

ADAMA Group Tax strategy

November 2017

1. Introduction/Background

This document, sets out ADAMA Group's policy and approach to conducting its tax affairs and dealing with tax risk, and is made available to all ADAMA Group's stakeholders. The document will be periodically reviewed by the Group Tax department. It is effective for the year ending 31 December 2016, and will remain in effect until any amendments are approved.

Our Group Tax department is involved deeply with our businesses department to ensure that:

- The strategy is adopted and followed consistently across the Group, with clear lines of responsibility and accountability
- There is alignment of the strategy with ADAMA Group's overall approach to corporate governance and risk management, and
- ADAMA Group pays the right amount of tax required, under the laws and regulations of the countries in which it operates.

2. Group tax Strategy

2.1 Overview

ADAMA Group is committed to conduct its business transactions consistent with the following objectives:

- Comply with all relevant laws, rules, regulations, reporting, and disclosure requirements, wherever we operate
- Ensure the tax strategy is at all times consistent with the Group's overall strategy, its approach to risk, and the Group Core Values
- Apply professional diligence and care in the management of all risks associated with tax matters, and ensure governance and assurance procedures are appropriate
- Foster constructive, professional and transparent relationships with tax authorities, based on the concepts of integrity, collaboration and mutual trust
- ADAMA Group will use incentives and reliefs to minimise the tax costs of conducting its business activities, but will not use them for purposes which are knowingly contradictory to the intent of the legislation

2.2 Tax Strategy

- **Compliance with laws and regulation**

ADAMA Group is committed to observing all applicable laws, rules, regulations, and reporting and disclosure requirements, wherever there is a requirement to do so as a result of our business presence and transactions, in line with our Integrity Core Value.

Importantly, a dedicated tax team (Group Tax) is collaborating with the Group's businesses to provide advice and guidance necessary to ensure compliance, obtaining external advice where necessary. There are clear management responsibilities, backed up by regular monitoring and review, carried out by members of Group Tax with the necessary experience and skill set.

- **Consistency with group strategy**

Tax decisions will be made at all times in a manner which is consistent with and complements the Group's overall strategy. Key business decisions should be made cognisant of the tax consequences and with the aim of optimizing the after-tax returns for the Group's shareholders. Group Tax is cooperating with the businesses to ensure there is that consistency.

- **Governance arrangement and risk management**

Professional care and judgement will be employed to assess tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed. Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from third party advisers to support the decision-making process.

In reviewing the risks of a tax action or decision, always bearing in mind the requirements of the Group Tax Policy, the following would be considered:

- ✓ The legal and fiduciary duties of directors and employees
- ✓ The requirements of our Group Core Values and policies such as the Group Ethics Policy
- ✓ The maintenance of corporate reputation, having particular regard to the principles embodied in the Group's Social Responsibility Core Value regarding the way we interact with the communities around us
- ✓ The tax benefits and impact on the Group's reported result comparative to the potential financial costs involved, including the risk of penalties and interest
- ✓ The wider consequences of potential disagreement with tax authorities, and any possible impact on relationships with them.

- **Relationship with tax authorities**

ADAMA Group is committed to the principles of openness and transparency in its approach to dealing with tax authorities wherever we operate around the world. All dealings with the tax authorities and other relevant bodies will be conducted in a collaborative, courteous and timely manner. The aim would be to strive for early agreement on disputed matters, and to achieve certainty wherever possible.

- **Incentives and reliefs**

ADAMA Group believes that it should pay the amounts of tax legally due in any territory. There will, however, be circumstances where this amount may not be clearly defined, or where alternative approaches may result in differing tax outcomes. The Group will use its best judgement in determining the appropriate course of action, using available reliefs and incentives where possible.

3. Tax Management and Organization

3.1 Group Tax Department

ADAMA group tax department is comprised with a Group Tax officer and four employees which are all together in charge of:

- Israeli taxation (Compliance with local taxation, tax incentive plans, application for economic support from the “Office of the chief scientist”, Israeli tax planning, tax reports, tax aspects when building a transaction with a 3rd party, and daily maintenance).
- International taxation and transfer pricing (Compliance with existing tax treaties, intercompany Contracts and contracts with 3rd party, transfer price procedure and relevant documentation, group tax planning, withholding tax, tax aspects when building a transaction with a 3rd party, tax aspects in mergers and acquisitions, and daily maintenance.
- Indirect tax issues (custom, VAT)

3.2 Tax advisors

ADAMA Group works with several tax advisors, mostly from the big 4.

4. Approach when working with HMRC

ADAMA Group will comply with all relevant legal disclosure and approval requirements, and all information will be clearly presented to HMRC as appropriate.

In particular, ADAMA Group commits to:

- Adopt open and collaborative professional relationships at all times with HMRC;
- Engage in full, open and early dialogue with HMRC to discuss tax planning, strategy, risks and significant transactions;
- Make fair, accurate and timely disclosure in correspondence and returns, and respond to queries and information requests on time.
- Seek to resolve issues with HMRC in real time and before returns are filed if possible, and where disagreements arise, work with HMRC to resolve issues by agreement (where possible);
- Be open and transparent about decision-making, governance and tax planning;
- Reasonably believe that transactions are structured to give a tax result which is consistent with the economic consequences (unless specific legislation anticipates that result), and not contrary to the intentions of Parliament; and
- Interpret the relevant laws in a reasonable way, and ensure transactions are structured consistently with a co-operative relationship.