

# **AMG Policy on Taxes**

**Advanced Metallurgical Group N.V.**

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# AMG Policy on Taxes

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## Glossary

Certain terms / abbreviations which are not defined in the following document are defined in the table below.

Tax Function	The Tax Function comprises of all individuals dealing with tax within AMG (i.e. individuals within the business, Finance, Corporate Accounting, Global Tax Team, led by the Global Tax Director).
AMG Code of Business Conduct	Code of Business Conduct contains the policies that relate to the ethical and legal obligations of conduct that the directors, officers and employees of AMG Advanced Metallurgical Group N.V. and its subsidiaries ("AMG") are expected to comply with while carrying out their duties and responsibilities on behalf of the Company.
OECD	'Organization for Economic Cooperation and Development - OECD'. A group of 34 member countries that discuss and develop economic and social policy.
IFRS	'International Financial Reporting Standards - IFRS'. A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.
GAAP	'Generally Accepted Accounting Principles - GAAP'. The common set of accounting principles, standards and procedures that companies use to compile their financial statements. GAAP are a combination of authoritative standards (set by policy boards) and simply the commonly accepted ways of recording and reporting accounting information.
Tax Risk	A potential event, which might have an adverse effect on the tax goals of an organization. This also includes a missed opportunity.
Tax Filing(s)	Any tax return, claim, election, instalment payment calculation or other submission of documentation to a Tax Authority.

# **AMG Policy on Taxes**

## **1. Introduction**

AMG has decided to publish its integrated, global Tax Policy so that all AMG internal and external stakeholders can understand how AMG manages its tax affairs across its global operations. This Policy was endorsed by the AMG Supervisory Board on August 2<sup>nd</sup>, 2017.

This Policy extends across many taxes; corporate income tax on profits, sales and use taxes (including value added tax (VAT)), withholding taxes, capital taxes, property and customs – import and export, excise duties, together with any interest and any penalties, additions to tax or additional amounts imposed by any Government Authority or Tax Authority.

The laws applying to those taxes and duties vary by country, and the regulating authorities in those countries rely on the companies that conduct business in them to properly assess which taxes and duties apply to their products and services and comply with the applicable Tax Authority requirements.

### *Goal*

AMG Advanced Metallurgical Group NV and its subsidiaries (here collectively referred to as “AMG”) aims to be a strongly committed member of the communities within which it operates, will be a good corporate citizen acting at all times with honesty and integrity in all its dealings and sees tax as one of the important elements of its corporate social responsibilities. AMG aims to have positive relationships with all its key internal and external stakeholders (including Tax Authorities) and to manage its tax affairs efficiently, effectively and with integrity.

### *Scope*

This policy applies worldwide to all employees (including officers and directors) of AMG and shall be communicated to all business associates (e.g., joint venture partners, agents, brokers, logistics providers, customers, and suppliers) on an as-needed basis. The AMG employees responsible for paying the duties and taxes that apply to a given transaction are to make good faith efforts to ensure that AMG personnel have properly evaluated and documented AMG transactions as required by this policy, and to ensure that all required payments are made.

## **2. Tax function objectives**

The tax function of AMG is responsible for operating as a truly global group composed of motivated and skilled members with objectives that are mandated by the Supervisory Board of AMG, supervised, reviewed and monitored by AMG’s Audit and Risk Committee.

The first objective is the pursuit of compliance with all applicable tax laws and regulations. It is the policy of AMG that each operating company exercise care and prudence in complying with the filing and payment requirements of their taxing jurisdictions. It is against AMG policy to (i) file a false or fraudulent tax return; (ii) to wilfully attempt to evade an applicable tax or duty; or (iii) to fail to file a tax return.

AMG’s tax, legal and compliance staff know how to deal with potential tax dilemmas in line with AMG’s Policy on Taxes. AMG’s Policy on Taxes are applicable to AMG staff worldwide. If the aforementioned staff members need to manage tax affairs, they must act with integrity and adhere to AMG’s Policy on Taxes. In this regard AMG provides guidance on how to deal with these topics and trains its staff to keep them up to date with the necessary knowhow and information, so they can make decisions that are in line with AMG’s Policy on Taxes.

Consistent with AMG's Corporate Financial Policies -- including but not limited to the Controllershship and Financial Reporting, and Travel and Entertainment Sections -- it is also AMG's policy to accurately reflect all transactions on AMG's books and records. As such it is important to enforce tax policies and standards and have an accurate tax accounting and reporting of appropriate provisions. Lastly, a comprehensive approach to control and risk management is required.

### **3. Embedding Tax in the business**

To achieve AMG's tax function objectives, the AMG tax function is well integrated with the business to ensure that the implications of tax on all major decisions are well understood and taken into account. Preferably the tax impact should not only be well understood, but also optimised within the priorities set by the business agenda. AMG strongly believes that local business operations drive our decision making, and these decisions should not be driven by tax considerations. As such, AMG believes that they should declare profits and pay taxes where AMG's economic activity occurs.

### **4. Compliance**

AMG's Policy on Taxes stipulates the following with respect to compliance:

- AMG complies with all its statutory obligations;
- AMG pays its taxes which are due in time;
- AMG builds on a good, honest and open working relationship with Tax Authorities;
- AMG will disclose information if and when legitimately required by the Tax Authorities. This includes information necessary to properly understand entries in a tax return and information specifically requested during tax audit enquiries;
- AMG will be able to provide evidence that tax positions adopted are sustainable in the event of challenge by a Tax Authority.

### **5. Accounting & Reporting**

AMG's Policy on Taxes stipulates the following with respect to tax accounting & reporting:

- The consolidated financial statements of AMG have been prepared in accordance with IFRS. Local statutory accounts are reported in line with local GAAP;
- AMG meets all global tax reporting deadlines in a controlled way;
- Financial information provided as part of tax reporting documentation is accurate, and reconciles to financial statements, transfer pricing documentation, invoices and other relevant sources;
- Potential tax risks related to group and statutory reporting matters are identified (before any threshold), analysed and monitored until completion as part of the continuing tax accounting & reporting process and integrated into AMG's comprehensive Risk Management System which is monitored by the Audit and Risk Committee of AMG's Supervisory board.

## **6. Planning**

AMG's Policy on Taxes stipulates the following with respect to planning:

- Tax planning at AMG will at all times be consistent with the AMG Values and codes of conduct as embedded in the AMG Code of Business Conduct, and with the OECD Guidelines for Multinational Enterprises. Tax planning must also be aligned with AMG's business strategy and business operations;
- Any significant implications of tax on all business decisions must be understood and taken into account;
- Potential significant tax risks that arise from either AMG's business operations or from transactions that relate to AMG's legal structure will be documented as feasible. These risks will be monitored and reported within AMG's Risk Management System as noted above.

Substantial tax planning should be initiated and managed by the Global Tax Team and is supervised by the Audit and Risk Committee. Local entities are not permitted to undertake significant tax planning without the full involvement of the Global Tax Team.

## **7. Transfer Pricing**

AMG believes that it is necessary to trade with related parties at arm's length basis.

The arm's length principle provides the closest approximation of the workings of the open market in cases where goods, products and services are transferred between two associated enterprises. The application of the arm's length principle within AMG is based on a comparison of the conditions in a controlled transaction with the conditions in transactions between independent enterprises.

A review of the relevant documentation is undertaken annually within each AMG Group affiliate. This documentation is constructed to comply with the transfer pricing guidelines outlined by the OECD.

## **8. Base Erosion and Profit Shifting (BEPS)**

Base Erosion and Profit Shifting refers to tax avoidance strategies that exploit gaps and mismatches in tax rules that artificially shift profits to low or no-tax locations. In particular, the OECD has published the Country-by-Country ('CbC') Report to guide multi-national corporations on transfer pricing. AMG is well aware of the current developments on CbC reporting and has already implemented the first CbC reporting objectives to fulfil the CbC reporting obligation. AMG CbC reporting is implemented based on local rules and regulations in the applicable taxing jurisdictions

## **9. Risk management**

Overall AMG has a risk adverse approach regarding potential tax risks. This means that tax related risks are acceptable relative to the associated value or financial return and that, where available, further risk reduction measures are taken in relation to significant risks where appropriate. Tax risk can be described (not exhaustively) as follows:

- Financial loss in the form of increased tax costs, interest and penalties;
- Suboptimal commercial outcomes due to missed opportunities to structure arrangements in an efficient manner; and
- Restricted ability to achieve goals due to damaged reputation and relationships with stakeholders (e.g. tax authorities).

Within AMG two key drivers of tax risk have been identified:

- Judgemental – relates to understanding and interpretation of tax law and manifests itself as tax planning and advisory risk; and
- Operational – relates to the processes, people and systems in place to manage tax risk and manifests itself as tax compliance risk.

In adopting this approach, and within its key aim of strong corporate citizenship, AMG explicitly accepts tax related risk where it is appropriately mitigated and proactively monitored.

#### *Identification*

Risk assessments should be undertaken periodically at a Group level by the Global Tax Team and at a jurisdictional level by local CFO's with tax responsibility as appropriate. These assessments should follow the approach set out in the Corporate Financial Policy Manual.

#### *Evaluation*

Risks should be scored according to the likelihood and significance that they will crystallise. Where the score exceeds the threshold of USD 100,000, risks are recorded in the Risk Report with an owner, mitigation, residual risk and current status.

#### *Control*

Where risks exceed the above mentioned threshold, consideration should be given to further actions that could be taken or increased controls to mitigate the residual risk. Such actions would typically be: external advice (or second opinion) to support the position; Tax Authority clearance/rulings (where possible); and enhanced documentation/monitoring of the situation.

#### *Monitoring*

Risks should be actively monitored and items exceeding the above mentioned threshold should be reported to the Supervisory Board and monitored by the Audit Committee and Risk Management Committee on a quarterly basis.

### **10. Audits & Enquiries**

AMG participates in a cooperative compliance programme with the Dutch Tax Authority ('Horizontal Monitoring'). In this regard AMG and the Dutch Tax Authority enter into consultation with each other on relevant topics. This ensures transparency to the Dutch tax authorities and is also in line with the strategy to act in line with the spirit of the law.

Local Finance departments or Local CFO's becoming aware of a Tax Authority commencing an audit or enquiry must inform the Global Tax Team. Full responses will be made to all Tax Authority queries/communications by the date requested by the Tax Authority. Where the communication relates to an assessment, adjustment following an enquiry/audit or tax payments, the deadline for response will be set at the date requested by the Tax Authority. Full responses to Tax Authority queries, together with supporting documentation, is provided to the Global Tax Team.

### **11. People and Organization**

The Global Tax Team will comprise qualified tax professionals with relevant international tax experience and uses outside resources provided by first class consultants and advisers as and when appropriate. Currently, AMG is advised in global tax matters by Deloitte as well as local tax advisors and audited by KPMG.

AMG clearly communicates its Key Performance Indicators to achieve a high degree of accountability and professionalism. AMG will ensure that staff within the tax function maintains an appropriate level of professional knowledge by providing access to training and other development opportunities. Knowledge of the organization and its businesses will be developed through regular visits to the business areas. The tax function works closely with HR to attract and develop staff and has a focussed recruitment strategy to obtain most qualified resources.

AMG is committed to the value of its stakeholders and other stakeholders and takes their view seriously. In this regard feedback from stakeholders on AMG's tax strategy is consistently sought and acted on.

## **12. Implementation**

AMG's Policy on Taxes is to be immediately implemented and executed within the framework of the existing compliance programs and must be monitored continuously.

AMG's Policy on Taxes has been adopted by the Management Board of AMG, and formally endorsed by the Supervisory Board and Audit and Risk Committee on August 2<sup>nd</sup>, 2017. This Policy will be subject to annual review.

DATE: The 2<sup>nd</sup> of August, 2017