

# Tax Charter

OCI N.V. (“OCI”)

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## **1. Introduction**

As compliance with tax laws and regulations only has become more important over the years, in 2014 OCI instituted a Central Tax Team (“OCI CTT”) with global responsibilities.

This Tax **Charter** contains the general rules and terms of engagement for the OCI Tax Function. OCI’s Tax Management **Policy** contains guidance on the practical application of this Tax Charter and detailed information on OCI’s Tax Risk Management measures.

The **OCI Tax Function** (currently: “Tax Organization”) consists of the OCI Tax Leadership Team, Central Tax Team, Group Controller, Corporate Accounting department, local CFO’s and local Finance departments. The **OCI Tax Community** (currently: Tax Function”) consists of all individuals dealing with tax within OCI (e.g. individuals within the business, Finance, Corporate Accounting, Central Tax Team) responsible for identifying, assessing, advising, monitoring and reporting on OCI’s Tax Risks.

## **2. Purpose, Mission & Scope Tax Charter - Honesty, Integrity and Fairness**

### **a. Purpose**

This Tax Charter contains and describes the general tax strategy and policy of OCI NV (hereafter: OCI). It also contains a general description of OCI’s approach to tax, OCI’s tax risk management and tax control frameworks, including the roles and responsibilities of the various stakeholders within OCI’s Tax Function and Tax Community.

### **b. Mission, Standards and Objectives**

The mission of OCI’s Tax Function is to (i) ensure the company is compliant with all relevant fiscal and tax laws, (ii) adequately and effectively manage the company’s tax risks, and (iii) to add value by mitigating OCI’s risk of tax controversy.

The global standards with respect to tax are based on the core values Honesty, Integrity and Fairness as embedded in the OCI Code of Conduct and grounded on the following Tax Standards and Objectives:

- Ensuring that any tax initiatives undertaken are in line with our Core Values as well as with OCI’s business strategy and operations, i.e. at OCI we (i) will not use non-cooperative jurisdictions, (ii) not only take the letter but also the spirit of the law into account, and (iii) declare our profits and pay our taxes where our economic activities occur;
- Compliance with all applicable tax laws, statutory obligations and reporting requirements;
- Maintaining a transparent and open working relationship with all relevant tax authorities and stakeholders; and
- Ensuring that all intercompany transactions are in line with the at arm’s length principle as incorporated in the OECD Guidelines (i.e. applying market based prices for intercompany transactions).

### **c. Scope of Tax Charter**

This Charter is applicable to OCI NV and all its subsidiaries and covers all OCI relevant taxes, tax filings and tax risks.

### **d. Review of Charter - biennially**

This Tax Charter is reviewed on a biennial basis in the summer for approval by the Group Chief Financial Officer and is discussed in the Audit Committee of the Board of Directors. If deemed necessary, it can be amended at any time after approval of the Group Chief Financial Officer.

### **3. Tax Strategy & Policy** - Honesty, Integrity & Fairness

#### **a. Approach to Tax and Tax Planning**

OCI's acting on the basis of its core values Honesty, Integrity and Fairness also has an impact on its approach to tax in that OCI believes that paying tax is more than a simple cost of doing business. After all, as part of its corporate social responsibility OCI's tax contributions play an important role for the communities in which it operates. In fact, we are working towards adoption of GRI Standard "GRI 207: TAX 2019" to apply our general sustainability strategy to tax.

So as a responsible tax payer we take into account long-term considerations, which means that at OCI engaging in tax mitigation is only acceptable if and to the extent it (i) has business rationale and (ii) is consistent with both OCI business objectives and economic reality. Engaging in an effort to avoid the accumulation of taxes is generally considered consistent with business objectives.

Where governments intentionally create tax incentives and benefits, for example to attract business activities, OCI will take these benefits into account when taking its business decisions.

#### **b. Tax Accounting & Reporting**

The following principles apply to OCI's tax accounting & reporting activities:

- ✓ OCI's financial and tax reporting follows IFRS principles;
- ✓ OCI strives to meet all global tax reporting deadlines in a controlled way.
- ✓ Financial information in the tax reporting is accurate and reconciles to financial statements, transfer pricing documentation, invoices and other relevant sources.

#### **c. Tax Compliance**

OCI strives to always be compliant with both the letter and the spirit of applicable tax laws and regulations. OCI is observant to public opinion and the public debate regarding the payment of a fair share of tax. OCI is dedicated to strengthen its tax compliance by implementing and maintaining an effective tax risk management and control framework.

For purposes of Tax Accounting & Reporting as well as Tax Compliance the CTT has overall responsibility for the review of all tax information. Tax Accounting & Reporting is the responsibility of the Corporate Accounting department with the local CFO's signing off on local tax positions in the accounts. Local CFO's are responsible for local Corporate Income Tax Compliance and for the filing of operational taxes.

Appendix 2 contains a RACI chart outlining key tax and tax related activities and the persons responsible and accountable for completion.

#### **d. Transfer Pricing**

For purposes of drafting its Transfer Pricing principles and documentation, OCI follows the OECD Guidelines with the at arm's length principle at its core. This principle provides the closest approximation of the workings of the open market in cases where goods and services are transferred between associated enterprises.

Transfer Pricing documentation is reviewed periodically by OCI CTT and the relevant business people, to ensure compliance with all relevant transfer pricing legislation.

#### **e. Tax Controversy, Audit and Litigation**

Local CFO's and local Finance departments work closely together with OCI CTT to ensure timely and adequate tax controversy management in the broadest sense. Tax Controversy generally refers to all local Tax Authority actions that may lead to legal proceedings, such as but not limited to enquiries, additional assessments and tax audits. Further details can be found in OCI's Tax Management Policy.

#### **4. Tax Governance & Organization** - Transparent and Open relationships

##### **a. Tax Function (Management)**

OCI's Group Head of Tax reports directly to the Group CFO. As such, the Group CFO is accountable for all OCI's tax risks and compliance, both domestic and foreign. The responsibility for managing tax risks generally lies with OCI CTT, unless this is specifically assigned to a Tax Risk Owner outside OCI CTT in accordance with OCI's Tax Management Policy.

##### **b. Stakeholder Management & Relationship with Tax Authorities**

OCI strives for strong relationships with tax relevant stakeholders - both internal and external - based on transparency and trust and with an open mind, and endorses the basic principles of cooperative compliance where conducive for a fair resolution of OCI's tax position, e.g. in The Netherlands and the United Kingdom.

With tax authorities OCI seeks to maintain a transparent and open relationship. As part hereof OCI is committed to inform and consult tax authorities on the basis of full disclosure. All communication with tax authorities - or other regulators on tax matters - is handled by or with consent from OCI CTT.

#### **5. Tax Risk Management** - both Internal - & Tax Control Frameworks apply

For managing OCI's tax risk the OCI Tax Function follows OCI's general COSO based Internal Control Framework when identifying, evaluating, controlling and monitoring Tax Risk(s). OCI's Internal Audit department periodically reviews the effectiveness of OCI's Tax Community and OCI CTT reports semi-annually to the Audit Committee on taxes and tax risk management.

##### **a. Risk Appetite**

OCI strives to comply with both letter and spirit of applicable tax laws and regulations everywhere it does business in an effort to minimize the risk of loss to its tax reputation or of financial losses as a result of non-compliance. We actively monitor regulatory developments to ensure we comply with the laws and regulations of the countries where we operate.

##### **b. Risk Management methodology**

OCI's Internal Control Framework is aligned with the Enterprise Risk Management Integrated Framework of COSO and the Dutch Corporate Governance Code and is designed to provide reasonable assurance that OCI's Tax Risks are properly evaluated and mitigated. It is based on the three lines of defence model, where the Tax Function has both first and second line roles and responsibilities. The practical application of this methodology for tax risks is covered in OCI's Tax (Function) Management Policy.

##### **c. Tax Control Framework**

OCI's Tax Control Framework is designed for and applicable to OCI's entire Tax Community and consists of this Tax Charter, OCI's Tax Management Policy and all underlying Processes, Procedures and other measures designed and implemented to mitigate and manage OCI Tax Risks.

Amsterdam, 26 August 2020

Approved and signed by the Group Financial Officer of OCI NV after discussion in the Audit Committee of the Board of Directors:

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Hassan Badrawi

## **Appendix 1: Definitions and abbreviations**

### Definitions and abbreviations with executive summary

#### **Definitions**

Core Values - OCI's core values Honesty, Integrity and Fairness as embedded in the OCI Code of Conduct

Indirect or Operational Taxes - Sales and use taxes (including VAT), customs & excise taxes and duties, capital taxes and property taxes

OCI Code of Conduct - OCI's Code of Conduct contains the policies that relate to the legal and ethical standards of conduct that the directors, executive officers and senior financial community of OCI N.V. and its subsidiaries are expected to comply with while carrying out their duties and responsibilities

OCI Tax Function - OCI's Tax Function consists of the Tax Leadership Team, Central Tax Team, Group Controller, Corporate Accounting department, local CFO's and local Finance departments

OCI Tax Community - OCI's Tax Community comprises of all individuals dealing with tax within OCI (i.e. individuals within the business, Finance, Corporate Accounting, Central Tax Team

Tax Filing(s) - Any tax return, claim, election, instalment payment calculation or other submission of documentation to a Tax Authority

Tax Risk - A potential event, which might have an adverse effect on the tax goals of an organization.

Tax Risk Owner - An individual or department outside OCI CTT that is responsible and/or accountable for managing Tax Risk

#### **Abbreviations** with executive summary

CIT - Corporate Income Tax(es)

COSO - The 'Committee of Sponsoring Organizations of the Treadway Commission' or 'COSO' is a joint initiative dedicated to guiding executive management in governance, risk management and financial reporting that has established a common internal control model

IFRS – International Financial Reporting Standards. 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.

OECD - Organization for Economic Cooperation and Development, i.e. a group of 34 countries that discuss and develop economic, social and also tax policies such as the OECD Model (Income) Tax Treaty and anti-tax avoidance measures, such as BEPS/CbCR. OECD countries are democratic and developed countries that support free market economies;

## Appendix 2: RACI overview of Tax Roles & Responsibilities

RACI <sup>[1]</sup>	Local Finance Department	Local CFO	Corporate Accounting department	Group Controller	Tax Manager / Fertiglöbe Tax Director	Group Tax Director	CFO	Third party provider
<b>Tax initiatives (incl. TP)</b>		I			R	A	I	C
<b>Tax compliance</b>								
<b>CIT / WHT [2]</b>								
- Information gathering	R	A			C	I		R
- Return preparation	C	A			I			R
- Return review	C	A			R	I		R
- Return submission	R	A			I	I		R
- Return payments	R	A			C	I		
<b>Tax Controversy</b>								
- Tax audits	R	A			C	I		
<b>Operational Taxes [3]</b>								
- Indirect taxes advice/strategy	C	I				R / A		C
- Return preparation	R	A			C	I		
- Return review	R	A			I	I		
- Return submission	R	A			C	I		
- Return payment	R	A			C	I		
<b>Tax Accounting &amp; Reporting</b>								
- Complete tax reporting packs	R	A			C	I		
- Review tax reporting packs		A	R	C	C	I		
- Group consolidation		I	R	R	C	I	A	

<sup>[1]</sup> This matrix uses the RACI model: R = Responsible; A = Accountable; C = Consulted; I = Informed

<sup>[2]</sup> Withholding taxes consist of Royalties, Dividends and Interest

<sup>[3]</sup> Operational taxes consist of sales and use taxes (including VAT), customs & excise taxes, capital taxes and property taxes