K&S CORPORATION LIMITED

Tax Governance Policy

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1 Introduction

1.1 Overview

This Tax Governance Policy ("Policy") covers the business operations and material tax risks of K&S Corporation Limited ("the Company") and all its' subsidiaries operating in Australia and New Zealand ("the Group").

In undertaking business operations, a range of taxation obligations and potential risks arise. The potential risks surrounding tax can have significant reputation and financial impact if not managed appropriately.

Tax risk is the risk that the Group may be paying or accounting for an incorrect amount of tax (including both income and indirect taxes), or that the tax positions the Group adopts are out of step with the tax risk appetite that the directors have authorised or believe is prudent.

The Group is committed to being a good corporate citizen and takes their obligations surrounding taxation compliance seriously. Equally, the Group is committed to having in place good governance across the range of business risks including tax.

Through this Policy, the Group endeavours to apply best practice to ensure that it pays its fair and correct share of taxes, based on the relevant tax legislation and advice, rulings and determinations as provided by the relevant tax authorities.

The purpose of this document is to describe the overarching governance policy of the Group to the management of tax.

This policy is applicable to the Board of Directors ("Board") and its Committees, in particular the Audit Committee, all staff, contractors, representatives and agents of the Group and other external persons who undertake work on behalf of or for the Group.

This Policy applies to the multiple tax obligations of the Group,. including obligations to pay tax on behalf of the Group, as well as to collect and remit tax on behalf of stakeholders.

This includes**:**

- Income Tax
- Goods and services tax
- Stamp duty
- Foreign taxes
- Employee taxes (in particular PAYG withholding on salary/wage income)
- Fringe benefits tax
- Payroll tax.

1.2 Scope of this document

The scope of this Policy document is to establish the principles concerning:

- Overarching governance and strategy across the Group
- Overarching tax risk appetite policy and statement
- Key principles surrounding behaviours, code of conduct, and application of the law concerning tax
- High level roles and responsibilities
- The approach to tax risk management and reporting, including the framework for identifying, classifying, escalating, and remediating tax risks.

This document will be the basis of Board endorsement for application across the Group. Key documents are noted in section 1.3 below.

It is noted that the scope of this document focuses primarily on the Group's Australian legal obligations as defined per the relevant tax law (e.g. the *Income Tax Assessment Act 1997*) and any other relevant subordinate legislation, regulations, rulings, determinations and guidelines.

1.3 Related documents forming the wider Tax Governance Framework for the Group

This Policy document establishes the overarching tax governance framework. These and supporting documentation are set out below.

This Policy is always to be considered alongside the K&S Risk Management policy.

Document	Owner	Status
Framework documentation		
Tax Governance Policy (this document)	CFO	Board Endorsed
Board Charter	Company Secretary	Board Endorsed
Audit Committee Charter	Company Secretary	Board Endorsed
Risk Management Policy	Company Secretary	Board Endorsed
Test Program documentation		
Tax Control Framework	CFO	Final
Tax Control Testing Plan	CFO	Final
Process documentation		
Australian Combined Tax Procedure	Group Financial Controller	Final
BAS Procedures Rules and Policies	Group Financial Controller	Final
Processes and controls for FBT	Group Financial Controller	Final
Processes and controls for PAYG	National Payroll Manager	Final
Processes and controls for Payroll Tax	National Payroll Manager	Final

Note: The process documentation is specific to Australian processes.

1.4 Review and update of this Tax Governance Policy document

This policy will be reviewed annually in line with Group policy frequency to ensure its effectiveness and relevance to the material risks faced by the Group.

Out-of-cycle review and update of this Policy may be undertaken if there are any instances that may warrant a review, such as update in Tax legislations and/or reporting requirements.

Following each review, this policy will be submitted for Board endorsement.

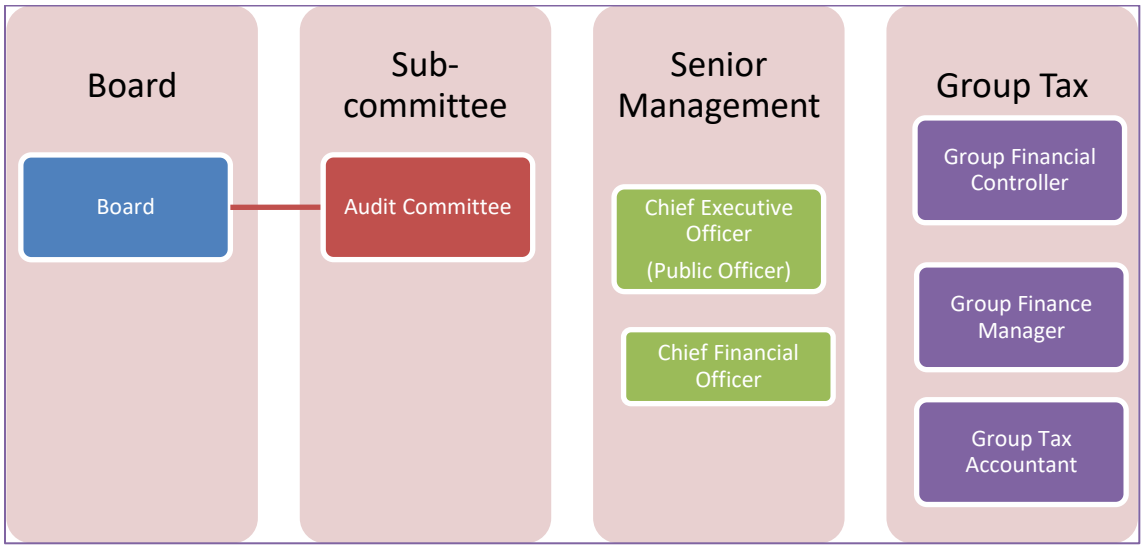
1.5 Communication of this policy across the Group

This Policy will be made available to and shared with all tax, finance, legal, HR, commercial/business and corporate affairs teams who in their roles may make decisions with a potential to create a tax risk for the Group. The Responsibility Assignment Matrix (RACI) in Appendix A describes the main business areas that are expected to be aware of and apply this Policy.

This Policy will be published internally through *Kasnet* – our internal intranet along with any associated supporting documentation.

2 Overarching governance of tax

2.1 Key Board and Management functions hierarchy



2.2 Key Board and Management function responsibilities

Board

The Board has ultimate responsibility for overseeing the performance of the Group, including effectively monitoring risk management and internal control systems. Management is responsible for complying with and communicating the requirements of this policy. The ultimate responsibility for corporate governance and therein the establishment of a tax governance framework, is owned by the Board.

Audit Committee ("AC")

The AC assists the Board for in relation to oversight of the tax governance framework.

The AC reviews the Group's tax governance framework as defined by this Policy. Consideration is given to the tax issues and tax risk management issues as part of this process per the reporting mechanisms outlined.

It is the AC's responsibility to review and recommend this Tax Governance Policy to the Board for approval.

Chief Executive Officer ("CEO") and Public Officer ("PO")

The CEO has the responsibility for review of material tax risks and monitoring the process of tax risk management.

The CEO also holds the role of Public Officer for the group, in their capacity as Public Officer, they are responsible for providing sign-off on the Income Tax Return.

Chief Financial Officer ("CFO")

The CFO has the primary responsibility for identification and management of material tax risks and is responsible for designing, implementing and monitoring the process of tax risk management and integrating it into the activities of the business.

Supported by the Group Tax function[1], the CFO is responsible for the development and monitoring of the tax governance framework.

The CFO is responsible for the taxes in scope and advises tax risk owners, business units and staff relating to taxation and appropriate controls.

The CFO monitors tax issues and risks and, in consultation with external tax advisers, escalates relevant matters to the CEO, AC, and where appropriate, the Board.

Further details of the Tax Mandate for the CFO have been outlined in Section 2.3 of this Policy.

Group Financial Controller ("GFC")

The GFC is responsible for identifying and evaluating the day-to-day tax risks, implementing agreed actions to manage tax risk and for reporting any activity or circumstances that may give rise to new or changes tax risks to the CFO.

The GFC is also responsible for monitoring the effectiveness of the internal control system management of material tax risks and report to the CFO regarding the extent of compliance and non-compliance with this policy.

Group Finance Manager ("GFM")

The GFM is responsible to review work prepared by the GTA including but not limited to review Business Activity Statements (BAS) and approve BAS payments. The GFM reports to the GFC.

Group Tax Accountant ("GTA")

The GTA has the day-to-day responsibility to manage the tax compliance activities including but not limited to preparation, lodgement and reporting on income tax and BAS returns. The GTA reports to the GFM.

[1] Group Tax Function includes GFC, GFM and GTA

Tax Risk Owners

Operational managers across the finance, legal, HR, business and operational teams undertake processes with a potential tax impact. They are responsible for maintaining effective controls to identify, address and where necessary report on tax risks to Group Tax in real time.

Independent Testing

There will be independent testing of key tax controls and processes. Results from the testing will also be reported to the AC and CFO. Selection of the relevant tax process to be reviewed and timing/frequency of such reviews to be agreed in conjunction with the AC and CFO.

External Tax Advisers

The Group engages specialist external tax advisers who assist with tax compliance and advisory activities. Any appointment of external tax advisers will be done in consultation with the CEO, CFO, AC and the Board.

Further information on the roles and responsibilities concerning tax are described in the Group's RACI matrix.

2.3 Tax mandate

The CFO, supported by the Group Tax function is responsible for:

- Managing the tax obligations of the Group
- Ensuring tax compliance obligations are met on a timely and accurate basis
- Communicating to the Board and the AC on a regular basis on taxation developments and risks
- Establishing a model to ensure finance, business and other areas are aware of the Tax Governance Policy including the tax risk appetite and approach to tax risk management
- Advising finance, business and other areas on taxation risks – business as usual in addition to significant new transactions / projects
- Keeping abreast of developments – tax technical and business
- Reviewing the implementation of taxation advice
- Ensuring there is sufficient capacity and capability of tax resources
- Establishing and reviewing the operation of taxation controls
- Establishing and reviewing the operation of tax data and tax software measures
- Engaging external advisers on taxation matters when necessary
- Developing constructive relationships with relevant regulatory bodies on compliance, policy and significant transactions as required
- Managing tax controversy matters for taxes in scope.

2.4 Tax strategy and objectives

The Group is committed to maintaining the highest standards of governance.[2]

The Group's tax strategy defines the objectives for the management of our taxation position. Those objectives are:

- We believe in paying the right amount of tax having regard to the underlying commercial operations, available incentives and reliefs and the risk management policy statement established by the Board
- The Group supports its core and strategic objectives by being a socially responsible taxpayer
- Tax and our tax function is regarded as an integral part of how we conduct business
- Appropriate resources will be applied, internally or externally, in the management of our taxation position
- The Group seeks to maintain its good standing with the ATO, and in this respect to maintain low risk ratings across key taxes
- The Group recognises that tax laws and regulations are evolving and that there is currently greater public and other stakeholder interest in tax. This Policy provides a governance structure to enable the Group to comply with its current tax obligations and remain compliant in the ever-changing environment
- Complying with tax laws in all jurisdictions of operation.

2.5 Relationship with Tax Authorities

The Group seeks a transparent and cooperative approach with tax authorities. The CFO is responsible for managing the relationship with the ATO. The CFO will consult with external Tax Advisers to manage interaction with tax authorities when it is considered appropriate.

All decisions to engage with a regulator or Federal/State authority in respect of a tax risk should be made with input from the CFO for Federal Taxes, and for each state for State based taxes.

Staff must refer all regulator correspondence, inquiries and notices to the CFO.

Any submission of advanced rulings, reviews or audits with the tax authorities must be coordinated by the CFO.

3 Tax risk management

3.1 Overview of tax risk management framework

As taxation risks arise as a result of our business and support operations across the Group, the management of tax risk requires a Group model.

The Group's commitment to effective and efficient risk management, its approach to and methodology for risk management, and the responsibilities regarding risk management are outlined in the Risk Management Policy (RMP).

[2] https://www.ksgroup.com.au/corporate-governance/

This document sets out the Group's approach to tax risk management in line with the RMP, and in particular our tax risk appetite.

Our general principles on tax risk management are:

- Taxation positions and any related risks will be taken consistent with the risk levels set out in this Policy;
- Reputational risk ranks alongside tax technical risk when assessing the adoption of tax positions; and
- Tax risk is assessed proactively at the front-end of transactions, changes in business and IT systems and post-implementation.

3.2 Nature of tax risk

The decisions, operations and transactions undertaken by the Group gives rise to uncertainties or business risks. Some of these uncertainties will be in respect of tax, where the application of the tax law to the particular facts involved is not certain. Our tax risk management framework is intended to establish the basis for managing risks and making judgement calls on those risks.

Key tax risks for the Group can be captured by the following categories:

Risk Types	Overview
Governance risks	Governance risks result from a lack of appropriate resources or a breakdown in processes to properly manage and communicate all tax risks.
Investment governance risks	Investment governance tax risks are associated with the failure to identify or properly manage the tax effects of one-off, non-routine transactions that may be complex in nature such as investments in unlisted assets and investments in alternative asset classes.
Reputational risks	Reputational risk rises from actions or inactions which are not aligned with the Group's tax principles giving rise to negative external attention and possible reputational and brand damage.
Operational risks	Operational risks result from a breakdown in the processes, procedures or systems which result in errors or non-compliance, including a lack of clarity around accountability and responsibility for the end-to-end processes.
Compliance risk	Compliance risk resulting from incomplete, inaccurate or delayed tax lodgements resulting in fines, penalties or tax adjustments.
Financial risk	Financial risk is the uncertainty around the accounting provisions for tax and ensuring there are "no surprises".
Information and Communications Technology risk	This results from a disruption to information and communication systems and the loss and/or corruption of data.

3.3 Tax risk appetite policy

We have set out below the Group's policy on tax risk appetite – our stance to be applied in the assessment of tax risks to particular facts and circumstances:

The Group has a conservative tax risk appetite for anything that would compromise achievement of its tax objectives and that the Group complies with all of its tax payment obligations. This means that:

- No aggressive or unacceptable tax positions are taken
- As a minimum a 'more likely than not' position needs to be in place to support tax positions taken
- An opinion from an External Tax Advisor or clearance from a tax authority (e.g. a ruling) is obtained for significant or material tax related matters; The level of opinion provided must be commensurate with the level of risk. At a minimum all external opinions should at least confirm that the desired outcome is more likely than not
- We will not enter into artificial arrangements designed to avoid taxation or defeat the intended purpose of tax legislation
- All transactions and operations must have a business purpose or commercial rationale
- We will only take positions we would be able to explain and substantiate to the ATO
- This Tax Governance policy aims to be consistent with the ATO's tax governance expectations, as set out in its Tax Risk Management and Governance Review Guide and the GST Governance, Data Testing and Transaction Testing Guide (the ATO GST Guide).

3.4 Identification, management, reporting and escalation of specific tax risks

The CFO is responsible for the monitoring of tax risks to ensure that new risks are identified in a timely manner and existing risks remain relevant. These risks will be escalated to the AC and/ or the Board in line with this policy.

Monitoring of tax risks can be periodic or ad hoc. Some risks may need to be reviewed daily, while others can be addressed less frequently depending on the level of risk and the changing nature of the external and internal environment.

Defining 'significant events'

When monitoring tax risk, they must be assessed in relation to their size, complexity, nature and frequency, in order to determine if they are a 'significant event'.

For this purpose the Group will consider the following "significant events":

- New and/or significant transactions, including significant direct acquisitions or disposals
- Significant changes to legal structure
- Changes to GST reporting status, including adding/removing GST group members
- GST aspects of M&A activities, new types of suppliers and products, financial supply activities
- Changes to General Ledger / Accounting systems
- Action in response to proposed changes in tax law and/or accounting standards
- Changes in management and/or key staff (in particular, staff with tax responsibilities)

- Tax effects of significant and complex transactions
- Any material adverse tax adjustments or tax related penalties
- Decision to take legal action in relation to tax.

It is the responsibility of the team members within the relevant business units to identify significant events and refer these to the CFO.

Engaging with External Tax Advisors

The CFO will consult with the Group's External Tax Advisors to consider any significant events raised. Any significant events rated above low risk levels will require external advice and the CFO will source advice on any significant events rated low when considered necessary.

Tax risk will be classified with risk levels according to the risk management processes as defined in the Group's assessment model below, and with respect to materiality, certainty or complexity in applying the tax law.

3.5 Tax Risk Reporting and Monitoring

The Board bears the ultimate responsibility for corporate governance and tax risk management standards. To assist the fulfilment of these obligations, the following reports are to be prepared and presented:

► Audit Committee Tax Updates – this is a quarterly reporting undertaken by the CFO to the AC, with content including but not limited to the Group's tax position, any new or existing tax issues from significant events and regulatory activity including new legislations or policy. The reporting will highlight the compliance, operational, financial and strategic tax attributes for the Group.

During the quarterly reporting period, the minimum reporting matters to be reported, where relevant, should include the following items:

- Effective Tax Rate
- Significant book to tax differences
- Transactions or events with a significant tax impact
- Results of any testing activities undertaken

► Tax provision reporting – this is a memo on the review of Group's book to tax reconciliation, analysis on deferred tax balance when preparing the financial reports. This is shared with the External Auditor.

► Tax return lodgment reporting – this is a high-level memo on the Group's tax position provided to the Tax Agent

► Regular Tax Updates – management reports to the CFO on tax matters.

► Regular communication with External Tax Adviser – when required, the CFO will discuss with the External Tax Adviser on the Group's tax position upfront prior to finalisation of significant transactions where required and will procure written advice as needed.

Tax Risk Assessment

Tax risk assessment adopts low, medium and high-risk classifications.

The level of opinion and internal approval required regarding the certainty of the tax issue will depend on the level of tax risk involved.

The table below defines criteria with considerations of both qualitative and quantitative factors for each risk classification level and indicates the recommended minimum level of opinion and escalation recommended for a particular issue.

Tax risk, including those significant transactions outlined at Section 3.4 will be assessed in accordance with the table below.

Tax Risk	Description	Minimum Level of Escalation and Actions Required
Low	► The application of the tax law to the facts is straight forward; or ► There is explicit authority for the position adopted; or ► There is limited likelihood of adverse legislative change; or ► There is low risk of reputational damage accruing to the Group;	**Minimum Level of Escalation:** CFO **Minimum Actions Required:** Nil
	► There is an actual or potential instance of non-compliance with taxation laws and the tax at risk is: More than 1% of the income tax expense[3] but less than 3% of income tax expense or Greater than AUD 35,000 but less than AUD 50,000; or ► There is an actual or potential instance of non-compliance with GST rules, resulting in additional GST payable of greater than AUD 35,000 but less than AUD 50,000; or or ► Internal/External audit management letter contains isolated issues / deficiencies.	**Minimum Level of Escalation:** CFO, CEO and AC **Minimum Actions Required:** Internal filenote
Medium	► There is an actual or potential instance of non-compliance with taxation laws and the tax at risk is: More than 3% of income tax expense[2] but less than 5% of the income tax expense[2]; or More than AUD 50,000 but less than AUD 150,000; or ► There is an actual or potential instance of non-compliance with GST rules, resulting in additional GST payable of greater than AUD 50,000 but less than AUD 150,000; or ► The application of the tax law to the facts is unclear; or ► There is uncertainty for the position adopted; or ► There is a reasonable likelihood of adverse legislative change; or ► There is medium risk of reputational damage accruing to the Group; or ► The transaction is of strategic importance; or ► Internal/External audit management letter contains significant issues / deficiencies.	**Minimum Level of Escalation:** AC **Minimum Actions Required:** Procurement of written advice from external tax advisers
High	► There is an actual or potential instance of non-compliance with taxation laws and the tax at risk is: Greater than 5% of the income tax expense[2]; or Greater than AUD 150,000; or ► There is an actual or potential instance of non-compliance with GST rules, resulting in additional GST payable of greater than AUD 150,000; or ► The application of the tax law to the facts is unclear; or ► There is a high degree of uncertainty for the position adopted; or ► There is a high likelihood of adverse legislative change; or ► There is high risk of reputational damage accruing to the Group; or ► The transaction is of strategic importance; or	**Minimum Level of Escalation:** Board **Minimum Opinion Required:** Procurement of a formal 'more likely than not' opinion from external tax advisers; or Private ruling

[2].income tax expense or where the current income tax expense position of a business unit is yet to be determined, the previous year's amount should be used as a benchmark.

Tax Risk	Description	Minimum Level of Escalation and Actions Required
	► Internal/External audit management letter contains materially significant issues / deficiencies.	

3.6 Tax data

Reporting of the tax return and preparation of calculations relies on accurate and complete financial data. The Group has implemented a series of controls to manage tax risks associated with IT systems.

General IT controls in relation to management of tax risks include:

- Controls over data;
- Controls over ERP;
- Controls over Excel spreadsheets, identification of key spreadsheets for tax; and
- Controls over data and spreadsheets for broader business areas beyond tax.

3.7 Accounting and tax reconciliation

A key focus area as part of the ATO's 4 Justified Trust methodology is understanding why the accounting and tax results vary.

A process exists to document key aspects of the accounting to tax reconciliation as outlined by the ATO's controls, detailing process, accountability and communication to the Board of major book to tax differences. Broader consideration beyond the ATO's controls is given as appropriate to the Group's specific tax functions on the recommendation of individuals responsible for tax matters.

3.8 Document retention policy

Documentation preluding to tax matters and positions taken shall be maintained and kept on file in line with the ATO's guidelines on tax record maintenance. These records should evidence appropriate levels of review from authorised signatories in line with the Group's existing policies on document control.

4 Appendix A – high level roles and responsibility matrix (RACI)

Ref	Item	Board	Audit Committee	CEO * Activities undertaken as PO	CFO	Group Tax function (GFC, GFM and GTA)	Payroll	Independent Assurance Provider	External Tax Advisors
1.0	Tax governance framework								
	Establish and update annually the tax governance policy	A	I	I	R				C
	Establish tax process and tax controls	I	I	I	A	R		C	C
	Significant events	I	I	I	A	R			C
2.0	Taxation areas – routine								
	Group income tax	I	C	A	R	R			C
	Tax accounting / financial statements	I	C	I	A	R			C
	BAS	I	C	I	A	R			C
	Employment tax - PAYG income tax	I	C	I	A		R		C
	Employment tax - Superannuation	I	C	I	A		R		C
	Employment tax - FBT	I	C	I	A	R			C
	Stamp duty	I	C	I	A	R			C
	State payroll taxes	I	C	I	A		R		C
3.0	Stakeholder communication								
	Internal - Board	I	C	C	A	R		C	
	External - Federal tax authority ATO	I	C	C	A	R			C
	External - State revenue authorities	I	C	C	A		R		C
	External - AusIndustry	I	C	C	A	R			C

R = Responsible: Person(s) responsible for completing the activity
A = Accountable: Persons ultimately accountable for the activity being carried out correctly and delegates to those who are responsible
C = Consulted: People whose opinions should [typically] be sought (two-way communication)
I = Informed: People who are kept up to date on key outcomes or status (one-way communication)

K&S Corporation - Board of Directors

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