



2022 Tax Transparency Report

SGH | Industrial Services, Media,
Energy and Investments



TAX POLICY, STRATEGY AND GOVERNANCE

Corporate Governance

Consistent with previous years, SGH continues to be mindful of its corporate governance responsibilities and takes a proactive approach to ensuring that it stays at the forefront of corporate governance practices. Tax governance and tax risk management are a key priority of the SGH Board and SGH management.

SGH's tax strategy is based on its commitment to build sustained shareholder value through high quality tax management which ensures the Group's compliance with revenue laws and which preserves and enhances the Company's integrity and reputation. SGH seeks to meet all tax compliance obligations and to apply sound tax risk management principles within the Board approved tax risk management framework and consistent with the Group's overall risk framework. The Group's risk appetite is governed by the "more likely than not" principle which is enshrined in the Group's Tax Risk Management Policy.

The tax risk framework, works in conjunction with the Group's other policies including the Code of Conduct, under which employees are expected to behave honestly and openly and with integrity and maintain ethical standards.

The Board is assisted in carrying out its responsibilities by the Audit and Risk Committee ("ARC") whose purpose is to oversee financial risk management and internal controls across the Group, including tax. The ARC is regularly informed of tax matters.

SGH is committed to achieving the highest standards in the areas of corporate governance and business conduct and its tax responsibilities are managed in line with this commitment. SGH aims for certainty in relation to all tax positions that it adopts.

Formal risk management procedures incorporating tax include the Group's Risk Management Policy and Corporate Governance Statement.

Engagement with tax authorities

A fundamental tenet of SGH's commitment to governance is the Group's transparent and co-operative relationship with the Australian Taxation Office ("ATO") and other relevant tax authorities on a range of issues as part of the ongoing activities of the Group.

SGH seeks to be proactive and ensure that its engagement with taxation authorities is constructive. The SGH Board recognises that the management of financial and non-financial risks are an integral part of its operation and has established policies and procedures for the oversight and management of material business risks. The Board oversees the risk management framework which is aimed at identifying and delivering improved business processes and procedures across the Group. As part of this commitment, the Tax Risk Management Policy is also regularly reviewed and updated.

About this Report

In this Report references to "Seven Group Holdings", "SGH", "the company", "the Group", "we", "us" and "our" refer to Seven Group Holdings Limited (ABN 46 142 003 469), unless otherwise stated. References in this report to a "year" are to the financial year ended 30 June 2022 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated. This report should be read in conjunction with the [SGH Annual Report](#).

Included in this Report is data prepared by the management of Seven Group Holdings Limited ("SGH") and other associated entities. This data is included for information purposes only and has not been subject to the same level of review by the company as the financial statements, so is merely provided for indicative purposes. The company and its employees do not warrant the data and disclaim any liability flowing from the use of this data by any party.

EFFECTIVE COMPANY TAX RATE¹

The Australian company income tax rate applied to the SGH Group is 30 per cent of taxable income. Taxable income represents the net profit of the Group for income tax purposes, that is gross assessable income less allowable deductions or exemptions for the tax year.

The effective tax rate is calculated as income tax expense divided by accounting profit before tax. Non-temporary adjustments to accounting profit generate a difference between a company's effective tax rate and the Australian company tax rate.

Non-temporary adjustments are amounts which are recognised for either accounting or income tax purposes but not both. For example, dividends received by the Group from overseas subsidiaries are exempt income for Australian taxation purposes. The Group pays tax on the profit in the country in which the profit is earned.

Temporary differences arise when amounts are assessable or deductible for tax at a different time to when they are recognised in accordance with the accounting principles adopted by the Group. For example, different depreciation rates may be used for tax and accounting purposes creating a temporary difference over the life of an asset.

Material temporary and non-temporary differences are discussed below and should be read in conjunction with the relevant disclosures in Note 6 of the Annual Report on pages 109 - 111.

Australian operations

The Group's continuing Australian operations had an effective tax rate of 22.8 per cent for the 2022 year. This compares to 16.8 per cent for the 2021 financial year. The FY22 rate for the Group's Australian operations is lower than the corporate income tax rate of 30%. The effective tax rate is impacted by various non-temporary adjustments such as inclusion of the revaluation gain on acquisition of Boral, profits from equity accounted associates and the impairment of intangibles and equity accounted investments, which are treated as income or expenses from an accounting perspective but not for tax purposes.

Global operations

SGH's global effective tax rate was 22.5 per cent for 2022 compared with 16.8 per cent for 2021.

The Australian non-temporary adjustments described above are the major contributing factors to the effective tax rate outcome for global operations in 2022.

The comparatives are outlined in the table below.

Effective Tax Rates	2022 %	2021 %
Australian operations	22.8	16.8
Global operations	22.5	16.8

1. All FY22 values reflect continuing operations.

RECONCILIATION OF ACCOUNTING PROFIT TO TAX EXPENSE AND INCOME TAX PAID/PAYABLE¹

The reconciliation of accounting profit to tax expense and tax payable was previously published in the SGH 2022 Annual Report in Note 6. These disclosures were prepared for the statutory accounts in accordance with the relevant Australian Accounting Standard. As such, the values in the accounts reflect the accounting consolidated group, including offshore subsidiaries, subsidiaries in which the Group's investment is less than 100% and equity accounted investees. Income tax expense in the company's income statement is calculated by multiplying the Group's accounting profit for the year, adjusted for non temporary differences, by the relevant company tax rate (30 per cent in Australia).

Identification of material temporary and non-temporary differences.

A detailed reconciliation of accounting profit to income tax expense and material temporary and non-temporary differences is disclosed on page 110 of the SGH 2022 Annual Report. The continuing operations non-temporary adjustments of \$36.8m during FY22 included a number of adjustments which derived from the partial acquisition of the Boral Group in July 2021. The revaluation of the investment in Boral on acquisition and subsequent impairment of goodwill added to the Group's adjustments for the share of profits and impairment of the investment in equity accounted investees. Further differences arose from the receipt of non assessable foreign dividend income and the inclusion of unfranked dividend income received during the year.

FY22 Temporary differences of \$35.5 million were mainly driven by accounting provisions, depreciation, deferred income and other individually immaterial balances which led to the difference between tax expense and income tax payable.

Further detail is provided in the SGH Annual Report for the year ended 30 June 2022.

	2022 \$m	2021 \$m
Tax paid or payable reconciliation		
Accounting profit before income tax	571.8	762.7
Income tax expense at the statutory rate of 30%	(171.5)	(228.8)
Non-temporary differences	36.8	102.0
Prior year adjustments	6.1	(1.3)
Tax Expense	(128.6)	(128.1)
Temporary differences: deferred tax	35.5	9.7
Current year tax paid or payable	(93.1)	(118.4)

1. The FY22 information disclosed above reflects continuing operations only. The Australian tax contribution summary outlined on the next page includes data from both subsidiary operations and material associates. The value of income tax payable of \$93.1 million, referred to above, does not include material associates but includes both Australian and global operations. With the exception of income tax and fringe benefits tax ("FBT"), all other tax information in this report relates to amounts paid or accrued in the relevant financial year. The GST information disclosed on the next page is reported on a gross basis for 2022.

AUSTRALIAN TAX CONTRIBUTION SUMMARY

The table below details the Australian federal, state and local government taxes contributed by SGH and its material equity accounted associates during FY22.

Australian taxes borne by SGH	2022 \$m	2021 \$m
Corporate Income Tax	159.9	109.5
Payroll tax	72.0	40.3
Fringe Benefits Tax	6.8	1.9
Other (including land tax, local government charges, royalties and excise)	36.6	8.1
Total taxes borne	275.3	159.8

Australian taxes collected by SGH	2022 \$m	2021 \$m
Employee Withholding taxes	354.2	188.9
Goods and Service Tax	603.7	126.5
Total taxes collected	958.0	315.4

Australian taxes distributed by SGH	2022 \$m	2021 \$m
Fully franked dividends paid	167.1	149.3

INTERNATIONAL RELATED PARTY DEALINGS

SGH is an Australian company listed on the Australian Securities Exchange. As an Australian headquartered business, the Group is Australian centric with the majority of its global revenues being generated in Australia. Overall, the SGH Group's international revenue continues to represent less than 1% of its global revenues.

Following the partial acquisition of Boral Limited during the year, the Group has grown substantially, including the acquisition of a number of foreign subsidiaries. The entities and their foreign jurisdictions are disclosed in the Annual report at Note 32 - Controlled entities.

The Group's international related party dealings with its foreign subsidiaries remains very limited. SGH always seeks to ensure that it complies with the regulatory requirements of each of the jurisdictions in which it operates and therefore seeks to price its international related party dealings on an arm's length basis.

There are three key categories of dealings with international related parties:

- Sale and purchase of tangible goods such as finished goods and parts may occur as goods are transferred between jurisdictions to meet customer demand.
- International related party financing occurs between Australian based parent entities and their offshore subsidiaries.
- Various administrative and support services provided by Australian based parent entities to offshore subsidiaries.

The Group also qualifies as a Country by Country Reporting Entity and ensures that the additional filing obligations imposed by that regime are completed each year.