

A landscape photograph showing a vast field of green crops, likely corn, in the foreground. In the middle ground, there is a large, dark, rounded tree on the left and rolling hills in the distance. The sky is filled with soft, white and grey clouds. The overall scene is bright and natural.

Karro Food Group (KFG) Tax Commentary

PRIDE IN PORK

Scope

This strategy applies to the group companies of the Karro Group, headed by Element UK TOPCO Limited, in accordance with Schedule 19 paragraph 16 of the Finance Act 2016.

This strategy applies from the date of publication until it is superseded.

References to tax are to the taxes outlined in paragraph 15 of Schedule 19 of the Finance Act 2016 which include Income Tax, Corporation Tax, VAT, PAYE, NI, Insurance Premium Tax, Stamp Duty Land Tax and any other worldwide taxes and duties for which the Group has a legal responsibility.

KFG and the Tax Environment

KFG has a low risk classification with HMRC, something which we are proud of and are serious about retaining.

The subject of tax, and the strategies employed by large organisations is key across Britain. Even more so recently due to tax avoidance articles breaking the headline news.

As such, KFG takes great pride in demonstrating it's commitment to ensuring all tax decisions are taken with the care to ensure risks are minimised and mitigated.

KFG has a tax strategy that focuses on key areas of risk in all forms of tax. These areas are:

- Delegation of authority / accountability
- Attitude of the Group to Tax Planning
- Compliance
- Reporting
- Risk management
- Use of advisors
- Influence / lobbying
- People
- Systems

This tax commentary document outlines how KFG identifies and reacts to risk in the business around tax in these focus areas.



KFG and the Tax Environment – Tax Working with the Business

Board endorsement – the Board of KFG is committed to maintaining a low-risk tax rating and therefore have a key role in ensuring tax risk is minimised

Safeguard shareholder interests – the reputation of the shareholders of KFG is safeguarded by our risk management process

Maximising shareholder wealth sustainably

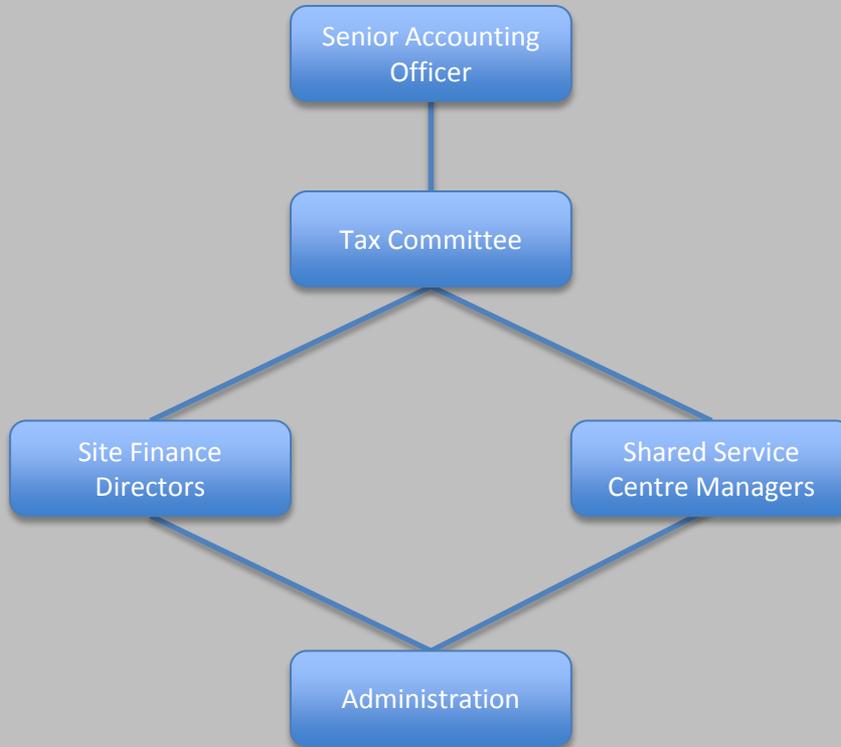
– KFG’s goal is to maximise the wealth of its shareholders but this cannot be sustainable without clarity on tax



Adhere to applicable laws and regulations – KFG’s risk strategy enables its stakeholders to have comfort that laws and regulations are being adhered to, and any new legislation is discussed and its impact identified

Commitment to periodic review – our tax risk is reviewed on a regular 6-monthly basis to ensure KFG is not left behind on tax law and HMRC guidance, and to enable fast mitigation of new tax risks identified

Delegation of Authority & Accountability



The Senior Accounting Officer is our Finance Director, Michael Kestemont

KFG is accountable to all Stakeholders

The Tax Committee have authority to implement Tax Policy changes

If we have any uncertainties around tax, we would contact our tax advisors, or HMRC directly

KFG is accountable to HMRC and the Irish Revenue

Attitude of the Group to Tax Planning

The tax committee is involved and consulted in any decision in the business which directly changes, or has the potential to change, the face of the company's tax position, such as:

- Acquisition / disposal of subsidiaries or shares
- Re-financing arrangements
- Business re-structuring
- Reporting requirement changes (i.e. IFRS)
- Other significant business transactions

KFG engages in appropriate tax planning that supports its business and reflects commercial and economic activity. KFG will, where it is responsible and appropriate to do so, take steps to reduce its tax liabilities. It will claim properly available reliefs and incentives where it is beneficial to do so. Tax is one of the factors considered when making business decisions.

- Holding the commercial needs of the group as paramount, the tax committee and the operations teams work together to ensure answers on tax risk are delivered in a clear and timely manner.
- Advice from the tax committee takes an approach consistent with the Group's appetite for risk
- All decisions on tax strive for a consistent tax approach across the Group

Compliance



KFG understands that openness, timeliness, honesty and transparency are paramount in all dealings with tax authorities.

KFG endeavours to file all relevant tax documents on time, with full and timely payment of any arising liabilities.

All appropriate disclosures are made.

Relevant documentation is retained to support all filings.

Group Relief – KFG would look to utilise HMRC's group relief process if the situation qualifies.

Reporting

KFG's annual accounts are prepared using International accounting standards, which are filed annually with Companies House

From 2015 KFG have adopted IFRS

Responsibility for all UK tax reporting sits with the Senior Accounting Officer.



Risk Management

At KFG we are always honest and transparent in our operations.

We hold a tax risk assessment document which is reviewed every 6 months, and updated accordingly.

If any vital issues arise between the 6 monthly review, the tax committee would reconvene earlier.

By holding these reviews, we ensure any possible risks are identified and addressed in a timely manner.

If the tax committee ever need advice on a tax issue, we would contact our tax advisors, or our contacts at HMRC.

KFG holds a dynamic process to mitigate tax risks and helps to run a reputable, reliable and responsible business.



Use of Advisors

Whilst the KFG team pride themselves in remaining up-to-date on tax legislation, we will take advice from our advisors for:

- Areas of uncertainty
- Complex matters
- Matters which require judgement
- Matters of significance to the business and it's stakeholders

As well as the use of our appointed advisors, KFG has in 2015, entertained visitors from HMRC's large business team and the strong relationship that has developed ensures excellent communication between both parties.

We work with HMRC wherever there is a change of circumstance which will pose potential tax risks, and when the committee requires assistance in interpreting tax law.

Influence / Lobbying

Where deemed necessary KFG would actively contribute towards any UK tax policy-making processes by any means required, formal or informal.

To date KFG has not been involved in any such process.



People – Tax Committee

KFG's Head Office acts as a group accounting and shared service centre function, processing sales and purchase invoices for the entire group as well as submitting VAT and corporation tax returns and including all tax related payroll functions.

The tax risk committee comprises:

- Group Financial Controller
- Group Payroll Manager
- Group Finance Manager
- Group Procurement
- Group Accountant
- Group Accounts Payable and Masterdata Supervisor
- Group Accounts Receivable Supervisor
- Group Cash Planning Manager

This committee is sponsored by the Senior Accounting Officer, and gives KFG a 360° view on tax risk around the business.

People – Ongoing Training & Development

The tax committee at KFG take seriously it's development of the people involved and being up-to-date with tax laws and guidance.

The KFG Board of Directors are committed to the development of it's people in all key areas of the business and, where appropriate, off-site training courses / days are encouraged and authorised.



Systems

KFG operates SAP financial management system throughout all sites.

KFG process all credit card and expense claims through the Concur online portal, and utilises their extensive audit team to ensure accurate tax reporting.



KFG have implemented Openpeople, a bespoke HMRC compliant payroll and HR system. This system is supplied, monitored and tested for compliance by Advanced Business Solutions under licence from HMRC.

KFG Statement of Tax Policy

We are proud of our low risk classification with HMRC, and are committed to retaining this status.

We will continue to execute our tax affairs honestly, transparently and timely.

All tax queries are submitted to the tax committee.

The tax committee raise significant compliance issues, uncertainties, irregularities, and proceedings involving innovative interpretation of tax law with HMRC in real time.

We do not construct transactions in a way which gives a tax result inconsistent to the intentions of Parliament.

We are not involved with illicit trades.

We promptly provide full, accurate and helpful answers to HMRC requests and queries.

We are aware of our obligations across all taxes and duties, seek assistance as necessary and provide appropriate resource to deal with those obligations.

We have clear accountabilities for the management of tax compliance risk and tax planning.



Approved by the board of Directors on:

12th December 2018