TAX COMPLIANCE RISK FRAMEWORK - MANAGING TAX COMPLIANCE RISK

The following outlines the over-arching Tax Compliance Risk Framework used by Westgold to manage tax compliance risk.

The tax control framework focusses on the key principles of Process, People and Systems.

The Board has dictated that the Group must take a very low risk approach to tax compliance.

PROCESS

Tax Risk Governance

In general, the Board provides oversight of Tax Risk Governance to the Group and specifically manages this matter through the Audit & Risk sub-committee.

The Board empowers Executive Management to monitor and implement activities associated with assurance and documentation to ensure compliance. Further Executive Management is empowered to ensure the Group conducts its activities to comply with legislative requirements and apply risk mitigation to ensure the Group remains compliant with tax law.

(a) The Board and the Audit and Risk Sub-committee

The role of the Board and the Audit and Risk Sub-committee is to ensure awareness of the taxation implications of the Group. To understand what is required from a management, accounting, and documentation and review perspectives to ensure the Group remains compliant. In doing so it also:

- Embeds a risk culture and awareness of the importance of tax compliance.
- Defines the Groups tax management strategy and policy
- Dictates and monitors the Groups tax risk appetite
- Discusses, reviews and makes recommendations to Management in areas of significant uncertainty and judgement

(b) Executive and Line Management

The Board and the Audit and Risk Sub-committee empower Executive and Line Management to ensure the existence of processes, policies and procedures to comply with taxation legislation, and to ensure the application of these in the overall management of the Group. In doing so, Management performs the following key tasks:

- Defines roles and responsibilities
- Defines risk framework
- Ensures objective assurance, monitoring and reporting on tax risk
- Identifies and assesses tax risk
- Initiates risk control activities
- Documents processes
- Provides assurance and conducts appropriate testing

(c) Conduct and Implementation of Works to Ensure Tax Compliance

In establishing, managing and accounting for works performed by the Group, Management is encouraged to consider the following key actions:

- Comply with legislation
- Observe rules, regulations and disclosure requirements
- Manage risk by applying tax compliance risk strategies

- Aim for certainty on adopted tax positons
- Seek advice from senior management, experts and consultants when matters are unclear
- Develop good working relationships with tax authorities by ensuring compliance and on-time submissions

Defining the Risks

The following key points define the principles and objectives to ensure we manage our affairs effectively:

(a) Tax Compliance Risk:

- The risk of financial loss in the form of increased tax costs, interest and penalties;
- Suboptimal commercial outcomes due to structuring arrangements in an ineffective manner; and
- Restricted ability to achieve goals due to damaged reputation and relationships with tax authorities

(b) Drivers of Tax Risk:

- Judgemental - relating to understanding and interpretation of tax law and manifests itself as tax planning and advisory risk
- Operational - relating to the processes, people and systems in place to manage tax risk and manifests itself as tax compliance risk

(c) Role of the Tax Function:

- Assists Senior Management to understand and set tax risk appetite, taking into account both the judgemental and operational aspects of tax risk
- Manages the tax risk profile to remain within this appetite, either directly in relation to tax activities that the finance department is responsible for or indirectly through working with others

Assessing the Groups Risk Appetite

The fundamentals behind managing compliance with tax laws and the associated accounting standards include:

- Consideration of the tax compliance matter within the Group's broader appetite for risk
- Proper consideration and implementation of tax specific requirements like legislation and codes of conduct
- To ensure a balance of competing pressures of value, compliance, reputation
- Ensuring consideration is made to compliance beyond corporate tax
- Assessing, quantifying and qualifying account limits and triggers with a requirement on monitoring.

Management of tax risk

The following outlines the approach to the management of tax risk and the downstream segregation of roles and responsibilities in managing tax compliance risk.

Tax risk is managed within a Governance Framework where the Board, having imposed a very low tax compliance risk threshold, ensures that Management seek external independent advice, conducts external audits, and an maintains an organisational culture of management competence to ensure tax risk compliance. To do so the Board expects a three level compliance framework:

1. Taking ownership of the risk, operating required controls, maintaining relevant documentation, identifying, managing, mitigating and reporting on risk and implementing continuous improvement
2. Setting risk capacity and appetite, analysing, monitoring and advising on legislation and practice and undertaking risk based monitoring
3. Validating the risk framework, providing assurance on its operation, testing key controls independently and providing recommendations for improvements

The tax compliance principles are:

- The Group must comply with all tax regulations and disclosure requirements
- All returns must be submitted by their due dates
- All material positions taken in the tax returns must be supported in terms of documentation and legal interpretation
- All relevant changes in tax law and practices must be monitored
- Regular training should be undertaken

The Tax authority relationships principles are:

- Relationships with tax authorities should be pro-actively managed
- The tax authorities should be engaged for significant transactions
- Interactions with tax authorities should be transparent

Process of managing tax risk within the Group is managed by:

- Fully documented risk identification and assessment processes
- Implementation control activities to provide assurance of compliance.
- The effective Planning, Implementation, Documentation and Monitoring of tax compliance information and data including:
    - Any business or share acquisitions and disposals
    - Any changes in corporate structure
    - Any significant business transactions
    - Ant significant new processes or procedures that may affect tax compliance

PEOPLE & MANAGEMENT

In effecting its tax compliance strategy as outlined above, the Group operates with the following key principles:

- Culture is the foundation for all the components of the tax risk control framework and is the underlying platform on which it is built
- The Board and Executive Management take the lead in establishing a strong risk management culture
- Appropriate levels of training and communication are provided
- Staff understand the terminology and are able to communicate with regulators, tax authorities, external auditors and risk professionals
- Oversight, accountable and performance appraisals reinforce values and contribution to a strong tax risk culture

SYSTEMS TO MANAGE COMPLIANCE

To assist personnel with the management of tax compliance risk it must provide the group with the working tools and hardware to ensure it is best placed to do so. These measures include:

- Suitability of the IT infrastructure and its configuration for tax is considered periodically
- Potential IT related risks to tax processes are assessed
- Dependency between the use of technology in tax processes and technology generated controls are reviewed periodically
- Tax control activities are aligned with established entity level controls
- Tax specific software that can reduce risk and free up resource for other aspects of compliance are investigated as appropriate

- Work flows and related systems are used to automate tax risk management and make monitoring and reporting processes more efficient

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