

Information for stakeholders

# Taxation Governance



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## Introduction

Sonic Healthcare's approach to taxation aligns with our general business strategy, Code of Conduct and our Core Values. It also recognises that a large proportion of our revenue comes from governments (directly or indirectly) and therefore it is not in the interests of our shareholders to risk damage to Sonic Healthcare's reputation with governments by adopting aggressive or non-compliant tax practices.

Sonic Healthcare accepts our responsibility to pay an appropriate amount of tax, and we support efforts to ensure companies are appropriately transparent about their tax affairs. We also recognise our responsibility to our shareholders to ensure we proactively utilise tax concessions that are legally available. We have a substantial business and employment presence in seven countries and we pay a significant amount of tax, including corporate income tax and other business taxes, as well as taxes associated with our employees. Information about our corporate income tax charges and tax payments are set out in our annual audited financial statements (in the Income Statement, Cash Flow Statement and Income Tax note to the financial statements).

The Sonic Healthcare Board of Directors (the 'Board') take their responsibility to be involved in the oversight of the company seriously and take all reasonable steps to be in a position to monitor the tax risks of Sonic Healthcare and guide management in the evaluation and resolution of those risks.

In this regard, Sonic Healthcare has established a formal Board Tax Policy in relation to taxation governance (the 'Policy'), which has been approved by the Board. The Policy broadly sets out the requirements for tax corporate governance and operates in conjunction with other operational policies and procedures that apply within Sonic Healthcare with respect to tax risk management and governance. The Policy includes the following principles:

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## Commitment to compliance

Sonic Healthcare is committed to ensuring full compliance with all statutory taxation obligations, including our understanding of the policy intent of legislation, and full disclosure to tax authorities.

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## Governance

Sonic Healthcare maintains robust internal processes, training, record retention and compliance programs to ensure we have consistency across our businesses and meet our taxation obligations. We maintain documented policies and procedures in relation to tax risk management and complete thorough risk assessments, including Board approval, before entering into any structuring, financing or other arrangement which may have significant taxation impacts.

The Board is responsible for the establishment of the tax risk management and governance framework and approving our tax policies. The Board has formally delegated responsibility for the oversight of tax risk management (including responsibility for tax payments) to the Audit Committee. Our compliance and risk procedures include regular reporting to the Board, and review and sign off from external tax advisers for all significant tax matters. Our statutory financial statements, including tax calculations and disclosures, are subject to annual external audit.

Within this governance framework, the conduct of Sonic Healthcare's tax affairs and the management of tax risk are delegated to an internal team of tax professionals.

Management certifies adherence to these principles to the Board on an annual basis.

Sonic Healthcare undertakes independent periodic tax controls testing of its tax corporate governance framework, including testing controls associated with the operational and compliance aspects of Sonic Healthcare's tax obligations. The Board will satisfy itself annually that there are effective policies and processes in place to manage tax risk.

Sonic Healthcare refers to the Australian Taxation Office's 'Tax Risk Management and Governance Review Guide' released in April 2018, and the ATO's 'GST Governance, Data Testing and Transaction Testing Guide' released in November 2020, and confirms that our policies and procedures have been prepared having regard to the ATO's 'better practice' expectations.

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## Relationship with tax authorities

Sonic Healthcare seeks to maintain professional relationships with governments and tax authorities in our countries of operation and we support constructive debate on taxation policy, including providing input where appropriate (for example, Sonic Healthcare has engaged in consultation processes by the Australian Board of Taxation on specific policy). We sustain engagement with tax authorities and actively consider the implications of tax planning for Sonic Healthcare's wider reputation. We also actively engage with tax authorities during their reviews to ensure mutual understanding, and are cognisant of complying with compliance procedures with relevant tax authorities. Sonic Healthcare is subject to reviews by taxation authorities regularly, however no review to date has ever led to a significant adjustment, and Sonic Healthcare has never been involved in court litigation of a taxation matter.

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## Tax risk appetite

Sonic Healthcare has adopted a low tax risk appetite such that Sonic Healthcare will only tolerate a low level of risk, which is inherent in taxation matters. Taxes are managed with the objective that all tax liabilities properly due under the law are correctly recorded, accounted for and paid.

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## Transparency

Sonic Healthcare supports transparency in the reporting of taxation governance and tax information, and the exchange of data between tax authorities to encourage businesses to align tax payments with revenue and profit generating activities. We believe that tax authorities should work together to ensure global consistency of reporting obligations, so as to reduce misunderstandings and compliance costs.

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## Transfer pricing

All cross-border transfers of goods and services between companies within the Sonic Healthcare group are priced based on the arm's length principle, in line with current OECD guidelines. Internal pricing is supported by economic analysis and reports. Given our Federation structure, Sonic Healthcare's cross-border transactions are relatively insignificant.

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## Tax havens

Sonic Healthcare does not enter into transactions or structures without commercial substance. The only countries in which Sonic Healthcare has subsidiaries are those in which we have a substantial operating business presence, in the form of clinical laboratories. These active businesses contribute to the economic growth and healthcare of their country of operation. Sonic Healthcare has active laboratory operations in Switzerland, which has a relatively low corporate tax rate; however, Sonic Healthcare does not operate any international shared service or financing functions or structures in that country.

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## General anti-avoidance

Sonic Healthcare does not enter into any transaction where there is a material risk that any legislative general anti-avoidance provision will be applied by a Taxation Authority.

Sonic Healthcare does not promote tax exploitation schemes. A tax exploitation scheme is any arrangement or transaction entered into or carried out with the sole or dominant purpose of gaining a scheme benefit which includes (inter alia) paying less tax or receiving increased tax offsets.