

Taxation Governance



SONIC
HEALTHCARE
Quality is in our DNA

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's reputation with governments by adopting aggressive or non-compliant tax practices.

Sonic Healthcare accepts its 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 eight 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).

Sonic has established a formal Board Tax Policy in relation to taxation governance, which has been approved by the Sonic Healthcare Board of Directors (the 'Board'). The Policy includes the following principles:

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.

Governance

Sonic Healthcare maintains robust internal processes, training 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.

Sonic's Board is responsible for approving our tax policies and delegates 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'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 notes the Australian Taxation Office's 'Tax Risk Management and Governance Guide' released in July 2015, and we have commenced a project which will ensure that our policies and procedures accord with the ATO's 'better practice' expectations.

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 has engaged in consultation processes by the Australian Board of Taxation on specific policy). 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 is subject to reviews by taxation authorities regularly, however no review to date has ever led to a significant adjustment, and Sonic has never been involved in court litigation of a taxation matter.

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.

Transfer pricing

All transfers of goods and services between companies within the Sonic 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's cross-border transactions are relatively insignificant.

Tax Havens

Sonic Healthcare does not enter into transactions or structures without commercial substance. The only countries in which Sonic 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 has active laboratory operations in Switzerland and Ireland, two countries with relatively low corporate tax rates; however Sonic does not operate any international shared service or financing functions or structures in those countries.