Remgro Limited

Tax Transparency Report

2024

Introduction

The Tax Transparency Report is guided by the Global Reporting Initiative's Standard on Tax (GRI 207) and Remgro Limited's (Remgro) approach to tax, tax governance and tax risk management. It also includes financial information for each tax jurisdiction within which the consolidated Remgro Group (the Group) operates.

The Tax Transparency Report demonstrates Remgro's commitment to tax transparency, which should be read with the consolidated Annual Financial Statements and Integrated Annual Report that is published on the Company's website at www.remgro.com.

Remgro's tax profile is unique, given its nature as an investment holding company. Remgro's focus is to maximise long-term shareholder value, in contrast to short-term returns, resulting in tax contributed to the fiscus varying markedly between reporting periods, mainly by reason of capital gains tax levied on disposals being the most significant tax contributor in Remgro's business. Tax is entrenched in nearly all aspects of doing business and has the ability to significantly impact Remgro's financial performance.

The key objectives in managing Remgro's tax affairs are to:

(1) ensure full compliance with tax laws and regulations in whichever jurisdiction Remgro has interests;

(2) ensure that Remgro's tax affairs are congruent with responsible corporate citizenship; and

(3) take account of related reputational repercussions.

As a publicly listed company, Remgro acknowledges that it has a responsibility not only to its shareholders, but to a larger group of stakeholders, including tax authorities. In discharging this onus, Remgro co-operates with tax authorities by:

- seeking to comply with both the letter and spirit of the prevailing tax laws and regulations;
- cultivating respectable relationships with tax authorities; and
- providing transparent tax disclosures publicly for each tax jurisdiction in which the Group operates.

Reporting scope and boundary

Remgro is an investment holding company and all its operating investee companies have their own governance structures that report to their autonomous boards.

Guidance was taken from the GRI Boundary Protocol to define the scope of this Tax Transparency Report. This Tax Transparency Report applies to the following entities:

- Remgro to ensure that the principle of accountability for governance, including ethics, rests with the Remgro Board (the Board);
- Remgro Management Services Limited (the Service Company) to ensure that all functional activities are aligned with the ethical standards set by the Board; and
- subsidiaries of Remgro managed and administered by the Service Company, to ensure that all operational activities are aligned with the ethical requirements set by the Board.

Application of this Tax Transparency Report to the separate operating subsidiaries of Remgro not managed by the Service Company, but included in the Group, is limited to Remgro obtaining confirmation via Remgro representatives (investment managers) on these companies' boards that these investee companies are seeking to comply with the letter and spirit of the tax laws. The significant separate operating subsidiaries are RCL Foods Limited, Wispeco Holdings Proprietary Limited, Capevin Holdings Proprietary Limited and Siqalo Foods Proprietary Limited.

For investee companies not included in the Group and where Remgro has directors' representation, Remgro will endeavour to influence and encourage these investee companies to align with the objectives of this Tax Transparency Report.

The Tax Transparency Report provides a comprehensive overview of the tax-related activities of the Group for the year ended 30 June 2024.

Tax strategy

Remgro's tax strategy is captured in the Tax Transparency Policy that is published on the Company's website at www.remgro.com, which has been reviewed and approved by the Audit and Risk Committee (the ARC). The Group Tax Manager (GTM) considers the tax strategy on a regular basis (at least annually) and, where appropriate, makes amendments to the Tax Transparency Policy for review and approval.

The Board has delegated responsibility for the oversight of tax-related matters and the review of the tax strategy to Remgro's Chief Financial Officer (CFO).

The principles that guide Remgro's behaviour towards tax, are:

- Full and timely compliance with all statutory tax obligations for each tax jurisdiction in which the Group operates, specifically including, but not limited to:
  - the accurate and timely filing of income tax returns and settling any tax obligations within the prescribed time;
  - making full disclosure of material and relevant facts and circumstances to the relevant tax authorities; and
  - where an inadvertent error occurs, making full and timely disclosure thereof to the relevant tax authorities.
- Ensuring that tax planning and structuring occurs within the confines of sound commercial objectives. The economic and commercial reasons for all transactions undertaken are crucial and all transactions are therefore required to have a sound business and commercial purpose. No artificial arrangements may be implemented to transfer value to low-tax jurisdictions.
- Observing all tax laws and regulations for each jurisdiction in which the Group operates and eliminating double taxation where possible.

- Cross-border transactions are undertaken using the arm's length principle according to the Transfer Pricing Guidelines of the Organisation for Economic Cooperation and Development (OECD), if and where relevant. As the ultimate holding company of the Group, Remgro complies with its obligations under the OECD Base Erosion and Profit Shifting Project (BEPS) Action 13 by annually submitting a Country-by-Country (CBC) Report, Master File and Local File to the South African Revenue Services (SARS).
- Publicly reporting on key business, financial and tax information for each tax jurisdiction in which the Group is a resident for tax purposes.
- Safeguarding Remgro's reputation as a responsible taxpayer and establishing and fostering mutually respectful, transparent and proactive relationships with tax authorities, and to always ensure timely, professional and courteous behaviour.
- Maintaining a sound organisational structure for appropriate tax management and tax planning, in compliance with South African tax laws and regulations, as set out in the Income Tax Act No. 58 of 1962 and other relevant tax legislation.
- Effective identification, management and control of any key tax risks.

Tax governance

Remgro's CFO is responsible for the tax function at Board level, which includes regular updates on the tax affairs and associated tax risks of Remgro, if relevant, and ensuring that any tax risks are managed and controlled at the appropriate level. The ARC monitors the integrity of the financial reporting system, the surrounding internal controls and risk management framework, which includes the fundamentals to ensure an effective tax function.

Remgro's Code of Conduct sets out the standards of behaviour that are expected from all employees, which is no different when it involves taxation.

The Board is responsible for the integrity of the Tax Transparency Report. The Board has considered the Tax Transparency Report and is of the view that it accurately and comprehensively sets out Remgro's tax strategy, tax governance, tax risk management, relationships with the tax authorities and tax reporting.

The ongoing implementation of the tax strategy has been delegated to the CFO and GTM, who have the necessary experience and qualifications to ensure adherence to the tax strategy and the execution thereof. This in-house tax function ensures the effective implementation of tax policies and principles, including identifying and managing tax risks. This includes the monitoring of changes in tax legislation, and ensuring compliance with tax laws and compliance requirements in various jurisdictions.

The GTM ensures that appropriate procedures and guidelines are followed, and that suitable training is provided to support the implementation of the tax strategy as stipulated above.

By consistently exercising diligent professional care and judgement, tax-sensitive items are escalated to the CFO and, if required, will be addressed by the ARC to arrive at a well-reasoned conclusion. In addition, Remgro's tax affairs are regularly scrutinised by its external auditors, tax advisors and tax authorities as part of the normal compliance and reporting procedures.

Support is provided to investment managers in the event that tax-related matters at an investee company level are brought to their attention which may require tax input.

Tax risk management

Tax risks are ideally managed by the prevention of unnecessary disputes. Avoiding all tax disputes would infer an overly cautious position that is not in line with Remgro's main objective, i.e. to enhance shareholder value. Potential tax risks are continuously monitored by the finance and tax teams of the Group.

Whenever there is doubt or uncertainty regarding the tax treatment relating to a transaction at Remgro, the matter is escalated to the GTM who will assess the transaction using the necessary professional skills and judgement to confirm the best way forward to achieve tax compliance and efficiency. If uncertainty still exists, taking into account the materiality of the item, the financial impact thereof and any reputational risk, the GTM will consult with external tax advisors to obtain independent advice to formalise Remgro's position on the matter.

Where deemed appropriate, Remgro will attempt to establish the tax authorities' view on the specific matter and/or apply for Advanced Tax Rulings from the tax authorities based on full disclosure of the relevant material facts.

Remgro's Taxation Risk Framework, which includes a risk assessment matrix to assess the likelihood of certain operational and compliance tax risks, sets the control strategy and if required, considers control enhancements. The risks are assessed as low, medium or high.

The internal audit team of Remgro also reviews the tax function as part of the annual financial control process. External audit reviews are also performed annually as part of the annual audit process, and external tax advisors are made aware of and review any material, significant or even immaterial transactions, which may trigger reputational risk for Remgro. External tax advisors also review the CBC reporting of the Group annually to ensure that it complies with the requirements set by the OECD.

Attending regular tax technical training sessions presented by reputable professional audit and tax service providers, and regular tax update meetings with Remgro's external tax advisors, ensure that any tax risks which may arise from any legislative amendments, recent case law or changes in the practice by the tax authorities, are actively managed.

The respective CFOs of investee companies, together with their finance and tax teams, are responsible for ensuring that their tax risk management is appropriately managed. Remgro will obtain assurance via its investment managers of the investee companies in this regard, when appropriate.

Local tax landscape

As set out in the tax strategy, Remgro values its reputation as a responsible taxpayer, and engagements with tax authorities are conducted openly and honestly. Tax authorities expect Remgro to pay taxes in a timely manner and to engage in active and transparent discussions.

South African entities in the Group, who are in a tax-paying position, make provision for corporate income tax at a rate of 27%. This tax rate is also used in respect of the tax rate reconciliation.

The tax rate reconciliation for the year ended 30 June 2024, as set out in note 11 of the Annual Financial Statements that is published on the Company's website at www.remgro.com, is as follows:

Tax rate reconciliation

%	**30 June 2024**	30 June 2023
Effective tax rate	**160.9**	21.4
Reduction/(increase) in standard rate as a result of:		
Exempt dividend income	**33.4**	3.4
Taxable capital gains	**(9.7)**	(0.7)
Non-deductible expenditure[1]	**(202.6)**	(46.1)
Non-taxable income[2]	**49.1**	51.6
Foreign taxation	**(9.1)**	(1.3)
Timing differences	**4.0**	(0.3)
Previous year taxation	**2.1**	1.8
Tax losses utilised	**(1.1)**	(2.8)
Standard rate	**27.0**	27.0

(1) *Non-deductible expenditure includes impairments of investments, assets and loans of R4 342 million (2023: R630 million) and finance costs pertaining to debt at the centre amounting to R498 million (2023: R628 million).*

(2) *Non-taxable income mainly includes the profit on sale and dilution of investments, profit on sale of assets, and reversal of impairments of investments, assets and loans amounting to R1 729 million (2023: non-taxable income mainly includes the profit on sale and dilution of investments, reversal of impairments of investments, assets and loans amounting to R4 745 million).*

International tax landscape

Country-by-Country Report

The Group is a multi-national entity (MNE) group as defined in the CBC regulations. Remgro as the ultimate parent entity is the reporting entity in terms of the CBC regulations and is required to file its CBC Report on or before 30 June every year.

As per Remgro's tax strategy, all cross-border inter-company transactions are conducted using the arm's length principle, and Remgro recognises the importance of tax transparency with tax authorities.

Remgro is responsible for filing an annual master file, local file and CBC Report to SARS. Remgro files the CBC Report on behalf of its subsidiaries, which are managed and administered by the Service Company, as well as Remgro's separate operating subsidiaries. The CBC Report details, amongst other things, the revenues, profit before tax and number of employees per jurisdiction. The CBC Report allows revenue authorities to assess transfer pricing and other BEPS risks with regards to MNE groups operating in their countries.

During June 2024, Remgro filed a master file, local file and CBC Report based on the information for the year ended 30 June 2023. The information for the year ended 30 June 2024 is required to be submitted by 30 June 2025.

The disclosure in the CBC Report on the next page is based on the most recent required submission to SARS, and it is based on the OECD requirements as part of the BEPS Action 13, which requires that all large MNEs submit the report for use by tax administrations in high-level risk assessments. It should be noted that the values shown in the CBC Report on the next page are aggregated and not eliminated based on consolidation methodology.

Pillar Two Framework

During December 2021, the OECD released a draft legislative framework (Model Rules) for a global minimum tax that is expected to be used, implemented by individual jurisdictions to address the challenges arising from the digitalisation of the economy. The framework's goal is to reduce profit shifting from one jurisdiction to another, in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the Model Rules and in February 2023 issued further administrative guidance. The framework is designed to ensure large MNEs pay a minimum level of tax on the income arising in each jurisdiction where they operate. The Minister of Finance announced as part of the 2024 National Budget Speech that South Africa would adopt substantially all of the OECD's Pillar Two Model Rules, including a 15% global minimum tax, to apply for years commencing on or after 1 January 2024. National Treasury published the 2024 Draft Global Minimum Tax Bill (Bill) and the Draft Global Minimum Tax Administration Bill for comments on 21 February 2024, to affect these Pillar Two changes.

The Group is a MNE with a turnover of more than EUR 750 million and is within scope of the OECD Pillar Two Model Rules. Whilst Pillar Two legislation has not yet been substantially enacted in South Africa, where the Group is ultimately parented, South Africa's National Treasury has indicated that the draft legislation will come into effect for fiscal years commencing on or after 1 January 2024. If the tax laws change in South Africa and other jurisdictions where the Group operates, the tax obligations may increase. Should the Bill be enacted during the financial year ending 30 June 2025, the Pillar Two legislation will apply in that financial year. Pillar Two legislation has also been substantially enacted in the United Kingdom (UK) and Switzerland, where the Group operates and will also come into effect for Remgro's year ending 30 June 2025.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax expense. The Group intends to apply the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to International Accounting Standard *IAS 12: Income Taxes* issued in May 2023.

Due to the complexities in applying the Pillar Two legislation, the quantitative impact of the enacted or substantially enacted legislation is not yet reasonably estimable or known. Therefore, the Group is assessing its Pillar Two exposures and is currently engaged with tax specialists to assist with applying the legislation.

Country-by-Country Report

30 June 2023

Tax jurisdiction	Unrelated party revenue R million	Related party revenue[1] R million	Total revenue[2] R million	Profit before income tax R million	Profit before income tax and dividends R million	Income tax paid (on cash basis)[3] R million	Income tax accrued – current year[4] R million	Stated capital R million	Accu-mulated earnings R million	Number of employees	Assets other than cash and cash equivalents[5] R million
South Africa	61 123	4 675	65 798	23 684	17 533	1 220	1 166	98 465	83 236	18 889	158 330
Jersey[6]	122	2 209	2 330	2 324	2 258	–	–	21 341	(9 020)	–	11 184
Switzerland	10	8	18	1	1	*	*	2	17	4	1
Namibia	72	–	72	7	7	2	2	*	23	15	19
Eswatini	–	–	–	–	–	–	–	–	–	–	2
United Kingdom	2 093	330	2 423	323	323	15	58	530	1 772	283	4 418
Botswana	–	–	–	–	–	–	–	–	–	–	2
Taiwan[7]	717	29	746	21	21	–	–	–	(213)	64	179
United States of America	5	–	5	5	5	*	*	36	30	2	*
Total	64 142	7 251	71 392	26 365	20 148	1 237	1 226	120 374	75 845	19 257	174 135

* *Represents amounts below R500 000*

(1) *Revenue between Remgro and its subsidiaries that are managed and administered by the Service Company, as well as separate operating subsidiaries are included. Related party revenue is however excluded through consolidation journals from the revenue disclosed in Remgro's 2023 consolidated Annual Financial Statements.*

(2) *Revenue as defined by the OECD Guidance of CBCR Disclosure, and includes all credits in the income statement (e.g. reversal of impairments and accounting profits which are not typically treated as taxable income), except dividends received.*

(3) *Consists of income tax and withholding taxes paid in the 2023 year of assessment and includes payments made in the 2023 year of assessment that relate to prior years of assessment.*

(4) *The sum of the accrued current tax expense on taxable profits or losses for the 2023 year of assessment. Only represents operations in the 2023 year of assessment and does not include deferred taxes or provisions for uncertain tax liabilities.*

(5) *Due to the unique nature of Remgro's business as investment holding company, this amount includes investments and shares in subsidiaries which may be regarded as 'financial assets' on the basis that holding of investments is the core of Remgro's business.*

(6) *The entities in Jersey are controlled foreign companies (CFCs) for South African tax purposes and the taxable income is imputed into the respective South African holding companies' taxable income in terms of section 9D of the Income Tax Act No. 58 of 1962.*

(7) *The entity in Taiwan is a branch of a UK company and the income tax paid and accrued is therefore included in the UK tax.*

Business activities – per tax jurisdiction

30 June 2023

Tax jurisdiction	Holding or managing intellectual property	Manu-facturing or production	Sales, marketing or distribution	Admini-strative, management or support services	Provision of services to unrelated parties	Internal group finance	Holding shares or other equity instruments	Dormant	Other
South Africa	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jersey						✓	✓		
Switzerland				✓			✓		
Namibia			✓					✓	
Eswatini								✓	
United Kingdom	✓	✓	✓					✓	
Botswana									✓
Taiwan			✓						
United States of America			✓						

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