

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

TAX TRANSPARENCY REPORT 2019



OVERVIEW

Statement from our CFO



For the fourth consecutive year, Cleanaway Waste Management Limited and its subsidiaries ('Cleanaway' or 'the Group') have voluntarily adopted the Board of Taxation's Tax Transparency Code and I am pleased to present Cleanaway's Tax Transparency Report for the year ended 30 June 2019 ('FY19').

Cleanaway continues to be supportive of the Tax Transparency Code measures introduced by the Board of Taxation. Cleanaway has an ongoing commitment to maintain an open and transparent dialogue with all relevant stakeholders in respect of the taxation obligations and disclosures of the Group.

This report includes the following information in relation to FY19:

- Cleanaway's approach to tax strategy, tax policy and governance;
- Reconciliations of various accounting and taxation disclosures in the FY19 annual report; and
- A summary of taxes paid by Cleanaway including those borne by the Group, as a result of our activities, and those collected on behalf of others and remitted to the relevant authorities.

Cleanaway maintains a cooperative and compliant relationship with the Australian Taxation Office ('ATO') and is pleased to provide additional taxation information in this report which may be of assistance to external stakeholders. Cleanaway operates in an environment where taxation risk is carefully considered by all levels of management in relation to all activities undertaken by the Group. Matters are escalated to the Group Tax department where necessary and external assistance is sourced in respect of more complex matters. Cleanaway's Audit and Risk Committee is also provided with regular updates in relation to the taxation affairs of the Group, highlighting the fact that tax risk management is evident at all levels of the organisation.



BRENDAN GILL
Chief Financial Officer
31 March 2020



OVERVIEW

Cleanaway's approach to tax strategy, tax policy and governance

Tax risk management and tax policy

Cleanaway's Tax Risk Management Framework and Tax Policy documents are regularly reviewed and subject to annual approval by the Audit and Risk Committee.

Cleanaway's Tax Risk Management Framework outlines the overall tax risk profile of the Group and reconfirms a philosophy and framework for Cleanaway's management of tax compliance and governance that takes into account the current group structure and Cleanaway's tax governance and compliance profile.

Cleanaway's Tax Policy Manual establishes a set of tax policies and guidelines that, if consistently applied across the Group, will ensure Cleanaway's taxation affairs continue to be properly managed in compliance with the provisions of the tax legislation.

Tax compliance

Tax compliance plays a vital part in managing the tax affairs of the Group. All tax returns are lodged within the prescribed time limits and contain a fair and proper level of disclosure of information material to

the determination of the Group's tax liabilities. Tax returns are prepared by suitably qualified personnel and are subject to independent internal and/or external review prior to lodgement.

Engagement with the ATO

Cleanaway maintains an open and transparent relationship with the ATO in relation to all aspects of its taxation affairs. Group Tax is primarily responsible for management of the Group's relationship with the ATO and liaises regularly with ATO personnel.

In the past year, Cleanaway has completed streamlined assurance reviews with the ATO for both Income Tax and GST. These reviews are completed by the ATO in respect of the top 1000 companies in Australia to assess whether Australian corporates are paying the correct amount of tax and meeting their tax obligations. Cleanaway received an overall high assurance rating in respect of the Income Tax review and an overall medium assurance rating in respect of the GST review.

Cleanaway will continue to cooperate with respect to any future reviews and with the provision of industry relevant information.

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Income tax disclosures in the FY19 annual report

Cleanaway's FY19 income tax disclosures are presented at note 9 of the company's 2019 Annual Report. The income tax expense disclosed is calculated based on the application of relevant Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Reconciliation of accounting profit to income tax expense and income tax payable

Figure 1 provides a reconciliation of the FY19 accounting profit to income tax expense and income tax payable. The reconciliation identifies material temporary and non-temporary differences, as disclosed in the FY19 Annual Report.

In any one income year, there may be a difference between the income tax expense calculated and the income tax payable calculated. This is because only non-temporary differences are included in the calculation of income tax expense whereas both temporary and non-temporary differences are included in the calculation of income tax payable (temporary differences will reverse over time whereas non-temporary differences generally do not).

Effective tax rate

Figure 2 provides the effective tax rate for Cleanaway in respect of the FY19 year. Cleanaway calculates its effective tax rate as income tax expense divided by accounting profit before income tax. For the FY19 year, the effective tax rate for Cleanaway was 27.4%, mainly reflecting the benefit from the Group's FY19 research and development (R&D) claim.

FIGURE 1

RECONCILIATION BETWEEN PRE-TAX NET PROFIT AT THE STATUTORY RATE, INCOME TAX EXPENSE AND INCOME TAX PAYABLE

2019
\$'M

Profit/(loss) before tax	169.8
Income tax using the corporation tax rate of 30%	50.9
Non-temporary differences:	
Share of losses from equity accounted investments	0.4
Non-deductible expenses	0.3
Business acquisition costs	(0.1)
Adjustments in respect of prior years	(1.1)
Research and development tax credits	(3.1)
Non-assessable gain on sale of properties	(0.5)
Non-deductible loss on sale of equity accounted investments	0.7
Employee share plan expenses	(0.5)
Other	(0.4)
Income tax expense	46.6
Temporary differences:	
Property, plant and equipment	(15.5)
Employee benefits	(1.5)
Provisions	7.3
Tax losses	0.2
Intangible assets	7.9
Other	(0.7)
Prior year adjustment:	
Excluded from calculation of FY19 income tax payable	1.1
Income tax payable	45.4

FIGURE 2

EFFECTIVE TAX RATE

2019
\$'M

Profit before tax	169.8
Tax expense	46.6
Effective tax rate %	27.4%

TAX TRANSPARENCY REPORT 2019

Tax contribution summary for taxes paid in Australia in FY19

Taxes paid and collected

The Cleanaway Group collects and remits taxes to federal, state and local governments. During FY19, taxes borne by Cleanaway amounted to payments of \$242.4 million (FY18: \$213.8 million). Taxes collected on behalf of third parties and remitted amounted to payments of \$273.7 million (FY18: \$200.9 million).

Figure 3 provides details in relation to taxes which were borne directly by Cleanaway and paid in FY19. In this respect, we note that net company tax payments of \$18.6 million were made in FY19. This includes tax instalment payments of \$17.1 million in respect of FY18 and tax instalment payments of \$30.4 million in respect of FY19. These payments are offset by refunds of \$28.9 million in respect of the amended 2016, 2017 and 2018 income tax returns. The balance of the FY19 tax liability was paid in FY20.

Figure 4 provides details in relation to taxes which Cleanaway collected or remitted on behalf of others in FY19.

FIGURE 3

DISCLOSURE OF AUSTRALIAN TAXES PAID TO GOVERNMENT

Total Taxes Borne by Cleanaway in FY19: \$242.4m

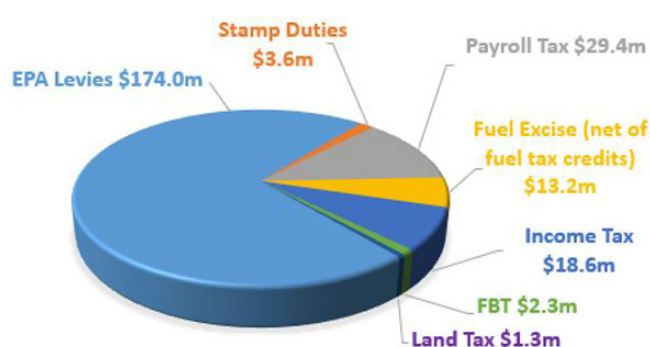


FIGURE 4

DISCLOSURE OF GOVERNMENT TAXES AND LEVIES COLLECTED BY CLEANAWAY ON BEHALF THIRD PARTIES

Total Taxes Remitted By Cleanaway in FY19: \$273.7m

