflect the functions performed (i.e. is grounded in commercial and economic reality), assets held and risks undertaken by the entities resident in each jurisdiction. Careful deliberation will be given to the Group's reputation, brand, corporate and social responsibilities when considering tax initiatives, as well as the applicable legal and fiduciary duties of directors and employees of the Group and will form part of the overall decision-making and risk assessment process.

The Capri Group does not act to meet a business goal or commercial objective if it were to outweigh our tax compliance obligations. In other words, compliance with the law will always prevail. We are committed to paying all the taxes that we owe in accordance with the letter and spirit of all tax laws that apply to our operations. As noted above, to the extent there is more than one legitimate option to meet a business goal or objective, our tax department generally recommends to proceed with the most tax efficient option.

As detailed throughout our tax strategy, we pay the appropriate amount of tax on the profits we make, and in the countries where we create the value that generates those profits. We aim to do this by ensuring that we report our tax affairs in ways that reflect the economic reality of the transactions we actually undertake in the course of our trade. We base our transfer pricing policy on the arm's-length principle in line with current OECD guidelines and support our transfer prices with robust economic analysis and reports.

Our tax returns will be prepared in compliance with our *Global Tax Policy* and we seek to provide all information that users, including HM Revenue & Customs ("**HMRC**"), might need to properly appraise our tax position. We annually review each Capri Group entity's tax return with our outside accountants to ensure that it correctly reflects our current position and is in compliance with the law.

Relationships with tax authorities

The global tax department is committed to working in a collaborative, transparent and proactive way with HMRC and other tax authorities at all times to minimize the risk of challenge and dispute. The Group avoids unnecessary time-consuming disputes where possible.

The Group acknowledges that tax law is not always clear and ensuring our actions are correct often requires careful judgement. The Group uses its best endeavors to make fair judgements and be complete and compliant on all taxation matters. The Group is in regular dialogue with relevant tax authorities (including, in the UK, its UK Customer Compliance Manager at HMRC) to discuss areas of tax and seek advice in areas of doubt. The Group aims to meet annually with its Customer Compliance Manager, as well as other tax authorities as appropriate, to provide a business update and discuss tax risks and issues.

In the event of a tax enquiry, the Group works to provide accurate, complete and timely information to assist in their investigations and resolve errors or inconsistencies immediately. The Group adopts the same approach with all tax authorities in the jurisdictions in which it operates.