

KLOECKNER METALS UK

GROUP TAX STRATEGY FOR FY

ending 31/12/2023

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Introduction

Kloeckner Metals UK (the "UK Group") is one of the largest mill independent multi-metal stockholders and distributors in the UK, forming part of an international group (the "Kloeckner Group") operating across 13 countries in Europe and America and parented by a German listed entity, Klöckner & Co SE.

Kloeckner Metals UK derives corporate responsibility from recognition that its business activities impact a large number and a variety of both internal and external stakeholders, ensuring particular attention is paid to sustainable management activities and contributing to environmental protection.

As part of the listed Kloeckner Group, Kloeckner Metals UK has a strong policy of tax compliance, arising from the Kloeckner Group's strong compliance focus. Each country organization within the Kloeckner Group has a National Compliance Officer, who works with the Group's Corporate Compliance Officer and the rest of the Group Compliance Team to identify and assess the impact of new legislation expected to come into force and be diligent in any changes relevant to a specific territory within the Group.

Kloeckner Metals UK's Finance Director is responsible for the management of tax affairs in the UK Group. The Finance Director is also the UK Group's Senior Accounting Officer, a measure introduced by the UK Government to improve businesses' tax compliance governance and systems by assigning responsibility to a director to report on the UK Group's compliance under the Senior Accounting Officer scope.

Kloeckner Metals UK adopts an approach to tax which is aligned with the Kloeckner Group's business strategy and corporate culture and takes into account the impact on both internal and external stakeholders. The strategy impacts all taxation areas affecting the UK Group and is driven by the UK Finance Director.



Overall UK Tax Strategy

Kloeckner Metals UK's tax strategy is detailed below and outlines the UK Group's attitude towards tax risk and tax planning. This strategy is in compliance with Schedule 19 paragraph 16(2) of the Finance Act 2016 and applies to the current financial year ending 31 December 2023.

The key principles of the tax strategy are:

- The UK Group has a strong policy of compliance and is committed to paying the correct amount of tax due under UK legislation, whilst utilizing available reliefs, as intended by the legislation.
- The tax strategy is aligned with the UK Group's business strategy and corporate culture, such that all tax matters are managed effectively by having a clear corporate governance framework and robust business processes and controls. The UK Group's attitude to tax planning is conservative and aims to maintain its low-risk status with HM Revenue & Customs ("HMRC"). This status was reaffirmed in connection with HMRC's 2023 risk assessment.
- Kloeckner Metals UK is highly aware of its impact on both internal and external stakeholders and its decision-making process in respect of all tax-related matters is aligned to this wider corporate responsibility.
- Kloeckner Metals UK is proactive in its management of tax risk and thereby mitigating the risk that issues arise.
- Kloeckner Metals UK is committed to preventing the facilitation of tax evasion as required by the Criminal Finances Act 2017.
- Kloeckner Metals UK seeks external advice from reputable professional firms in respect of UK tax matters.
- Kloeckner Metals UK has a low appetite for tax risk and is prescriptive in the level of risk that is considered acceptable.
- Kloeckner Metals UK has met the compliance requirements of the VAT Notice 700/22: Making Tax Digital for VAT (within the required timeframe).

Governance and Risk management

Kloeckner Metals UK's corporate culture demonstrates an underlying commitment to compliance with all applicable laws and regulations. It has a strong corporate governance policy, which is consistent with the German Corporate Governance Code and internationally accepted standards of good and responsible corporate governance. The Kloeckner Group's Risk Management policy is designed to conform with all relevant laws and regulations, and the managers of the companies within the Kloeckner Group are responsible for ensuring that risks and measures to mitigate those risks are reported and recorded in its Risk Management System (RMS).



In January 2017, the Kloeckner Group's CEO Gisbert Rühl signed the "Compact for Responsive and Responsible Leadership" which commits to:

- Encouraging the periodic review of corporate governance, long-term objectives and strategies at the board level as well as clear communication between corporations, investors and other stakeholders about the outcomes;
- Promoting meaningful engagement between the board, investors and other stakeholders that builds mutual trust and effective stewardship, and promotes the highest possible standards of corporate conduct; and
- Publicly supporting the adoption of the Compact for Responsive and Responsible Leadership and implementing policies and practices within the organization that drive transformation towards the adherence to long-term strategies and sustainable growth for the benefit of all stakeholders.

This leadership document commits the Management Board to corporate governance that extends to governance regarding tax throughout the Kloeckner Group.

The German Management Board has input and oversight over all significant taxation matters. However, UK taxation is the responsibility of the UK Finance Director. The UK Finance Director reports on Kloeckner Metals UK's tax position to the Head of Group Tax, based in Germany. All UK taxation matters which may impact the wider Group are fed back to the German parent on a timely basis.

The UK Finance Director is responsible for monitoring UK taxation processes and driving the UK Group's tax strategy, as well as managing the UK Finance team and overseeing all matters affecting finance and tax.

The UK business includes individuals dedicated to and trained in employment taxes and VAT, which it primarily deals with in-house, supported as needed by reputable external tax advisors. Kloeckner Metals UK outsources the preparation of its corporate tax returns and statutory tax disclosures to a reputable external professional advisory firm, though all deliverables are subject to an internal review process. The outsourcing of much of the tax work assists Kloeckner Metals UK in making accurate disclosures to HMRC in a timely fashion, such that it consistently meets its fiscal and reporting obligations to HMRC. Kloeckner Metals UK's Finance team holds quarterly meetings with its external tax advisors to discuss recent tax developments, quarterly tax provisions and other tax-related topics.

Kloeckner Metals UK has robust internal business processes and controls which are periodically reviewed and tested in respect of these various taxes to certify that the Group has appropriate tax accounting arrangements, under the Senior Accounting Officer rules. This certification is considered annually in line with legislation to mitigate any potential risks around the Group's processes and controls which are relevant to UK taxation.

Attitude to Tax Planning

Kloeckner Metals UK has a code of conduct which is at the centre of its corporate culture, setting out ethical and social values as well as fundamental principles and practices. This framework governs actions internally as well as impacting the way business is conducted when dealing with business partners and the public at large.



Kloeckner Metals UK has a strong policy of compliance and is committed to paying the correct amount of tax due under UK legislation, whilst assessing available claims and reliefs intended by the legislation. Group Tax is also involved in the monitoring and legal assessment of changes in tax legislation or in the administrative interpretation of tax matters, both in Germany and abroad.

Approach to UK Tax Risk

As noted above the corporate governance framework and tax processes and procedures are designed to mitigate UK tax risk from arising. An element of tax risk and uncertainty is inevitable in the current international tax environment; however, Kloeckner Metals UK reduces this by proactively seeking advice in respect of any potential tax risk areas from reputable professional firms and maintaining an open and honest relationship with HMRC.

Furthermore, the attitude of Kloeckner Metals UK towards tax planning (so far as affecting UK taxation) further mitigates risk by ensuring that the UK Group claim available reliefs permitted under legislation and supported, as appropriate, by advice from reputable third party professional advisors.

From time to time Kloeckner Metals UK will consider whether there are claims or reliefs which should be available but which are not currently being claimed. If a reputable professional advisor can confirm that entitlement to the relief is in line with the intention of legislation, such issues would clearly be considered by the UK Finance Director. Depending on the quantum and complexity, such matters would be further discussed with the UK Board and the Head of Group Tax of the German parent company prior to proceeding with the work.

Working with HMRC

For Klöckner & Co, Investor Relations is about transparent and continuous communications with both private and institutional investors and Kloeckner Metals UK ensures it undertakes the same approach.

The UK Finance Director and the Finance team are committed to working collaboratively with HMRC. Continuous and transparent dialogue are considered key to maintaining the Kloeckner Metals UK's low risk status. The interactions with HMRC, whether informal or formal in respect of Business Risk Review meetings, are designed to provide assurance to HMRC that Kloeckner Metals UK is taking into account new tax legislation and the potential impact of relevant current issues as they arise. Kloeckner Metals UK seeks to demonstrate ongoing compliance with applicable tax legislation and UK requirements.

Kloeckner Metals UK reflects this approach with the UK tax authorities in its communications with its Customer Compliance Manager at HMRC, communicating in real time about relevant matters, as and when they may arise.

