



MACQUARIE

# Macquarie Group Tax Policy



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# 1. Introduction

The purpose of the Macquarie Group Tax Policy is to document Macquarie Group Limited's (MGL) tax risk tolerance (in line with the organisation's risk management framework), outline the framework by which the tax obligations of MGL are met from an operational and risk management perspective (including regular reporting to the MGL Board on tax risk management), and to shape the tax culture at MGL.

## 1.1 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 MGL's tax or business objectives or results in an unanticipated or unacceptable level of monetary, financial statement or reputational loss or exposure.*

Tax risks can take a number of different forms (eg compliance tax risks, operational tax risks, financial tax risks and strategic tax risks). All tax risks can lead to reputational risk to MGL.

Tax risks can be material and can significantly impact MGL's business performance. Further, the reputational component of tax risk extends beyond MGL's relationship with Revenue Authorities and impacts almost every MGL relationship including shareholders, investors, staff, Management and the Board.

## 1.2 Who does the Macquarie Group Tax Policy apply to?

The Macquarie Group Tax Policy applies to MGL globally.

References in this document to the Tax Function relate to the global Tax Advisory and Tax Reporting teams. Where there are tax representatives in business units and support functions they must also comply with the Macquarie Group Tax Policy.

# 2. Key principles

MGL will:

- Identify, assess, control and report tax risks.
- Comply with statutory obligations, administrative requirements and required disclosures to Revenue Authorities.
- Maintain documented policies and procedures in relation to tax risk management.
- Maintain open, transparent and professional relationships with Revenue Authorities, both local and international.
- Resolve as effectively as possible any outstanding disagreements with Revenue Authorities.

# 3. Tax risk tolerance

MGL will:

- Seek to maintain the highest of reputations and the confidence of all stakeholders.
- Comply with all laws and regulations.
- Behave in a way that maintains the trust in MGL by regulators, Revenue Authorities, clients and the public.
- Ensure tax affairs are conducted in compliance with the tax laws of the jurisdictions in which MGL operates.

MGL may be entitled to tax concessions in the course of its normal business but has no appetite for any transaction that is motivated by the avoidance of tax.

Moreover, MGL will not finance, or in any other way support, transactions where the objective of any of the parties might reasonably be expected to be the obtaining of a dividend withholding tax benefit.

In the event of tax uncertainty, MGL will engage with Revenue Authorities and seek comprehensive advice from external tax advisors. The decision to seek external advice must be approved by the Tax Function.

MGL will take a proactive approach to managing uncertainties in tax law for example:

- Preparing internal position papers.
- Seeking rulings / clearances from Revenue Authorities where appropriate.
- Entering into proactive discussions with Revenue Authorities.
- Considering whether a provision should be recorded in the accounts.

## 4. Transactions

MGL seeks to ensure that tax issues are properly recognised at the earliest stages of a transaction.

When a business unit is seeking input and sign-off from the Head of Tax (or delegate) in relation to a transaction, investment or product, the business unit is responsible for providing the Head of Tax (or delegate) with all the necessary information to facilitate sign-off.

This information will include a detailed description of the facts, size of the transaction, involvement of third parties or other jurisdictions, the potential exposure from legal action by third parties, external advice received, commercial objectives / rationale, timeframe of the transaction and approvals required.

The business is responsible for ensuring that a transaction is implemented appropriately. As part of this process it is the business' responsibility to ensure that the facts outlined to advisers as part of the briefing do not change. If the facts do change then the business should inform the Tax Function.

## 5. Accuracy of tax returns and other reporting

MGL will employ robust compliance procedures to enable accurate and complete tax returns and other reporting. Regular reviews of the Tax Function will be conducted to determine the appropriateness of resourcing, that processes are robust, and that systems and technology operate to support accurate compliance procedures.

## 6. Tax Reporting to the Board Audit Committee

The Board Audit Committee requires tax reports to be prepared and presented semi-annually. The Chief Financial Officer (CFO), with the assistance of the Heads of Finance, Tax and Tax Reporting, will report against general tax items and tax governance semi-annually and more regularly where needed.

## 7. Tax risk management

The Tax Function oversees and monitors the tax risks of all entities within the Macquarie Group. MGL has a robust tax risk management framework and a highly experienced global tax team. The Head of Tax and Head of Tax Reporting are accountable for ensuring that appropriate controls are in place to manage the identified risks. The Tax Function also undertakes control assurance testing over a two year cycle, and the design and effectiveness of the MGL tax control framework is regularly reviewed by MGL Internal Audit.

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## 8. External advisors

MGL will engage external tax advisors from time to time as part of managing the tax risk profile. The choice of external tax advisor is subject to the approval of the Head of Tax.

## 9. Revenue Authorities

The Tax Function manages relationships with various Federal, State and Local Revenue Authorities globally. The objective of establishing and maintaining professional relationships with Revenue Authorities is to enable an efficient and collaborative approach to managing tax issues.

## 10. Industry groups

The Tax Function will participate in relevant industry forums and consultation processes as appropriate to ensure MGL is engaged with current tax issues and developments.

## 11. Non-compliance with the Macquarie Group Tax Policy

Implementation of, and adherence to, the Macquarie Group Tax Policy is the responsibility of the Tax Operational Risk Manager and Head of Tax. Non-compliance with the Macquarie Group Tax Policy will be escalated to the CFO.

## 12. Review cycle

The Macquarie Group Tax Policy will be reviewed annually by the Head of Tax.

This document complies with Macquarie's duties under paragraph 19(2) and paragraph 22(2) of Schedule 19 of the *Finance Act 2016* to publish a UK tax strategy for the financial year ended 31 March 2018. References to a "Revenue Authority" and "tax" in this document shall, in the case of the UK subsidiary undertakings of MGL, mean HM Revenue and Customs and tax chargeable under the laws of the United Kingdom respectively.