



## Tax Strategy – December 2017

### Introduction

This document, approved by senior management of the Klöckner Pentaplast (kp) group, sets out kp's approach to managing its tax affairs and dealing with tax risks. Tax, including international tax issues, is an essential issue for the kp group and its various stakeholders.

This strategy document is made publically available to all of kp's stakeholders and other interested parties through publication via kp's internet site. It will be reviewed annually with any subsequent amendments being approved by kp's senior management.

The kp group has implemented a number of processes and controls to ensure that:

- a) The tax strategy is followed by the business with clear lines of responsibility and accountability.
- b) The tax strategy is aligned to kp's overall approach to corporate governance and risk management.
- c) The kp group pays the right amount of tax at the right time to the relevant Tax Authorities.
- d) The kp group has a professional and constructive relationship with the relevant Tax Authorities based on collaboration, transparency and mutual trust.

### kp Tax Policy

kp is committed to conducting its tax affairs in line with the following principles:

#### ***Compliance with tax laws***

kp observes, complies and acts in accordance with all applicable tax laws, including relevant international standards such as the OECD guidelines, regulations, reporting and disclosure requirements for all transactions which it undertakes.

The kp group employs tax professionals with the necessary skills and experience to partner with the business to provide advice, guidance and training to ensure that the group meets its tax obligations and to provide assurance to the relevant Tax Authorities that the kp group has the capacity to fulfil its taxation obligations.



### ***Tax governance & risk management***

Responsibility and accountability for the kp group's tax affairs ultimately rests with the Chief Executive Officer and Chief Financial Officer, although day-to-day tax matters are delegated via the Director Treasury to the kp tax team and Tax Responsible Persons as defined in the Tax Policy. The Managing Directors of each legal entity belonging to the kp group are responsible for the accuracy of tax filings and payment.

A number of risk management processes and controls are employed to manage and mitigate tax risks in a timely, diligent and professional manner as follows:

- The group has defined corporate structures in place setting out the Boards, Directors, committees and/or employees who have responsibility and accountability for business decisions to ensure that such decisions are taken at an appropriate level.
- Written Standard Operating Procedures (SOP) set out the policies, processes and controls which must be adhered to by all members of the kp group for undertaking, accounting for and reporting all transactions.
- Related party transactions must be carried out in line with the arm's length principle and adhere to kp's Transfer Pricing policy.
- The tax status of the kp group is reviewed and reported on regularly as part of the business of regular Board meetings, chaired by kp's Chairman.
- A Tax Compliance Register is maintained and reviews of tax compliance activity across the kp group are undertaken to ensure that all necessary filings and payments are made on time to all relevant Tax Authorities.

The management of the tax affairs of the kp group is complicated due it being subject to direct and indirect taxes (and related tax obligations) in a number of different jurisdictions. Consequently, there will be circumstances where the tax law is subject to interpretation and the value of tax due in any given territory is not clearly defined, or where alternative approaches result in different tax outcomes leading to the creation of potential tax risks. The factors taken into account in assessing the tax risks include:

- the legal & fiduciary duties of directors and employees;
- the requirements of kp's internal corporate policies;



- the potential impact on the reputation of the kp group; and
- the tax benefits compared to any potential financial and reputational costs including any risk of penalties and/or interest being imposed by any Tax Authority.

Where there is uncertainty relating to the application, interpretation or spirit of tax law, the kp group employs professional care and judgement to determine how to manage those risks. This includes documenting any facts, legal interpretations and conclusions and where it is deemed appropriate, specialist external tax advice is sought from accounting firms and law firms. External advice is also sought by the kp group to support its decision making process where it does not consider that it has the necessary expert knowledge to assess the tax consequences of a particular transaction.

### ***Tax Planning***

kp's tax planning is undertaken solely to support the commercial objectives of the business by ensuring that each operating company's transactions are carried out in a tax efficient manner whilst remaining compliant at all times with all applicable tax laws.

Examples of such tax planning include seeking to utilise tax incentives and tax reliefs to minimise the tax costs of conducting its business. As a result, kp's group profits are generated and taxed where there is commercial substance and where value is created.

kp does not enter into the following:

- transactions which are 'abnormal' or contrived which are intended for tax avoidance, have no commercial substance and contradict the original spirit of any relevant tax laws; or
- artificial tax avoidance schemes or 'tax havens' for tax avoidance purposes to reduce any tax liabilities.

### ***Relationship with the Tax Authorities***

An important part of kp's group tax strategy and policies is the maintenance and development of a strong, proactive working relationship with the Tax Authorities in each of the jurisdictions in which kp operates. For example, the kp group takes into account the draft Framework for Co-Operative Compliance in the UK and is committed to:



- Maintaining its approach of seeking to be rated as 'low risk' by the Tax authorities;
- Be open and transparent about decision making, governance and tax planning;
- Interpret the relevant laws in a reasonable way and ensure transactions are structured consistently;
- Make fair, accurate and timely disclosure in correspondence and returns, and respond to queries and information requests in a timely fashion;
- Undertake that any transactions are structured to give a tax result which is not inconsistent with the economic consequences (unless specific legislation exists which leads to that result) nor is contrary to the intentions of the country enacting the law;
- Seek to resolve issues with the relevant Tax Authorities in a timely manner and where disagreements arise, work with such Tax Authorities to resolve issues by agreement where possible; and
- Ensure that all interactions with any Tax Authority are conducted in an open, transparent, collaborative and professional manner.