

## TAX RISK MANAGEMENT POLICY – AUGUST / SEPTEMBER 2023

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### 1. Introduction

Accent<sup>1</sup> maintains a co-operative relationship with the Australian Taxation Office (ATO) and other revenue authorities in Australia and overseas.

As with the management of tax risks, Accent's internal corporate governance functions support the Board's role in maintaining oversight and monitoring the effectiveness of the tax governance framework.

Accent's Board-approved Tax Risk Management Policy<sup>2</sup> is premised on the principle of accountability and ownership of tax risk. This policy covers Accent's Australian and New Zealand businesses from a direct and indirect tax perspective. At a corporate risk level, this policy sits within the context of the broader Company Risk Management Policy Framework and Register. The Audit and Risk Committee (a sub-committee of the Board) regularly reviews corporate risks, which includes risks associated with major regulatory or governance compliance breaches in relation to the relevant tax authorities, and inherently includes consideration of all significant tax risks. Accent undertakes self-assessment activities with a view to being well positioned to meet the ATO's expectations in this regard. Accent recognises that compliance with tax laws is fundamental for Accent, while maximising operational efficiencies, which reduces the risk of penalties and maintains its reputation as a compliant corporate taxpayer.

### 2. Roles and Responsibilities

#### 2.1 Tax risk management roles and responsibilities

The tax risk attaching to any transaction/investment should always be considered carefully and factored into every commercial decision. Staff accountable for the management of tax risks are also accountable for the continued adequacy and effectiveness of controls, primarily through self-assessment.

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<sup>1</sup> Includes wholly owned Australian and New Zealand subsidiaries of Accent Group Limited (ABN 85 108 096 251)

<sup>2</sup> It is intended that this Tax Risk Management Policy is in alignment with the tax corporate governance "better practices" for corporate taxpayers as set out by the Australian Taxation Office ("ATO") in their Tax Risk Management and Governance Review Guide ("Guide") and the GST Governance, Data Testing and Transaction Guide ('ATO GST Guide')

The specific risk management responsibilities for each role within Accent are summarised below:

Title	Roles and Responsibilities
<b>Board</b>	<ul style="list-style-type: none"> <li>Overall responsibility for the management and control of the Company</li> <li>Approval of and ultimate responsibility for corporate governance and the tax risk management framework</li> <li>Oversight of the establishment and continued effectiveness of the risk management and internal control system</li> <li>Responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control</li> <li>Oversight of the Company's management of tax risks and compliance with tax-related obligations</li> <li>Detailed work on this task may be delegated to the Audit and Risk Committee</li> </ul>
<b>Audit and Risk Committee (a subcommittee of the Board)</b>	<ul style="list-style-type: none"> <li>Review of legal and regulatory risks, including tax</li> <li>Compliance with legal and regulatory obligations, including tax</li> <li>Oversight of the Company's compliance with its tax obligations and on how tax issues and risks are trending (i.e. high, medium or low risk)</li> <li>Monitor matters such as the effective tax rate of the business, whether the amount of tax paid aligns with business results and where relevant, reasons for significant misalignment, and whether any positions adopted fall outside established ATO safe harbour thresholds</li> <li>Consider the effects on the Company of any new or proposed accounting or tax practices, principles or developments, disclosure requirements, legislative or regulatory pronouncements, together with trends in tax administration</li> <li>Periodic oversight of the risk management program established and maintained by management</li> <li>Review changes to the risk management program</li> <li>Oversight of periodic controls testing in the context of confirming the adequacy and effectiveness of the tax risk management framework</li> <li>Biannual review of the Tax Status Report</li> </ul>
<b>Group Chief Financial Officer ("CFO")</b>	<ul style="list-style-type: none"> <li>Communicating the Company's desired tax risk profile and approach to tax risk management</li> <li>Providing assurance to the Board that the existing tax risk management framework will allow all significant transactions and events to be assessed as part of every commercial decision relating to each transaction</li> <li>Defining and communicating tax policies to the Accounting and Finance Function, the Board, sub-committees and to other Business Units if necessary</li> <li>Providing the Business Units with sufficient information with respect to tax implications</li> <li>Meeting with Risk Owners to discuss and assess current technical developments</li> <li>Responsible for the design, implementation and reporting of the adequacy of the tax risk management and internal control systems</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Responsible for reporting to the Audit and Risk Committee on the key risks, and the extent to which these risks are being managed</li> <li>▪ Responsible for the development and monitoring of a tax risk framework, ensuring clear risk ownership and helping risk owners define and manage a robust control set</li> <li>▪ Responsible for escalating transactions or tax issues that he believes should be brought to the attention of the Board, including matters that are escalated by the Business Units</li> <li>▪ Assigning Risk Owners to particular taxes, events or compliance activities</li> <li>▪ Responsible for the final review and sign-off (as public officer) of tax compliance / reporting obligations</li> <li>▪ Responsible for managing the relationship with the various state and federal revenue authorities.</li> </ul>
<b>Senior Finance Managers</b>	<ul style="list-style-type: none"> <li>▪ Responsible for the ongoing management of finance risks and ensuring that control activities are adequate</li> <li>▪ Responsible for the preparation of finance compliance/reporting obligations (apart from tax)</li> </ul>
<b>Group Tax Manager</b>	<ul style="list-style-type: none"> <li>▪ Responsible for leading the group tax function</li> <li>▪ Responsible for the ongoing management of tax risks and ensuring that control activities are adequate</li> <li>▪ Responsible for the preparation of tax compliance/reporting obligations</li> <li>▪ Signing off all necessary paperwork for tax payments and returns that may have been prepared by the Finance Team</li> <li>▪ Recommending tax strategies that align with business goals</li> <li>▪ Review and lodgement of tax returns</li> <li>▪ Providing Tax advice to the Finance Team on all taxation matters.</li> <li>▪ Recommending improvements to tax-related systems</li> <li>▪ Understanding and incorporating legislative taxation changes</li> <li>▪ Liaising with the Australian Taxation Office (ATO), auditors and regulatory bodies as required</li> <li>▪ Forecasting tax liabilities</li> <li>▪ Management of Tax Accountants (if applicable)</li> </ul>
<b>Finance and Reporting Function</b>	<ul style="list-style-type: none"> <li>▪ Understanding how the Company manages tax risk</li> <li>▪ Understanding the Company's desired tax risk profile</li> <li>▪ Responsible for applying risk management within the scope of their roles, including reporting tax risks and issues to the Senior Finance Managers and/or the CFO</li> <li>▪ Being cognisant of the business operations such that tax risks are identified and managed in accordance with this Policy</li> </ul>

## 2.2 Compliance roles and responsibilities

A summary of compliance responsibilities is set out below:

Tax Topic	Preparation	Review	Approval	Lodgement
Income Tax	External tax advisor	Group Tax Function	CFO	External tax advisor
GST	Finance and Reporting Team	Group Tax Function	Group Tax Function	Senior Finance Managers

Employee related PAYG withholding	Payroll Team	Group Head of Payroll / Group Tax Function	General Manager – People and Payroll	Group Head of Payroll
FBT	Finance and Reporting Team	Group Tax Function	CFO	External Advisor
Payroll Tax	Payroll Team	Group Head of Payroll / Group Tax Function	General Manager – People and Payroll	Group Head of Payroll
Reportable Tax Positions	External tax advisor	Group Tax Function / CFO	CFO	External tax advisor
Transfer Pricing	External tax advisor	Group Tax Function / CFO	CFO	External tax advisor
R&D	External tax advisor	Group Tax Function / CFO	CFO	External tax advisor
Stamp Duty	External tax advisor / Senior Finance Managers	Group Tax Function / CFO	CFO	Senior Finance Managers / Group Tax Function

## 2.3 *Qualifications and competencies of staff*

The CFO, Senior Finance Managers, Group Tax Manager and Finance and Reporting Team are each professionally qualified, with experience commensurate with their role requirements. Each individual is required to meet continuing professional development requirements in accordance with membership standards of professional bodies (e.g. CAANZ, Taxation Institute of Australia).

In addition, in effort to maintain contemporaneous knowledge of tax matters, the CFO, Senior Finance Managers and Group Tax Manager are well connected with professional advisors and attend a range of training / knowledge events hosted by professional services firms.

## 2.4 *Key performance indicators*

The CFO, Senior Finance Managers, Group Tax Manager and Finance and Reporting team are subject to an annual review process. KPIs that are measured in the context of staff performance reviews include (but are not limited to):

- ▶ Quality of output, including the accuracy of calculations and reporting in respect of tax related matters
- ▶ Conformance with Accent's tax risk management procedures
- ▶ Timeliness of satisfying tax lodgement and payment obligations
- ▶ Compliance with regulatory obligations

## 2.4 IT systems

The following IT systems are used by Accent to fulfil the roles and responsibilities described above:

- ▶ External Advisor's tax software – for tax
- ▶ Apparel<sup>21</sup> – a specialised ERP solution for retail businesses

## 3. Tax Risk Actions

Tax risk, particularly the reputational component, extends beyond Accent's relationship with Revenue Authorities and impacts almost every area of Accent, including shareholders, investors, staff, management, the Board and all other stakeholders. Risk to Accent can cause a significant negative impact to Accent's reputation and/or finances. Tax risk and its impact on stakeholders must also be managed by the Board in meeting its fiduciary duties to shareholders.

Tax risks must be identified and escalated to senior management and/or the Board for consideration, review and management; and, to mitigate the impact to Accent. The following criteria will assist staff to profile tax risk to determine what tax risks must be escalated to senior management and/or the Board.

The Board has determined that Accent will tolerate a low level of risk (which is inherent in taxation matters). Accordingly, taxes will be managed with the objective that all tax liabilities properly due under the law are correctly recorded, accounted for and paid. This is specifically stated within Section 4 of Accent's Risk Management Policy.

Tax risk can be defined as follows:

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

Tax risk is like any other risk faced by Accent in that it should be identified, controlled and reported upon. Tax risk is considered within Accent's Risk Management Policy (a policy which covers general risks, not necessarily specific to tax).

### 3.1 Tax Risk Categories

In the context of the tax risk management process, the following categories of risks should be considered:

- Financial risk – an adverse impact on cash as a result of tax reaching an incorrect view on the application of the law.
- Compliance systems risk – an instance of inability to comply with regulatory and statutory requirements (e.g. use of incorrect data, late lodgement of a tax return and ATO scrutiny).

- Operational risk – the risk of loss arising from inadequate or failed internal processes, people and systems (e.g. inadequate documentation to support transactions, a transaction is not implemented in accordance with advice).
- Reputational or strategic risk – uncertainties and untapped opportunities embedded in the business’ overall strategic intent (e.g. reputational risk resulting in negative publicity, creating a high-risk profile within the tax office or a higher risk rating leading to increased costs of compliance).

Risks include the existing obligations to pay an amount as a result of events happening in the present, past and future.

Examples of risks as identified by the ATO are below:

- Financial or tax performance varies substantially from industry patterns
- Unexplained variation between economic performance, productivity and tax performance
- Significant variations in the amounts or patterns of tax payments compared with past performance and relevant economic indicators and industry trends
- Unexplained losses, low effective tax rates and cases where a business or entity consistently pays relatively little or no tax
- A history of aggressive tax planning by the corporation, group, board members, key executives or advisor
- Weaknesses in the compliance structures, processes and approaches
- Tax outcomes that are inconsistent with the policy intent of the tax law
- Volume of transactions affecting disclosures in the tax return
- Financial accounting and tax reporting complexities and inconsistencies
- Volume of manual adjustments made by management
- Related-party transactions
- Dealings involving low-tax jurisdictions
- Year-end arrangements resulting in tax benefits
- Revaluations resulting in tax benefits
- Operating outside safe harbours

The above risks are to be reported in accordance with sections 4, 5 and 6.

#### **4. Tax Risk Management**

More generally, Accent is aware that an overly cautious approach to risk management may have a harmful impact on the achievement of strategic and operational objectives. Accent will adopt a risk management strategy that aims to identify and minimise the potential for loss while also maximising strategic opportunities for growth in enhanced service delivery and profitability.

However, specifically in respect of tax matters, Accent will adopt a low risk approach to the management of its tax obligations to ensure that it is at all times in compliance with tax law.

Accent will balance tax planning and tax risk management by adopting valid and supportable positions. The ATO has acknowledged that “tax planning is legitimate when you do it within the

letter and spirit of the law<sup>3</sup>.” However, Accent should not engage in tax planning that goes beyond support for genuine commercial activities.

Accent’s philosophy on tax risk management is to balance the prevention of unnecessary disputes with tax authorities that may give rise to reputational risk and to preserve investor value.

In this regard, Accent will seek to:

- Have strong technical support for tax positions, including opinions from external advisors (meeting the thresholds described below in section 5);
- Have clear explanation and documentation of those positions, especially facts and business substance;
- Provide assurance to the Board that the existing tax risk management framework will allow relevant tax questions to be considered as part of every commercial decision relating to each transaction;
- Document controls and processes that exist to mitigate potential risks;
- Maintain strong compliance procedures ensuring accurate and complete tax returns;
- Reduce identified tax risks, thereby assisting Accent’s compliance with the regulator recommendations and Revenue Authority guidelines; and
- Maintain good working relationships with tax authorities.

The Board requires an assessment of risk and a rating for all identified risks. In determining the appropriate classification, regard should be had to how the Revenue Authorities profile publicly listed companies (e.g. past compliance behaviour, risks arising out of new tax law).

Identified risks should be documented, assessed and assessed in accordance with section 5. In assessing the risk, it is important to determine whether the likelihood and consequences of the risk occurring have been considered and documented. Identified risks should also be reported in accordance with the channels identified in section 6.

## **5. Tax Risk Classification**

### **5.1 Tax Risk Level Classifications**

Tax risk assessment adopts the following low, medium, and high categories. The tax risk level classifications below contain both qualitative and quantitative factors, and the sign off required in respect of each level of risk is outlined further below.

Separately, Accent maintains a corporate Risk Matrix which applies in respect of all corporate risks, including tax. The classifications under Accent’s Risk Matrix adopts minor, moderate, major and critical categories. Accent maintains a conservative position with respect to the classification of tax risks, as a tax risk that is rated “high” in accordance with the table below would otherwise be rated as a “minor” risk in Accent’s Risk Matrix. Put another way, the thresholds applied for the assessment of risk under the Tax Policy are lower than those provided in Accent’s Risk Matrix. This approach is consistent with Accent’s philosophy on tax risk

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<sup>3</sup> <https://www.ato.gov.au/General/Tax-planning>



management framework, and Accent's objective to adopt a low risk approach to the management of its tax obligations

The CFO may at their discretion determine a rating and / or level of opinion different to that specified in the table below is appropriate on a case by case basis. Exercise of this discretion should be documented and reported to the Audit and Risk Committee and / or Board.

Tax Risk	Description
Low	<p>A Low Risk classification applies where:</p> <ul style="list-style-type: none"> <li>There is an actual or potential instance of non-compliance with taxation laws and the tax at risk is less than \$100,000; and</li> <li>The application of the tax law to the facts is straight forward; and</li> <li>On policy or practical grounds, the Revenue Authorities are unlikely to take a contrary position to that adopted by Accent; and</li> <li>There is little risk of reputational damage accruing to Accent.</li> </ul>
Medium	<p>A Medium Risk classification applies where:</p> <ul style="list-style-type: none"> <li>There is an actual or potential instance of non-compliance with taxation laws and the tax at risk is at least \$100,000 but less than \$500,000; and / or</li> <li>There is some material uncertainty concerning the application of the law by Revenue Authorities; and</li> <li>There is complexity concerning the application of the law to the facts; and</li> <li>The situation involves some reputational risk.</li> </ul>
High	<p>A High Risk classification applies where:</p> <ul style="list-style-type: none"> <li>There is an actual or potential instance of non-compliance with taxation laws and the tax at risk is greater than \$500,000; or</li> <li>There is significant complexity concerning the application of the law to the facts; or</li> <li>There is some material uncertainty concerning the application of the law by Revenue Authorities; or</li> <li>There is a reasonable likelihood of adverse legislative change; or</li> <li>The transaction is of strategic importance to Accent; or</li> <li>The position or event falls within the definition of a "Reportable Tax Position;" or</li> <li>The transaction involves significant reputational or promoter risk.</li> </ul>

Risk treatment involves identifying the range of options for treating risk, assessing those options, preparing risk treatment plans and implementing them. The Risk Owners identified above are to develop a plan to manage the tax risks identified, commensurate with the risk classification level.

The tax at risk is to be calculated by reference to the applicable tax rate and the expected income, deductions, available credits, etc over the life of the item or the applicable amendment period, whichever is less.

## 5.2 Assessing Risk

- Every three years (on a rolling basis), external advisers are to be engaged to review and report on internal risk systems and outputs for each Business unit relating to:



- PAYG withholding
  - Fringe Benefits Tax
  - Superannuation Guarantee Charge
  - Payroll Tax
  - GST
  - Stamp Duty
  - Customs Duty
  - Transfer Pricing
  - Dividend Treatment and Franking Credits
- b) Preparation of Income Tax reporting (including the Reportable Tax Position Schedule), Transfer Pricing, Research and Development tax incentive and Stamp Duty matters are to be outsourced to external advisors.
- c) Any significant internal transaction or restructure is to be reviewed for tax purposes by external advisors.
- d) A Tax Status Report ) must be prepared and provided to the Audit and Risk Committee on a biannual basis.

## 6. Reporting channels and obligations

### 6.1 Reporting hierarchy

Risks are communicated throughout the organisation via the following escalation channels:



### 6.2 Level of Opinion

As a tax risk or issue classified in accordance with section 5 is reported in accordance with this section, it is acknowledged that a minimum level of opinion as set out in the table will ordinarily be required. The CFO has discretion as to whether a different level opinion is appropriate for any particular matter. Exercise of this discretion should be documented and reported to the Audit and Risk Committee and / or Board.

Tax Risk	Minimum Level of Opinion Required	Approval Authority
Low	Opinion by Chief Financial Officer in consultation with an External Advisor (if required).	Chief Financial Officer
Medium	RAP or MLTN opinion by an External Advisor.	Chief Financial Officer
High	<p><b>For the Australian business:</b> MLTN or Should Opinion by an External Advisor and (where appropriate):</p> <ul style="list-style-type: none"> <li>a second opinion from another External Adviser (including Senior Counsel); or,</li> <li>written guidance from the Australian Taxation Office (e.g. a private ruling, objection, etc.)</li> </ul> <p><b>For the New Zealand business:</b> MLTN or Should Opinion by an External Advisor, approved by the Chief Financial Officer and (where appropriate):</p> <ul style="list-style-type: none"> <li>a second opinion from another External Adviser (including Senior Counsel); or,</li> <li>Written guidance from the Inland Revenue Department (e.g. a private ruling, objection, etc.)</li> </ul>	Audit and Risk Committee, Board

Definitions of the above standards of opinion is set out at Appendix A.

Once the requisite level of opinion is obtained, it must be signed off by the individual with the relevant level of authority. However, no tax position is to be taken unless it is more than a RAP. The maintenance of this position is considered to be a significant protection against tax shortfall penalties.

### 6.3 Reporting obligations and timing

The CFO undertakes biannual reporting of general tax issues and tax risks to the Audit and Risk Committee and Board. The reporting will highlight the compliance, operational, financial and strategic tax attributes for Accent. The Board and the Audit and Risk Committee has responsibility for monitoring and overseeing the tax risks and determining the tax risk limits, strategy and policy.

The CFO attends the Audit and Risk Committee and Board meetings (as required), and will attend where an identified tax risk is classified as “high” (in accordance with section 5) or a transaction is regarded as “significant” (in accordance with section 7).

To facilitate the reporting to the Audit and Risk Committee and the Board, including the matters to be reported, reporting channels and frequency, formal reporting obligations are set out below:

No.	Matter	Reporting channels	Timing	Format of report
1	All tax issues, risks and concerns	All staff (including Business Units and Risk Owners) to CFO	Real time	Any
2	Significant transactions and events, high tax risks, representations and assurances	CFO to the Audit and Risk Committee and Board	At least biannually	Tax Status Report
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If there is a significant transaction or event or tax risk that requires immediate consideration, it is the responsibility of the Risk Owner to escalate the matter to the CFO more frequently than as required in the table above as necessary.

Reporting obligations are further explained below:

- i. All tax issues, risks and concerns are to be monitored by all staff (including all Business Units and Risk Owners) and communicated to the CFO in real time. Staff outside of the Finance and Reporting Function can escalate tax matters via the Group Tax Manager or Senior Finance Managers of each business line or directly to the CFO by email or telephone.
- ii. All significant transactions and events are to be collated in a single Tax Status Report and monitored by the CFO on an ongoing basis. The Tax Status Report is to be escalated by the CFO to the Audit and Risk Committee and Board for consideration on a biannual basis. The CFO is to review significant transactions and events contained in the Tax Status Reports and escalate these to the Audit and Risk Committee and Board on a more frequent basis than biannual if necessary.
- iii. Tax risks are to be noted in the Tax Risk Register section of the Status Report and monitored by the CFO on an ongoing basis. The CFO will then review the tax risks in the Tax Status Report and escalate these to the Audit and Risk Committee and Board for consideration on a biannual basis. The CFO is to review tax risks in the Tax Status Report and escalate these on a more frequent basis than biannually if necessary.
- iv. A Tax Status Report is to be completed by the Group Tax Manager and signed by the CFO and presented to the Audit and Risk Committee and Board on a biannual basis.

Day-to-day reporting and tax risk management is also addressed by regular meetings between the CFO, Group Tax Manager and individual Senior Finance Managers to discuss the tax affairs for each business line, including compliance and regulatory matters.

Business Units support this tax risk management communication approach by providing written confirmation that Tax policies or other relevant directives have been followed.

#### **6.4 Risk treatment**

Risk treatment involves identifying the range of options for treating risk, assessing those options, preparing risk treatment plans and implementing them. The options available for the treatment of risks include:

- i. Retain / accept the risk – if, after controls are put in place, the remaining risk is deemed acceptable, the risk can be retained. However, plans should be put in place to manage / fund the consequences of the risk should it occur.
- ii. Reduce the likelihood of the risk occurring – by preventative maintenance, audit and compliance programs, supervision, contract conditions, policies and procedures, testing, investment and portfolio management, training of staff, technical controls and quality assurance programs etc.
- iii. Reduce the consequences of the risk occurring – through contingency planning, contract conditions, business continuity plans, off-site back-up, public relations, and staff training etc.
- iv. Avoid the risk – decide not to proceed with the activity likely to generate the risk, where this is practicable.

#### **7. Significant transactions and events**

To determine whether tax transactions and matters are significant (and therefore should be escalated in line with the reporting channels detailed at section 6), the following definition of what is “significant” should be considered:

*An event (such as a transaction, issue or risk) will be significant if it markedly affects the Company’s compliance, operational, financial or reputational outcomes or processes.*

For example, an event will be significant if any of the following apply (not an exhaustive list):

- Public knowledge of a dispute of the position taken by Accent would cause a negative impact on the reputation of Accent and/or the position taken is likely to lead to litigation
- It results in a tax outcome that varies from industry patterns or past performance of Accent
- It involves third parties of Accent on transactions which are capital in nature
- It results in a considerable variation between economic and tax performance
- It is a matter which is specifically reportable to a revenue authority (such as a Reportable Tax Position (RTP) pursuant to the ATO’s RTP regime)
- It is a matter being scrutinised by a revenue authority (for example, under an

ATO Review or Audit)

- Entity registration and deregistration from GST
- It breaches ATO or legislative 'safe harbour' rules
- It involves an arrangement for which the ATO has issued a Taxpayer Alert
- It involves a transaction which is otherwise classified as high risk under section 5.1.
- Any significant tax consequences associated with large and unusual business transactions that Accent is contemplating where this is considered necessary based on the size or strategic importance of the transaction involved.
- Any other tax issues that have arisen during the reporting period that would be of relevance to the Board (e.g. receipt of tax ruling from the ATO, or a court decision that might impact on the tax affairs of Accent).
- Asset transfers exceeding \$50m in value; and
- Other new capital projects exceeding \$100m value.

All significant transactions and events are to be reported pursuant to the guidelines in section 6 above.

## **8. Reportable Tax Positions**

Accent will assess, determine and disclose positions which satisfies the definition of a "Reportable Tax Position" in accordance with the Commissioner's guidelines.

To the extent Accent determines a position exceeding the Reportable Tax Positions materiality threshold is not reportable, adequate documentation supporting that view should be maintained.

## **9. External advisors**

### **9.1 Who can engage external advisors**

The CFO will determine if internal or external advice is required based on the Level of Opinion requirements set out above in section 6.2. If external advice is recommended, the CFO, together with the Group Tax Manager will manage the process of briefing advisors and obtaining the advice.

The choice of external tax advisor will generally be at the discretion of the CFO in consultation with the Audit and Risk Committee.

### **9.2 When to engage external advisors**

External advisors are to be engaged to prepare Accent's tax provision calculations and for the preparation and lodgement of Accent's income tax returns.

Accent's Finance and Reporting Function will generally undertake its other ordinary tax compliance obligations (including preparing Fringe Benefits Tax reprints and Business Activity Statements) and only seek external advice as required (as directed by the CFO). As noted above, internal tax functions are to be reviewed by external advisors every three years.

Typical transactions or events which would require external advice include:

- Any new and significant arrangement that involves Accent and third parties
- Undertaking of offshore investments or transactions
- Debt or equity restructures
- Material transactions, such as business restructures
- Tax controversy elements apply or a Revenue Authority is scrutinising a matter (e.g. notification of an ATO Review or Audit)
- The tax treatment adopted is not supported by general guidance/advice available from the Revenue Authority
- The Finance and Reporting Function does not have the resources or capabilities to adequately deal with the issue

If matters are particularly complex, sensitive or material, it may be appropriate to obtain a second opinion or a Ruling from a Revenue Authority.

## **10. Management of key tax processes**

It is incumbent on the CFO to design, document and implement strong internal controls as well as policy and procedure manuals. This includes specific tax policies detailing legislation, compliance and administration.

Accent's Assurance Function will conduct periodic tax risk assessments associated with the operational and compliance aspects of Accent's tax obligations. The CFO is accountable for the tax risk assessments and ensuring the appropriate controls are in place to manage the identified risks.

The CFO is responsible for the development and maintenance of internal controls as well as policy and procedure manuals that consider major transactions and strategies, taking into account any changes in tax law.

Accent's external advisors provide updates on law and administrative changes through quarterly onsite meetings.

## **11. Document retention and management**

### **11.1 General record-keeping requirements**

Good document management and record retention is fundamental to tax risk management as it will assist Accent to:

- meet compliance and other legal obligations applicable to Accent
- review (internal or Revenue Authority) processes and decisions
- retain the corporate memory and its narrative history
- respond in a timely and efficient manner to information requests from Revenue Authorities
- demonstrate the cost and impact of your business
- help research and development activities

Accent is required to keep all records that evidence and explain its tax position, and the transactions it enters into that are relevant for the purposes of taxation legislation (including all relevant information with respect to the facts and assumptions taken).

This requirement operates in addition to and alongside Accent's documentation requirements under Corporations Law.

Examples of records that must be kept include:

- Forms, Schedules, Notices, Elections, Determinations and Choices
- Workpapers, Estimates and Calculations
- Correspondence to and received from the ATO or another Revenue Office (such as State or Foreign Revenue Offices)
- Documents that explain a transaction
- Professional advice
- Documents prepared internally / file notes
- Agreements prepared and / or signed by third parties
- Cost data in relation to capital assets
- Correspondence and emails outlining the above

Records must be kept for a minimum of five years and can only be destroyed at a later time if the Chief Financial Officer or Group Tax Manager is satisfied that those records are unlikely to be required in proving Accent's position in a tax dispute.

### **11.2 *Miscellaneous record-keeping requirements***

Before any documents are made available to the Revenue Authority in response to any audits/investigations/examinations, those documents must first be reviewed by Accent's internal legal counsel or an External Advisor for potential claims for:

- Legal Professional Privilege (communications between a legal advisor and a client where the communication is made for the dominant purpose of giving or receiving legal advice, or the communication is made for the dominant purpose of preparing for existing or reasonably anticipated litigation)
- Accountants' Concession (administrative concession granted by the ATO in respect of certain documents that contain advice prepared by an external tax advisor (who is an accountant) for the sole purpose of advising an entity in relation to taxation)
- Corporate Board Advice Concession (administrative concession granted by the ATO in respect of advice prepared solely for advising a corporate board on tax compliance risk)

Relevant staff will use best endeavours to identify documents which the above potential claims may arise during the ordinary course of business and record keeping.

All records are periodically maintained on the server in line with relevant tax legislations.

## **12. Training and awareness**



The CFO is responsible for arranging training for key people in the Finance and Reporting Function to enable them to own and manage tax risk.

It is then the responsibility of these attendees to cascade this knowledge and promote tax risk ownership across their teams. Such training includes tax technical training by tax advisors and other industry specialists. Accent's external advisors provide updates on law and administrative changes through quarterly onsite meetings.

Staff are also required to maintain their own training attendance records and confirm compliance with continuing professional development requirements in accordance with membership standards.

### **13. Review cycle**

This Policy is reviewed triennially by the CFO and Group Tax Manager who will propose any changes, if appropriate, to the Board. This Policy will be revised from time to time and revisions will be circulated promptly.

### **14. Independent review**

Periodic control testing (for example, carried out by a team independent of the tax team or an external assurance provider) should be conducted to test Accent's tax corporate governance framework and ensure it is robust. The testing may include elements of the tax corporate governance framework such as this Tax Risk Management Policy, tax technology and any other tax corporate governance procedures. Testing should be performed in accordance with the ATO's self-assessment procedure guidelines as contained in the ATO's Tax Risk Management and Governance Review Guide.

Periodic testing plans that cover all the Board Level Controls and Management Level Controls contained in the Guide are in place.

Reports from independent internal teams or other assurance providers that present findings on the effectiveness of the tax corporate governance framework are to be presented to senior management and the Board or the Audit and Risk Committee for review and action. Such reports may ultimately be made available to the ATO (for example, results of carrying out a review under the ATO's self-assessment procedures contained in the ATO Guide).

### **15. Non-compliance**

The oversight of Accent's adherence to this Policy is the responsibility of the CFO. The CFO will report material non-compliance with the policy by exception to the Audit and Risk Committee.





#### Tax Risk Management Policy - Version History

Version	Date	Endorsed by Board
Original	October 2016	November 2016
Amendment	January 2019	February 2019
Amendment	April 2019	May 2019
Amendment	February 2020	February 2020

## APPENDIX A

### Level of Opinion

Definitions	
Opinion	An Opinion is advice expressed which supports the merits of tax treatment of an item. This is based on an analysis of the pertinent facts and authorities (such as the legislation, case law and Revenue Authority guidance). Opinions can be obtained from advisors (such as external counsel or professional tax advisors). Levels of Opinion can vary in type and weighting and in that regard, are relevant for protection against penalties (as defined in the tax law).
RAP	Reasonably Arguable Position. A position is defined as being reasonably arguable (in section 284-15 of the TAA) 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. In numeric terms, a RAP Opinion can be obtained where there is a percentage likelihood approaching 50% that the tax treatment of the item will be upheld if challenged.
MLTN to be correct	More likely than not to be correct. A MLTN Opinion is an Opinion given by an advisor which supports the merits of tax treatment of an item to the extent that, if challenged, the position should be more likely than not to be correct. In numeric terms, a MLTN Opinion has a 51% (or greater) chance of occurring.
Should Opinion	A Should Opinion is an Opinion given by an advisor which supports the merits of tax treatment of an item to the extent that although not entirely free from doubt, the taxpayer's position should prevail. In numeric terms, a Should Opinion can be obtained where there is at least an 80% likelihood that the tax treatment of the item will be upheld if challenged.