MICHAEL KORS HOLDINGS LIMITED
GLOBAL TAX STRATEGY
PUBLICATION DATE (February 13, 2018)

This Tax Strategy is published by Michael Kors Holdings Limited, a company tax resident of the United Kingdom and the head of the Michael Kors group of companies ("**MKHL**" or the "**Company**") on published February 13, 2018. This Tax Strategy applies to all companies forming part of the Michael Kors group (hereinafter referred to as the "**Group**" or the "**MK Group**", "**we**" or "**our**". The Tax Strategy requires strong governance and consideration of our reputation, while delivering value to shareholders. Michael Kors (UK) Holdings Ltd. and Michael Kors (UK) Intermediate Ltd. 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, 2018.

Overview

Founded in 1981 by the American fashion designer Mr. Michael Kors, the MK Group is a global luxury fashion brand that designs, manufactures and retails a wide range of luxury designer accessories, footwear and ready-to-wear products. MKHL is traded on the New York Stock Exchange under the ticker symbol "KORS".

The Group has a global retail business presence in over 100 countries, with just over a quarter located in Europe. The Group mainly operates in North America, Europe and Asia.

The MK 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 and the United States. In addition, transactions between entities within the MK 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 MK 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 MK 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 MK Group contribute to creating value, and ensure that the prices paid on transactions between companies in the MK 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 MKs' business;

- Work collaboratively, wherever possible, with tax authorities;

- 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 MK 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
- 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 MK Group 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 Vice President of Global Tax (‘VP 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 MK Group	Identify, assess and manage tax risks, and account for them appropriately. Report on a quarterly basis to the MK Disclosure Committee on how tax risks are managed, monitored and assured and on improvements (if any) being made.
Risk Management	Insufficient compliance procedures in place	Periodically the VP 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 MK Group drive the business. This often results in a number and variety of transactions being undertaken with, and sometimes between, the MK 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 MK Group businesses or parts of an MK 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).

MK 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: the 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 MK 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.

Any material tax planning or transaction undertaken by the Group seeks 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 MK 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 MKHL’s CEO and also by the Board of Directors of MKHL (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 extensively by our external auditors.

UK Entities

MK UK Intermediate and MK UK Holdings are both holding companies and do not encounter much transactional risk.

MK UK has minimal transactional risk. In the past, MK UK has been included in a mixture of routine and non-routine transactions both within the MK Group and with third parties. Where appropriate, we worked with third party external advisors to obtain formal opinions, and ensure the entirety of the transaction was properly documented and described to the key stakeholders.

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 MK Group. Different types of operations will have different levels of tax risk associated with them.

Given the global presence of the MK Group and the current tax reforms taking place around the globe, MK seeks to ensure that there is consistent communication between the various stakeholders within our business. For example, regular calls are scheduled between all MK regional business heads and finance groups and our tax department to ensure the tax team is abreast of all key MK initiatives. Our tax team is well positioned and has the right processes in place to ensure the MK 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

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

- MK, 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 MK Group, with the aim of mitigating any adverse impact to a company within the MK Group. The department also undertakes regular training in order to assess any consequences of changes in tax law/practice for the MK Group

- The tax department manages its compliance affairs to minimize the risk of any adverse publicity

Key Stakeholders

- Tax Department responsibilities and organization

MKs' tax department forms part of the MK Group Finance function. The Finance department, reports to the CFO. Our VP Tax leads a global team with specific geographic and technical responsibilities.

The tax department is organized on a centralized basis which ensures we have consistent tax policies, strategies and processes in place for the team to follow, and 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 VP 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 MKHL (or the appropriate committee thereof).

- The Board of Directors of MKHL

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 MK 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 MK 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 MKHL (or the appropriate committee thereof) are ultimately responsible for setting and approving the MK Group tax strategy, policies and risk management. Where the MK Group is considering entering into a material transaction, final approval from the Audit Committee is required before proceeding.

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

In determining the level of tax risk the MK Group is willing to take in a given year, the Board of Directors of MKHL (or appropriate committee thereof) considers the reputational risk of proposed and expected transactions within the MK Group to avoid any negative impact on shareholder value. The MK 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 MK Group is essential. All members of the MK 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 MK'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 MK 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.

The MK Group does not use so-called 'tax havens' in its business, nor will it undertake specific transactions with the sole or main aim of securing tax advantages that would otherwise not be available to it based on the reality of the business that it undertakes. We do not condone either personal or corporate tax evasion under any circumstances.

Our tax returns will be prepared in compliance with our *Global Tax Policy* and will seek to provide all information that users, including HM Revenue & Customs ("**HMRC**"), might need to properly appraise our tax position. We annually review each MK 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

Our global tax department pro-actively manages our relationships with all tax authorities we interact with and aims to be open and transparent with such authorities regarding all matters and to have a professional, courteous and constructive relationship with them. We aim, by being open and transparent, to minimize the risk of challenge, dispute or damage to MK's credibility arising when tax matters are inadvertently incorrect.

Where disputes arise with a tax authority (such as HMRC in the United Kingdom and the Internal Revenue Service in the United States), in areas of doubt or where legal interpretations differ, we endeavor to tackle the matter promptly and resolve it in a responsible, transparent and timely manner.

We have currently engaged in open discussions with the HMRC as part of the UK Invest program and are seeking certainty with respect to our transfer pricing in the UK.