

Tax Risk Management Policy

2018

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Approved by	Management Board BayWa Agri Supply & Trade
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SECTION 1 – INTRODUCTION

CONTEXT

The BayWa Group is a group of companies with worldwide operations in the core competencies of trading, logistics and supplementary services in its core segments of agriculture, energy, and building materials. BayWa AG is the ultimate parent company of the BayWa Group and was founded in 1923 and has its head office in Munich, Germany¹. The BayWa Group's international activities focus on Europe as well as on the US and New Zealand.

The BayWa Agri Supply & Trade business unit (BAST) refers to a group of companies under a common management structure in the agriculture segment of the BayWa Group. Under the agriculture segment, BAST is engaged in the business of trading & supply chain management in agricultural commodities.

The business segments of the BayWa Group operate largely independently. The management function of BAST and associated supporting functions are grouped in the main business unit's holding company named BayWa Agri Supply & Trade B.V. (BAST BV) established in Rotterdam, the Netherlands. As one of the associated supporting functions the business unit's Group Tax department is also operated out of BAST BV.

The tax function of BAST consists of a core tax function and a support tax function. The core tax function consists of the Group Tax department (BAST Head of Tax) together with a dedicated indirect tax team for the Rotterdam based entities incorporated within the Dutch established subsidiary of BAST BV named Cefetra B.V. The support tax function consists of everybody in BAST who is not reporting in a direct line to the core tax function, but yet has a role in managing tax affairs of the (local) business (e.g. Finance Directors (FD's), controllers, operations, payroll, Human Resources (HR), etc.).

The tax function's objectives should be supportive to the overarching business objectives and vision and mission. Therefore, the three core objectives of the BAST tax function have been determined as to:

- create, protect and optimize value in the context of the organization's business objectives;
- manage a wide range of tax related risks from carrying on business; and
- ensure compliance with tax laws and reporting requirements.

¹ For further guidance see the transfer pricing master file of BayWa Agri Supply & Trade B.V. (currently known as BAST BV)

BAST and its management have set clear indications on how its tone at the top is towards tax risk management and relations with the tax authorities. BAST BV in which the management is established, for itself and all its Dutch established direct and indirect shareholdings (BAST NL), has concluded with the Netherlands Tax and Customs Administration (NTCA) an individual covenant on Horizontaal Toezicht (an agreement on cooperative compliance). As a basic principle under the agreement BAST NL and the NTCA base their relationship on trust, understanding and transparency. Under this agreement BAST NL has committed itself to the NTCA to:

- provide a system of internal control, internal audit and external audit aimed at preparing and filing acceptable tax returns²
- ensure timely payment of tax debts;
- submit its view, taken or to be taken, on relevant (fiscal) matters to the NTCA as soon as possible. This applies to matters on which a difference of opinion may rise with the NTCA, for instance on a different interpretation of facts or matters of law. BAST NL actively provides the NTCA insight into all relevant facts and circumstances, its view and its interpretation of the relevant legal consequences thereof;
- promote real time processing. Tax returns and declarations will be filed as soon as possible after the end of the tax period. Any information requested by the NTCA will be provided as soon as possible, in full and unambiguously.

BAST NL and the NTCA have found solutions for or agreed on issues relating to fiscal and other relevant matters from the past, known at the moment of signing the covenant to BAST NL and the NTCA, in accordance with legislation and regulations, or have agreed on procedural arrangements.

PURPOSE

In light of the objectives of the tax function this Tax Risk Management Policy addresses the management of tax risks arising within BAST³. Its primary purpose is to set out the framework for management of these risks and to define the requirements that need to be implemented within the core and supportive tax function. This to ensure that the risks associated with taxation are fully identified and evaluated.

SCOPE

This Tax Risk Management Policy is applicable to all BAST entities and joint ventures with an interest of more than 50% or under BAST management control.

² According to the agreement an acceptable tax return conforms to legislation and regulations and contains no material misstatements.

³ The OECD (OECD (2011), OECD Guidelines for Multinational Enterprises, OECD Publishing) states that corporate boards should adopt tax risk management strategies to ensure that the financial, regulatory and reputational risks associated with taxation are fully identified and evaluated.

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SECTION 2 – POLICY

PRINCIPLES

This Tax Risk Management Policy is committed to and guided by the principles of:

- avoidance of unnecessary tax disputes;
- decision making on a “more likely than not” basis
- the principle as disclosed in the Tax Code of ethics and conduct

1. Avoidance of unnecessary tax disputes:

BAST believes its obligation is to pay the amount of tax legally due in any territory, in accordance with the rules set out by governments. Nevertheless, in certain aspects of tax law there can be ambiguity about the application of rules which can lead to differing interpretations by taxpayers and tax authorities and which result in tax disputes.

BAST aims to prevent unnecessary tax disputes, however it recognises that, in order to achieve its key objective, creating, protecting and optimizing value in the context of the organization's business, disputes are sometimes unavoidable.

BAST aims to prevent unnecessary disputes by:

- having strong technical tax positions;
- clearly explaining those positions;
- documenting the facts and circumstances;
- establishing good working relationships with tax authorities on a basis of trust, understanding and transparency;
- submitting its view, taken or to be taken, on relevant (fiscal) matters to the local tax authorities as soon as possible; and
- implementing strong procedures to ensure compliant tax returns⁴.

When addressing tax risk, the following factors should be considered:

- the impact on the wider BayWa Group’s reputation and brand;
- the impact on the wider BayWa Group’s relationships with governments and authorities;
- the consequence of disagreements with tax authorities over the application of laws and regulations; and
- the benefit of certainty in respect of uncertain or disputed tax positions.

⁴ In accordance with international standards (OECD (2016), Co-operative Tax Compliance: Building Better Tax Control Frameworks, OECD Publishing, Paris.) the BAST interpretation of the objective of tax compliance is the act or fact of timely filing of complete and correct tax returns and timely and complete settlement of tax debts.

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2. Risk appetite:

Under its covenant of Horizontaal Toezicht the management of BAST has indicated its aversity to taking tax risks. Its objective is to comply with tax laws and regulations and to not explore the boundaries of tax planning⁵; Its strategy is not focused on aggressive tax planning. Taxation should follow the business rational and legal structuring is always primarily based on economic functionality.

However, the commercial needs of BAST are paramount and the tax function needs to work with the business as an equal partner in providing clear, timely and relevant business focused advice across all aspects of tax. Where alternative routes exist to achieve the same commercial results the most tax efficient approach in compliance with all relevant laws should be recommended.

BAST follows the “more likely than not” principle for making decisions on tax matters. Although there may be materiality considerations, the core and supportive tax function should use this principle in their day to day roles to guide their decision making. For example, when concluding on the tax treatment of a transaction, BAST should not undertake it unless it is at least more likely than not that the proposed treatment would stand up to examination by tax authorities. This principle can be applied to different types of decisions.

3. Tax Code of ethics and conduct:

Further, the decisions and actions following from this Tax Risk Management Policy are subject to the BAST Tax Code of Ethics and Conduct (The Code) which form an integral part thereof.

The Code hereunder applies to everyone being part of the core and support tax function of BAST. It endeavours to guide the role of tax professionals within BAST, their key responsibilities, their professional conduct and their approach to working relationships with external parties. BAST believes its obligation is to pay the amount of tax legally due in any territory, in accordance with rules set by governments. In so doing it is not able to determine the “fair” amount of tax to pay. It is not appropriate for the details of BAST’s tax affairs to appear in the public domain. BAST will however only enter into transactions which would be fully justifiable should they become public.

3.1. Responsibilities and Professional Conduct:

Members of the tax function will aim to:

- effectively manage risk by application of components of the Tax Risk Management Policy;
- observe all applicable laws, rules, regulations and disclosure requirements⁶;
- apply diligent professional care and judgment to arrive at well-reasoned conclusions;
- ensure all decisions are taken at an appropriate level and supported with documentation that evidences the facts, conclusions and risks involved;

⁵ This means BAST wants to comply with both the letter and spirit of the tax laws and regulations of the countries in which it operates. This is imperative in relation to the to be applied principle of “more likely than not” and its importance is underwritten by: OECD (2011), OECD Guidelines for Multinational Enterprises, OECD Publishing.

⁶ Deepening the principle of “respect for tax law” as stated in the overarching BayWa AG Code of Conduct: https://www.baywa.com/fileadmin/user_upload/coverflow/PRCC_BayWa_Code_of_Conduct_2015_english.pdf

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- have certainty on tax positions. Where tax law is unclear or subject to interpretation, written advice or confirmation must be sought as appropriate to ensure that the position would, more likely than not, be settled in BAST's favour;
- have robust risk assessment supported by full disclosure preventing the assessment of more likely than not for filing positions in case the tax treatment of an item is so uncertain and/or unquantifiable;
- develop and foster good working relationships with tax authorities, government bodies and other related third parties on a basis of trust, understanding and transparency;
- undertake all dealings with tax authorities, government officials, ministers and other third parties in a professional, courteous and timely manner;
- be compliant with all anti-bribery legislation;

3.2. Commercial Rationale:

The commercial needs of BAST are paramount and all tax planning will be undertaken in this context. All transactions must therefore have a business purpose or commercial rationale. Due consideration will be given to the wider BayWa 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 wider BayWa Group and will form part of the overall decision-making and risk assessment process.

3.3. Policy on Disclosure:

Compliance with all relevant legal disclosure and approval requirements will be adopted and all information will be clearly presented to the tax authorities or other relevant bodies, as appropriate. trust, understanding and transparency will be paramount in all dealings with the tax authorities and other relevant bodies.

3.4. Assurance:

Should any person have specific queries about this Code, or would like advice on implementing it, they should speak with their line manager and, if not adequately addressed, those queries should be brought to the attention of the BAST Head of Tax. If confidential advice is required or there are concerns that cannot be addressed through line management, please contact the BAST Human Resources Manager or the BayWa AG Head of Internal Audit. Alternatively, concerns can be raised anonymously through the BayWa website www.baywa.compcor.de

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POLICY

1	<p>Tax decision-making and Risk Assessment</p>
1.1	<p>Tax decision-making</p> <p>The tax function must be involved in the planning, implementation and documentation for:</p> <ul style="list-style-type: none"> • Entering into or terminating material agreements, including cooperation agreements, joint ventures, strategic alliances and/or exclusive licence agreements; • Establishment or acquisitions of new legal entities/branches and new lines of business (investments); • Closure of any assets, entities and/or branches (divestments); • Distribution of dividends, reserves and/or capital; • All changes in corporate structure; • All financing arrangements (including granting any guarantee (other than in the normal course of trading) or creating any security rights over, accepting any restrictions or encumbrances on, or granting a pledge or mortgage or right of usufruct or other security interest over any assets); • Changes to significant business transactions (e.g. changing supply chain elements which result in material changes in tax payments) and/or intra-group trading arrangements⁷; • All significant new processes affecting tax compliance (e.g. requiring new tax registrations and or tax filings)⁸. <p>In all of the above situations the support and/or core tax function must be involved well in advance to ensure arrangements being put in place are in accordance with the Group Tax objectives and are properly documented. All decisions must consider the financial impact and potential risks. The FD in each local business, if not already as part of the support tax function, must also be part of this engagement. Further, the Group Tax department must be consulted in case the decision needs formal shareholder approval⁹ or in case this document or any other BAST policy (& procedure) so prescribes.</p>
1.2	<p>Risk Assessment</p> <p>All of the above specified decisions must be supported by a risk assessment that must be presented to the owners of the tax decision (local FD's or in case of shareholder approval the BAST Group CFO). The risk assessment can be free of form (e.g. a string of email communication can also suffice) but must in any case elaborate on:</p>

⁷ Which is also subject to the BAST Transfer Pricing and Documentation Policy & Procedure.

⁸ Thereof any new type of tax registration being also subject to the BAST Tax Registration Enablement Policy & Procedure.

⁹ Subject to Annex 2 of the BAST BV by-laws in alignment with BayWa AG's Geschäftsordnung.

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	<ul style="list-style-type: none"> • A full description of the matter including a clear summary statement of facts and circumstances; • An assessment of the probability of any risk crystallising; • In case of risk crystallizing an assessment on possible mitigation measures that can be applied as well as a commentary on the likely process of dispute resolution; • An assessment of the (non-)financial costs and benefits of all potential scenarios; <p>In assessing reputational risk, BAST does not want its tax affairs to appear in the public domain and will work to avoid any negative impact on shareholder value. The BAST Group CFO, Chief Legal Officer and appropriate parties must be informed on such risk to ensure they can easily explain any relevant situation to shareholders, investors and other stakeholders.</p>
<p>2</p>	<p>Tax and disclosure requirements</p> <p>As stated in The Code BAST must comply with all tax law and regulations (including disclosure requirements) in all countries in which it operates. Where compliance processes have been outsourced (e.g. to external accounting firms) it is the responsibility of the outsourcing BAST party to ensure that also the service provider adheres to this principle. In order to comply with tax laws and regulations (including disclosure requirements) both support and core tax function must:</p> <ul style="list-style-type: none"> • Provide a system of training, internal control, internal audit and external audit aimed at preparing and filing acceptable tax returns; • Submit all returns timely by their due dates in line with local tax law and regulations; • Ensure timely payment of tax debts¹⁰; • Promote real time processing. Tax returns and declarations will be filed as soon as possible after the end of the tax period; • Proactively pursue any tax timing benefits within the context of the tax function's objective of creating, protecting and optimizing value; • Be able to support and defend any material positions taken through documentation and legal interpretation; • Be able to reconcile technical positions affecting two BAST tax jurisdictions in advance of any tax authority filing.
<p>3</p>	<p>Tax authority relationships</p> <p>It is BAST's intention to build all interactions with tax authorities on a basis of trust, understanding and transparency. The application of this principle should be tailored to each territory style and engagement and each member of the support tax function is encouraged to proactively foster this principle.</p> <p>In line with The Code requirements to foster good relationships with tax authorities, governments and related third parties and to undertake all such dealings in a professional, courteous and timely manner the tax function must:</p>

¹⁰ The monitoring of timely submission and payment of tax debts is subject to the BAST Tax Compliance Policy & Procedure

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	<ul style="list-style-type: none"> • Pro-actively manage the relationship with the tax authorities as per the above with the aim of minimising the risk if challenge, dispute or damage to BAST/BayWa's credibility; • Participate in any tax authority formal consultation process where it is expected that the matter under consultation will have a material impact on BAST (this applies specifically for the core tax function).
<p>4</p>	<p>Audit Resolution</p> <p>All audits (for all taxes), that have the possibility to result in assessments, penalties or reputational damage, must be subject to risk assessment and discussion as part of the appropriate local and Group governance approval processes to analyse and determine the choice of any potential compromise positions on audit and the method thereof versus litigation / tribunals and other dispute processes¹¹.</p>
<p>5</p>	<p>Tax reporting procedures and provisions</p> <p>The Code requires that we comply with all law and regulations (including disclosure requirements) and act with due professional care. These requirements are never more relevant than in ensuring accuracy and completeness of the presentation of our tax position in the financial reporting of the group.</p> <p>The reported financial accounts whether at year-end or interims are expected to reflect all taxes including those accounted for above the EBIT line. This section refers only to the procedures for tax reporting of taxes below EBIT.</p> <p>Absolute transparency is needed between local entities and Group Tax to ensure appropriate accounting and disclosure decisions for external reporting and accurate and complete briefing of the BAST Head of Tax and the BAST Group CFO as well as BayWa AG.</p> <p>At each reporting event, tax charge and provisioning decisions must reflect the most up to date information to ensure that the group will have no significant adjustments to the actual tax charge or tax returns.</p> <p>In meeting the above, BayWa AG's Corporate Tax Department will issue instructions and a timetable for each reporting event for completion and review of Tax Packs.</p> <p>Local entities must:</p> <ul style="list-style-type: none"> • Calculate all tax charges in accordance with the group accounting manual and guidance; • Provide timely, complete and accurate tax packs; • Assist BayWa AG's Corporate Tax Department with questions and clarifications required as part of the reporting process.

¹¹ Based on the BAST Tax Compliance Policy & Procedure for this purpose an up to date status overview of all pending audits, disputes, assessments, litigation, etc. needs to be recorded in the SharePoint Tax Landscape.

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SECTION 4 – REFERENCE AND SUPPORTING INFORMATION

DEFINITIONS

Word/Term	Definition
BAST	BayWa Agri Supply & Trade business unit
BAST BV	BayWa Agri Supply & Trade B.V.
BAST NL	BAST BV and all its Dutch established direct and indirect shareholdings
NTCA	Netherlands Tax and Customs Administration
The Code	BAST Tax Code of Ethics and Conduct

SUPPORTING DOCUMENTATION

Links to supporting documentation	
BAST Tax Compliance Policy & Procedure	https://cefetragroup.sharepoint.com/sites/BAST/tax/policies/Shared%20Documents/BAST%20Tax%20Compliance%20Policy%20%26%20Procedure%20V1.0.pdf
Transfer Pricing Master File of BayWa Agri Supply & Trade B.V.	https://cefetragroup.sharepoint.com/sites/BAST/tax/transferPricing/AnnualDocumentation/List%20Annual%20Documentation/BAST%20-%20Final%20Master%20File%20(With%20Appendix).pdf

ACKNOWLEDGEMENT OF EXTERNAL SOURCES

Title and institution	Link
BayWa AG Code of Conduct	https://www.baywa.com/fileadmin/user_upload/coverflow/PRCC_BayWa_Code_of_Conduct_2015_english.pdf

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SECTION 5 – GOVERNANCE

RELATED EXTERNAL REFERENCES

Name	Link
OECD	http://www.oecd.org/about/

RESPONSIBILITY

Responsible manager(s)	Managers headily accountable for the local implementation and execution of this policy & procedure are the Board Members (e.g. non-exhaustive: General Directors and/or Managing Directors and General Managers) within BAST for their respective legal entities.
Policy Owner	BAST Head of Tax
Approving body	Management Board BayWa Agri Supply & Trade B.V.

CHANGE HISTORY

Version	Approval date	Approved by	Change
1	15 May 2018	BAST Head of Tax	Not applicable
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