

# AUB GROUP LIMITED TAX POLICY

(and its application by the  
AUB Tax Consolidation Group)

Effective Julv 2019



## 1. TAX CORPORATE GOVERNANCE

### 1.1 COMMITMENT TO TAX GOVERNANCE

The AUB Group Risk Management Framework covers the group's risk appetite, risk culture and roles and responsibilities and processes that support risk management, including for tax risk. ([www.aubgroup.com.au/site/PDF/1638\\_0/aubgrouplimitedriskmanagementframework](http://www.aubgroup.com.au/site/PDF/1638_0/aubgrouplimitedriskmanagementframework)).

The purpose of this Policy is to set out the approach by which the tax obligations of AUB Group limited and its 100% owned Australian entities are met from an operational and risk management perspective, within the context of the Group's risk management framework and defined risk appetite.

This Policy has been drafted in line with the tax corporate governance requirements for corporate taxpayers set by the Australian Taxation Office (ATO) in their Tax Risk Management and Governance Review Guide<sup>1</sup>.

### 1.2 SCOPE – WHO DOES THIS POLICY APPLY TO

**This Policy initially applies to AUB Group Limited, as head entity of the tax consolidated group, and its 100% owned Australian subsidiaries (ATCG).**

Whilst the Group has also considered the obligations with respect to non 100% owned entities and associates, those tax obligations will be reviewed as part of a wider range of controls that the Group will develop to ensure tax compliance is reported to the Directors of each of those subsidiary Boards and where necessary any risks are elevated to AUB Group Limited.

Employees that potentially impact tax risk management include members of the AUB Group Board (Board), the AUB Group Board Audit Risk and Compliance (BARC), AUB employees with roles that potentially impact tax, and employees who are directors on partner boards who make decisions resulting in a taxable event ( ie Capital gains tax.)

### 1.3 OVERALL APPROACH TO TAXATION AND THE REGULATOR

AUB's objective in managing tax is to be open and transparent in dealing with taxation matters resulting in decisions that support long term sustainability of the business and within the Group's defined Risk Appetite. The Board endorses the following principles governing its approach:

- Commitment to ensure full compliance with all statutory obligations, and full disclosure to revenue authorities.

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<sup>1</sup> <https://www.ato.gov.au/Business/Large-business/In-detail/Key-products-and-resources/Tax-risk-management-and-governance-review-guide/>



- Maintenance of documented policies and procedures in relation to tax risk management and completion of thorough risk assessments including escalation and reporting to the Board where prescribed.
- Sustaining engagement with revenue authorities, and actively considering the implications of tax planning for AUB's wider reputation.
- Management of tax affairs in a pro-active manner that seeks to maximise shareholder value, while operating in accordance with the law and within the group's risk appetite for tax risk and reputational risk.

## 2. TAX RISK, TOLERANCE AND ACTIONS

### 2.1 Tax risk

Tax risk can be defined as follows:

*Any event, action, or inaction in tax strategy, operations, financial reporting, or compliance that either adversely affects AUB's tax or business objectives or results in an unanticipated or unacceptable level of monetary, financial statement or reputational exposure.*

Key tax risks relevant to AUB Group, and addressed in the Tax Risk Register include:

- Timely and correct payment of key business taxes;
- Appropriate calculation of tax obligations;
- Application of tax risk assessment and judgement in setting transaction strategy;
- Documentation and record keeping of key tax calculations and decisions; and
- Escalation and reporting of tax risk matters including by entities that are partly owned by AUB Group.

Tax risk, particularly the reputational component, extends beyond AUB's relationship with revenue authorities and impacts almost every area of AUB, including shareholders, investors, staff, management, the Board, the BARC and all other stakeholders. Risk to AUB as head entity, and its subsidiaries can cause a significant negative impact to AUB and the subsidiaries' reputation or finances. Tax risk and its impact on stakeholders must also be considered by the Board in meeting its fiduciary duties to shareholders.

Tax risk is like any other risk faced by AUB in that it should be identified, assessed, managed and monitored. (see appendix 1)

### 2.2 Tax risk tolerance

The Group's appetite for tax risk is determined The Board on a transaction by transaction basis are taking recommendations from AUB Group Management.

The AUB Group Risk Appetite Statement, as updated from time to time, is currently expressed as follows:

**"Tax and other obligation risk:** The Board recognises the group's responsibility to meet tax and superannuation obligations, and expects it to do so in an efficient manner. The board has a low appetite for risk in this area."



“Low appetite is defined as: The Board has a preference for conservative approaches to the management of risks and has limited tolerance for activities outside its appetite.”

To provide clarity regarding a low appetite for tax risk, it is expected that:

- Taxes will be managed with the objective that all tax liabilities properly due under the law are correctly recorded, accounted for and paid.
- ATCG will not enter into any transaction where there is a more than remote risk that any legislative general anti-avoidance provisions will be applied by a Court.
- ATCG will not promote tax exploitation schemes. A tax exploitation scheme includes any arrangement or transaction entered into or carried out with the sole or dominant purpose of paying less tax or receiving increased tax offsets.

## 2.3 Certainty of tax positions

In view of 2.1 above, ATCG will balance considered tax planning with appropriate tax risk management by adopting valid and supportable positions and maintaining awareness of other prevailing views and risks. The ATO has acknowledged that “tax planning is legitimate when you do it within the letter and spirit of the law”<sup>2</sup>. However, ATCG should not engage in tax planning that goes beyond support for genuine commercial activities.

The level of certainty required for tax positions taken will vary depending on the nature and size of the underlying issue. However, no tax position is to be taken unless it is at least a Reasonably Arguable Position (RAP), and thus meets the threshold penalty protection of a RAP<sup>3</sup>. The maintenance of this position, including evidence in support of the position, is considered to be a significant protection against tax shortfall penalties.

This position should be monitored in accordance with other disclosure requirements so as to minimise disclosure obligations. For example, a More Likely Than Not (MLTN) position may avoid the need for Category A<sup>4</sup> disclosure in the ATO Reportable Tax Position (RTP) schedule<sup>5</sup>.

## 2.4 Significant transactions and events – escalation procedure

The tax attributes of all significant transactions or events should be considered by the Financial Controller. An event (such as a transaction, issue or risk) will be significant if it has the potential to markedly affect AUB’s compliance, operational, financial or strategic outcomes or processes.

A significant transaction or event will be determined based on the financial impact to the AUB Group including qualitative considerations such as reputational risk.

Should you require guidance in this area, please contact the Chief Financial Officer (CFO).

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<sup>2</sup> <https://www.ato.gov.au/General/Tax-planning>

<sup>3</sup> A Reasonably Arguable Position (**RAP**) is a term used in the tax law and refers to whether a tax position taken is “reasonably arguable”. If a taxpayer can evidence they do have a RAP, there are associated protections against penalties should the position taken ultimately be determined to be not correct. A position is defined as being reasonably arguable (in section 284-15 of the *Taxation Administration Act 1953*) if it would be concluded in the circumstances, having regard to relevant authorities, that what is argued for is about as likely to be correct as incorrect, or is more likely to be correct than incorrect.

<sup>4</sup> A Category A disclosure is a position that is about as likely to be correct as incorrect, or is less likely to be correct than incorrect.

<sup>5</sup> The reportable tax position schedule, as defined by the ATO, is a schedule to the company income tax return that requires large businesses to disclose their most contestable and material tax positions.



Significant transactions or events are escalated from the Corporate Finance Team/Business Units to the Financial Controller for consideration and review and in turn, the Chief Financial Officer and Board if necessary.

Where a dispute arises between Business Units and the Corporate Finance Team on a tax interpretation issue that is jeopardising a transaction being undertaken, the issue should be escalated through the Financial Controller to the Chief Financial Officer, and subject to the significance of the transaction, to the Board.

## 2.5 Communication and relationships

The Corporate Finance Team is responsible for managing relationships with Federal and State revenue authorities in all jurisdictions, external advisors and industry bodies as it relates to tax.

### 2.5.1 Tax regulators

The Corporate Finance Team will have contact with various Federal and State revenue authorities from time to time. The objective of establishing and maintaining professional relationships with authorities is to enable an efficient and collaborative hearing of tax issues. Maintaining an open dialogue with the ATO has been promoted by the Commissioner of Taxation in the ATO's Guide.

### 2.5.2 External advisors

AUB will be required to engage external tax advisors from time to time as part of managing the desired tax risk profile. The choice of external tax advisor will generally be at the discretion of the Chief Financial Officer, who will, where relevant, consult with senior stakeholders and the Board.

## 3. ROLES AND RESPONSIBILITIES – Tax corporate governance roles and responsibilities

### 3.1 Governance and oversight

The oversight and governance for tax risk management falls under the governance structures outlined in the AUB Group Risk Management Framework, which clearly defines the role of the Board, BARC, AUB Group Management Risk and Compliance Committee and divisional boards. [www.aubgroup.com.au/site/PDF/1638\\_0/aubgrouplimitedriskmanagementframework](http://www.aubgroup.com.au/site/PDF/1638_0/aubgrouplimitedriskmanagementframework)

Other key stakeholders in the tax decision making and reporting process are as follows:

**Financial Risk Management Committee** – is the primary management committee for financial risk management meets on a quarterly basis, with Tax risk being an agenda item. Minutes of the Financial Risk Management Committee are provided to the relevant governance structures outlined above.



**AUB Group Chief Financial Officer (CFO)** - is responsible for the development and monitoring processes in relation to tax risk, ensuring clear risk ownership and assisting Risk Owners<sup>6</sup> define and manage a robust control set. The CFO will escalate transactions or tax issues that they believe should be brought to the attention of relevant governance forums.

**AUB Group Financial Controller** – is the appointed tax manager responsible for the development and monitoring of the entirety of AUB’s tax affairs and advises Business Units and staff on all matters relating to taxation. The Financial Controller is responsible for monitoring tax issues and risks and escalating these to the CFO as necessary.

**AUB Group Public Officer** - is the company’s representative with the ATO and has specific responsibilities under tax law. The public officer is responsible for record keeping and submitting tax returns. The public officer must reside in Australia, able to satisfy proof of identity requirements and must be recorded as the public officer for the company.

The Financial Controller is currently the public officer for the AUB Tax Consolidation Group.

**Other Tax Risk Owners** - (in addition to the above), a risk owner is any individual within AUB’s business whose role either directly involves tax or who otherwise performs a function which has taxation consequences. (I.e business acquisition and sales team).

These risk owners must ensure that all control activities are adequate and that they escalate significant transactions and events that have a material tax impact and any other concerns relating to tax matters relating to these transaction to the Financial Controller/Tax manager/CFO.

### 3.2 Partly owned entities and associates

The AUB Group consists of many partly owned entities (Partner Businesses), who are responsible for their own risk management governance, policies and procedures, governed by their individually appointed boards. AUB Group appoints a nominee director on these Partner Boards and it is the role of the Nominee Director to:

- Ensure Partner Boards receive reports of key taxes being paid on time;
- Ensure Partner Boards consider tax risk governance;
- Be aware of the AUB Group’s tax risk appetite;
- Seek advice from the CFO/Financial Controller on matters of material tax judgements;
- Report significant tax decisions to the Financial Controller, where they may fall outside the AUB Group risk appetite.

## 4. MANGEMENT OF KEY TAX PROCESSES

The Financial Controller is responsible for implementing strong internal controls and relevant policies and procedures which include:

- Timely payment of taxes as they fall due;
- Tax risk assessments, decision making and tax risk management;

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<sup>6</sup> A Risk Owner is any individual within AUB’s business whose role either directly involves tax or who otherwise performs a function which has taxation consequences.



- Document management and retention;
- Provide to BARC and ultimately to the Board, an annual attestation that effective policies and processes in place to manage tax risk, with sign off by relevant parties.

## 5. TAX RISK REPORTING AND MONITORING

The Board bears the ultimate responsibility for corporate governance and tax risk management standards. To assist the fulfilment of these obligations, the Board (or BARC sub-committee) requires the following reports to be prepared and presented:

- Tax Status Report / Tax Risk Register ( Appendix 2)
- Tax Risk & controls Matrix ( Appendix 3)
- Significant transactions list ( Appendix 4)
- Tax representations Report ( appendix 5)

## 6. TRAINING AND AWARENESS

The Financial Controller/Tax manager is responsible for advising staff across the Business to enable them to own and manage tax risk. This includes advice on tax technical areas, tax corporate governance and updates in the tax law.

## 7. NON COMPLIANCE WITH THIS POLICY

Implementation of this Policy is the responsibility of the Financial Controller, with the oversight of the CFO. The CFO will report non-compliance with the Policy, by exception to the CEO and Board. If relevant, the AUB Group Whistleblower policy applies.

[https://www.aubgroup.com.au/site/PDF/1618\\_0/whistleblowerpolicy](https://www.aubgroup.com.au/site/PDF/1618_0/whistleblowerpolicy)

## 8. POINT OF CONTACT

The Financial Controller and CFO are the points of contact for matters arising in relation to this Policy.

## 9. REVIEW CYCLE

This Policy is to be reviewed periodically by the Financial Controller or CFO. Any changes to this document will be communicated to the relevant committee as defined under section 3.1 of this document.