

24 August 2020

Company Announcements Office  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

## **2020 TAX TRANSPARENCY REPORT**

nib holdings limited (nib) is pleased to present its Tax Transparency Report for the financial year end 30 June 2020.

The Tax Transparency Report follows the guidelines set out in the Board of Taxation's Tax Transparency Code. A copy of the report is attached and can also be obtained from the nib website [nib.com.au/shareholders](http://nib.com.au/shareholders).

Yours sincerely,



Roslyn Toms  
**Company Secretary**

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This announcement has been authorised for release by Roslyn Toms, Company Secretary.



tax  
transparency  
report  
2020



**nib has a mission  
and vision of people  
enjoying better health.**

**Through our  
success, we aspire  
to more prosperous  
and sustainable  
communities, not  
only the creation of  
enterprise value.**

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## message from the group chief financial officer

**I am pleased to present nib's Tax Transparency Report for the financial year ended 30 June 2020. The report has been prepared in accordance with the Australian Voluntary Tax Transparency Code and provides further detail in relation to nib's tax profile, tax contributions and our approach to tax governance. This is the third annual Tax Transparency Report published by nib.**

We've helped Australians access and afford healthcare treatment for more than 65 years and our strategy to grow this core health insurance business underpins our continued success today.

This year, 90.1% of total Group revenues and other income were Australian-sourced. This reflects our strong domestic presence and as such, the majority of our tax payments were made in Australia. In addition, we are a provider of health insurance in New Zealand and travel insurance across the world.

nib has a robust tax governance framework and a first principle of this is that we comply with applicable taxation laws in the countries in which we operate. We ensure that we pay our fair share of tax in each jurisdiction. In addition, the financial contribution we make to communities in paying claims and dividends, providing employment, buying products and services and paying taxes is aligned to our broader purpose.

We have a low risk tolerance in relation to all tax matters. Integrity, respect, honesty and transparency are important in all our dealings with tax authorities to enable us to carry out our business activities with certainty and confidence. We comply with the OECD's country-by-country reporting measures which provides both the Australian Taxation Office and international tax authorities with information regarding how we conduct our business and how nib's international related parties transact with each other.

We are supportive of transparency in the public reporting of tax information and welcome the opportunity to disclose the following information.

### **Nick Freeman**

Group Chief Financial Officer

## about nib

**nib is a trusted international health partner, empowering our members to make better decisions and improve health outcomes through greater accessibility to affordable health services and information.**

nib provides health and medical insurance to over 1.4 million Australian and New Zealand residents. In addition, we support the health insurance needs of more than 200,000 international students and workers in Australia.

Established in Newcastle, NSW in 1952, nib is one of the two publicly-listed private health insurers on the Australian Securities Exchange (“ASX”).

We also are Australia’s third largest travel insurer and global distributor of travel insurance through our business nib Travel, providing financial protection and assurance to travellers wherever they are in the world.

### nib operates the following business divisions:

 <p><b>Australian residents health insurance (arhi)</b></p> <p>Our arhi business unit provides private health insurance to Australian residents under the nib and GU Health brands, as well as through a number of whitelabel arrangements.</p> <p>Products are sold directly to consumers as well as through our network of strategic partners, retail brokers, corporate brokers and direct corporate sales. This is our core business division.</p>	 <p><b>nib New Zealand (nib nz)</b></p> <p>nib’s second largest market is New Zealand, where approximately 30% of residents have private health insurance.</p> <p>This business provides health insurance to New Zealand residents under a direct to consumer offering, as well as through advisers, whitelabel partnerships and corporate group sales.</p> <p>nib nz also provides health insurance to international students and inbound and outbound travellers in the country through a strategic partnership.</p>	 <p><b>International inbound health insurance (iihi)</b></p> <p>Our iihi division provides health insurance to both international students and international workers in Australia.</p> <p>Policies are sold either directly to policyholders online, or through our network of education and immigration agents, educational institutions and corporate and other relationships.</p>	 <p><b>nib Travel</b></p> <p>nib Travel is a global distributor of travel insurance.</p> <p>This business is headquartered in Australia and the majority of the global distribution revenue is recognised in Australia, where the key distributor and Managing General Agent functions are located.</p> <p>Our Brazilian and Irish entities also act as distributors in the geographical markets in which they operate and recognise distribution revenue from those activities.</p> <p>nib Travel provides numerous travel insurance products through various brands.</p>
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## nib's global economic and community contributions

During the year ended 30 June 2020, nib generated \$2,522.1m in revenue and other income. Our core arhi business remains the most significant in terms of revenue.

In the year to 30 June 2020, nib earned profit before tax of \$125.0m and paid \$70.0m of taxes globally, including indirect taxes.

\$1,933.4m was paid in claims on behalf of health insurance members in Australia and New Zealand. In our arhi business alone we helped fund almost 300,000 hospital admissions (almost 50,000 in public hospitals) and just under 3.5m ancillary and dental visits.

We paid \$104.7m of dividends to our shareholders and \$162.8m in wages and benefits to our 1,401 employees globally.

Revenue by country by percentage



● Australia 90.1% ● Rest of the world 0.3%  
● New Zealand 9.6%

## our tax governance approach

nib has a commitment to complying with its taxation obligations in Australia and in the overseas countries in which it operates. We recognise that tax governance and tax risk management play a key role in good management and corporate governance.

We have a robust tax governance policy and framework. Our processes align with the Australian Taxation Office (ATO)'s continually evolving guidance, including the Tax Risk Management and Governance Review Guide. We also regularly report our taxation affairs in relation to both our Australian and international operations to the nib Audit Committee and the Board.

nib adopts a low appetite for tax compliance risk and for operational risk on tax matters. There is no tolerance for breaches that place our good standing with tax authorities in the countries in which we operate at risk. We engage with tax authorities in a professional, cooperative and transparent manner. nib achieved an overall rating of Stage 3 in its most recent Top 1000 Streamlined Assurance Review of income tax by the ATO.

Further, nib does not use structures intended for tax avoidance, including the use of entities in tax haven jurisdictions that lack business purpose or substance. nib strictly applies the ATO's rules in relation to corporate tax residency and as a result, a number of the Group's overseas entities are members of the Australian income tax consolidated group.

**Our core principles for tax governance and risk management are:**



### Compliance

- A commitment to compliance with the spirit as well as the letter of the tax laws and regulations in the countries in which we operate.
- Efficient, accurate and timely compliance with all relevant taxation legislation and obligations.
- Evidence of strong compliance procedures where support of all material positions taken in tax returns exist in terms of documentation and legal interpretation.
- All related party transactions are undertaken in accordance with arm's length principles.



### Relationships

- Fostering professional, cooperative and transparent relationships with key stakeholders such as the tax authorities.



### Risk management

- Tax risks are thoroughly assessed for any new initiatives and significant transactions and events. The risk assessment is factored into the decision making process to ensure compliance with nib's low tax risk profile.



### Governance

- The nib Board has ultimate responsibility for corporate governance and is therefore responsible for ensuring we have an effective and appropriate tax risk management framework in place.
- The nib Audit Committee has oversight of tax risk and the Group Chief Financial Officer is responsible for monitoring and ensuring the effectiveness of the tax governance framework.

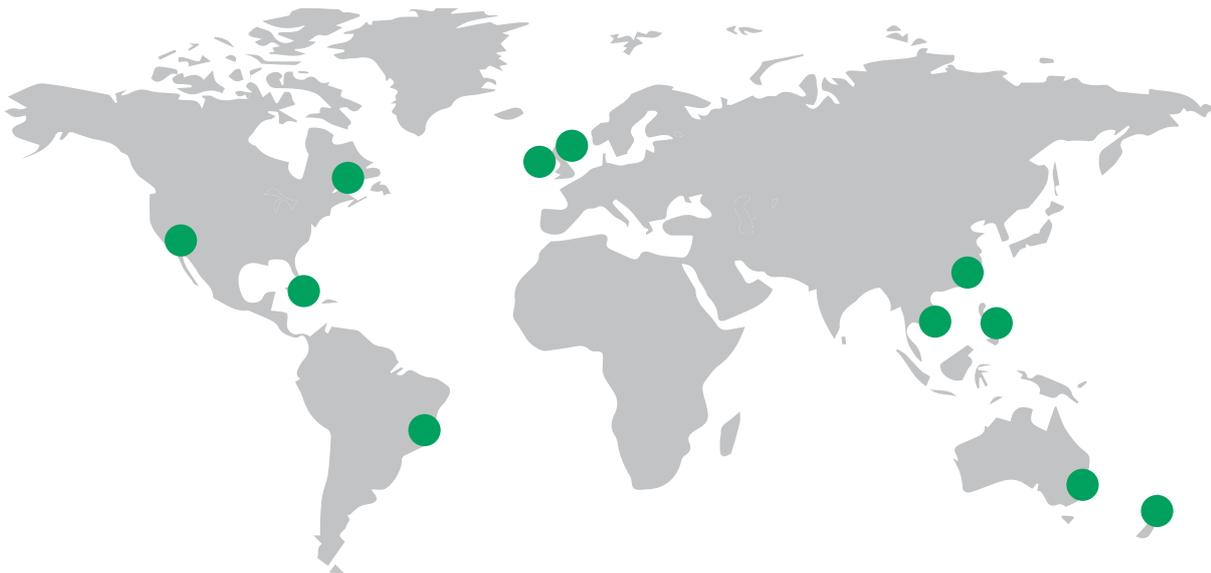


### Transparency

- nib publishes an annual Tax Transparency Report to explain our tax profile and payments.

## summary of nib's international related party dealings

**While nib's core operations are located in Australia and New Zealand, our international presence means that we have operations in 11 countries. We endeavour to utilise our internal resources and people's skills to maximise our efficiencies, enabling nib's shareholder value and economic contributions to be optimised.**



The provision of management, strategic and shared back office services between Australia and New Zealand is a key component of our international related party dealings. nib Australia also provides funding to its New Zealand subsidiary.

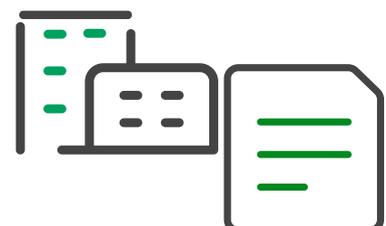
nib's arhi and international inbound health insurance business divisions are also supported by our teams in the Philippines and China through the provision of call centre management and business representation services respectively.

Our nib Travel business division is a truly global business and its international network of entities transact with each other in accordance with the functions performed. Headquartered in Australia, services such as claims processing and business representation services in relation to particular markets are received from its overseas related entities. In turn, marketing and management services are provided from Australia to these entities where required. nib Australia also provides funding to its Brazilian and Irish subsidiaries for the purposes of working capital and other cash requirements.

In line with our tax governance framework, nib has a robust transfer pricing policy and transfer pricing controls in place.

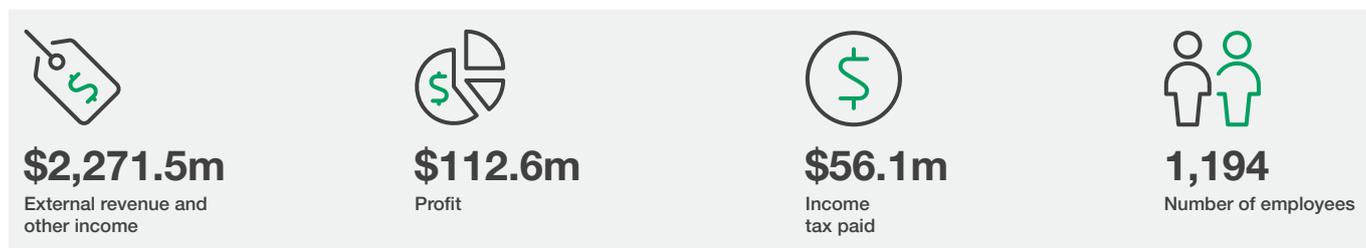
Our approach to pricing, documentation and reporting complies with the OECD transfer pricing guidelines. The 'arm's length principle' is applied to all transactions between related parties.

We place a high emphasis on ensuring that our transfer pricing procedures and documentation are continually updated and that any new international related party dealings are identified and priced proactively. This ensures that profits are allocated correctly between countries, which in turn means that the appropriate amount of tax is reported and paid across the countries in which we operate.



## overview of activities

### Australia



#### nib is headquartered in Australia and listed on the ASX.

nib was established in Newcastle, NSW in 1952. Today, the core arhi and iihi business divisions continue to be predominantly managed by our Newcastle team.

nib also has offices in Sydney and Melbourne. Our teams in these locations primarily support our GU Health brand and nib Travel business division, as well as performing additional corporate functions of the nib Group. In addition, we have a network of retail centres across New South Wales, Queensland and Victoria.

nib holdings limited and its wholly owned Australian subsidiaries are members of an Australian income tax consolidated group and subject to tax as a single taxpayer for income tax purposes.

Our Cayman Islands captive insurance entity, as well as a number of other overseas registered group entities, have been registered as Australian residents for income tax purposes in

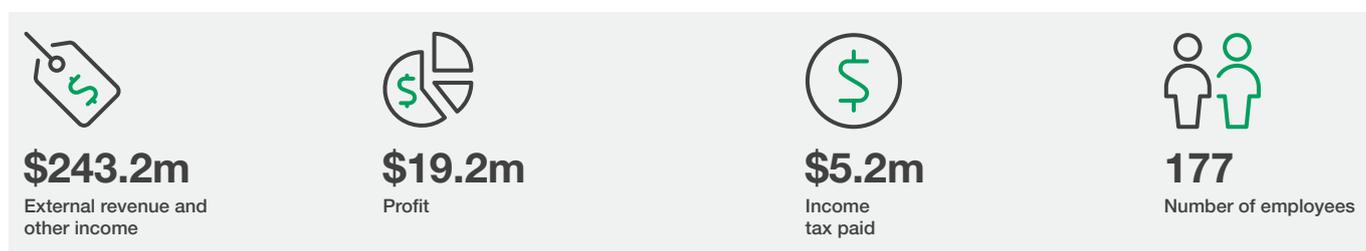
accordance with the ATO's views contained in TR 2018/5 *Income tax: central management and control test of residency* and are also members of the Australian income tax consolidated group.

Revenues from our arhi, iihi and nib Travel<sup>1</sup> business divisions are reported for tax purposes in Australia, in accordance with where these operations are based. Relevant transfer pricing and other income are also reported in Australia where appropriate.

#### Dividends

nib holdings limited, as the parent entity of the nib Group, receives dividends from its subsidiary entities. Dividends received from wholly owned international subsidiaries are not subject to further taxation in Australia. These dividends have not been included in the amounts above.

### New Zealand



#### nib's New Zealand operations are based in Auckland.

The core product for nib NZ is private health insurance supplied to New Zealand residents. We also provide health insurance to international students and inbound and outbound travellers in New Zealand through a strategic partnership.

Our core product is sold through a number of distribution channels, including direct to consumer (eg. web sales); advisers, whitelabel partnerships and corporate sales.

nib NZ supports nib Australia's operations through the provision of shared back office services, as well as management services from time to time.

Revenues from nib NZ's activities are reported for income tax purposes in New Zealand, as well as transfer pricing income where appropriate.

1. Excluding revenues recognised in Brazil and Ireland.

## overview of activities



### rest of the world



**\$7.4m**

External revenue and other income



**\$3.8m**

Profit



**\$0.6m**

Income tax paid



**30**

Number of employees

#### Brazil

nib Travel's Brazilian operations are based in Sao Paulo. nib Brazil is a distributor of travel insurance for the South American market. Products are sold directly to consumers via online sales. Revenues from our Brazilian operations are reported for corporate tax purposes in Brazil.

#### Canada

nib Travel's Canadian entity provides licencing capability for the business to operate as required in the Canadian market. It does not employ any employees and does not perform any other services on behalf of the nib Group.

#### Cayman Islands

As part of nib Travel's strategic ambition to expand its capacity to operate in international markets, a captive insurance entity was established and began operations in the previous financial year. The captive entity directly underwrites travel insurance activity in "rest of world" (RoW) markets<sup>1</sup>, with all claims risk fully reinsured to a selected capital partner. The establishment of this entity also allows nib Travel to participate more fully in the supporting activities in relation to the distribution of travel insurance to these markets.

The Cayman Islands was identified as an established environment for captives wishing to write third party risk with access to professional services firms, advisors and capital providers. Currently over 1,000 captives operate in the jurisdiction.

nib Travel's captive insurance entity is managed by an experienced captive management company.

The entity is a member of nib's Australian income tax consolidated group and all amounts in relation to this entity are included in the section in relation to Australia above. Australian income tax is paid on all operating profits of this entity.

#### China

nib's international students health insurance business (part of iih) is supported by business representation services provided by the nib Group's Chinese entity. nib also has a non-controlling interest in two additional Chinese entities as part of its investment in the joint venture with Tasly. All revenues in relation to those entities are reported for tax purposes in China.

#### Ireland

nib Travel's Irish operations are based in Cork and were established in 2018. Our Irish business acts as a distributor and Managing General Agent (MGA) of travel insurance in the European Economic Area (EEA). The establishment of these operations have allowed nib Travel to expand its participation in the value chain in relation to this market, beyond being a mere distributor. This is achieved through greater control over product design and pricing, as well as the delivery of service functions to customers. Policy administration and claims management services in relation to these policies are performed from this office. Our Irish operations are led by an experienced Irish insurance professional (the General Manager).

The Ireland location was chosen given its common language with the rest of the nib Group, ease of doing business and regulatory access into European markets.

nib Ireland also performs policy administration and claims management services in relation to nib Travel's "rest of world" policies. These policies are distributed by nib Travel in Australia, via the group's captive insurance company which is a regulated Cayman Islands entity and an Australian corporate tax resident.

Revenues from our Irish entities' operations, as well as appropriate transfer pricing transactions, are reported for corporate tax purposes in Ireland.

#### Philippines

nib's Philippines branch performs management services in relation to arhi's outsourced contact centre function.

#### Thailand

nib is in the process of closing its two Thai entities. These entities previously provided management services in relation to the Group's nib Options business, which has now been closed.

#### United Kingdom

nib Travel's United Kingdom operations are based in London. The United Kingdom office provides business representation services to nib Travel in Australia and Ireland.

#### United States

nib Travel's United States operations are based in Berkeley, California. The United States office provides business representation and management services to nib Travel in Australia. Furthermore, the Head of Americas role, which is based in the US office, has oversight of the Group's Brazilian operations.

1. Excludes Australia, New Zealand, North America, South America and the European Union

## our global tax profile

### Calculation of tax expense (Group)

The Global Effective Tax Rate represents the tax expense calculated in accordance with Australian Accounting Standards, and is included in nib's Annual Report. This is calculated by dividing income tax expense by profit before tax. It reflects the amount of tax that is expected to be paid on the year's activities.

nib Group	2020 A\$m
Profit before income tax expense	125.0
Income tax expense	(35.8)
Net profit for period	89.2
Global effective tax rate	28.6%

### Reconciliation of accounting profit to tax expense

The effective tax rate differs from the statutory Australian tax rate of 30% due to differences explained in the table below.

	2020 A\$m
<b>Profit from continuing operations before income tax expense</b>	<b>125.0</b>
Tax at the Australian tax rate of 30%	37.5
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	
Sundry items	0.5
Net assessable trust distributions	0.2
Imputation credits and foreign tax credits	(0.7)
Adjustment for current tax of prior periods	(1.4)
Unrecognised tax losses and deferred tax assets	0.1
Differences in foreign tax rates	(0.4)
<b>Income tax expense</b>	<b>35.8</b>

### Calculation of effective cash tax rate

The effective cash tax rate represents the tax rate based on total income tax paid to tax authorities during the year. This will always differ from the effective tax rate for the period calculated for accounting purposes. This is due to a variety of factors. For example, cash tax paid in the year may relate to the prior year's profit and may also exclude the final instalment due for the current financial year. There are also differences in accounting and tax depreciation rates that impact the timing of tax payments, and other tax and accounting timing differences.

	2020 A\$m
Profit before income tax expense	125.0
Income taxes paid	(61.9)
Global cash tax rate	49.5%

# our global tax profile

## Australian tax reconciliation

Values are in AUD per nib's 2020 Australian consolidated Group draft tax return. These details are provided to assist an understanding of the tax values published by the ATO in its Report of Entity Tax Information.

nib Australia	2020 A\$m
External revenue and other income	2,271.5
Other related party income	22.0
Related party investment income	1.1
Related party dividend income	10.5
<b>Gross income including related party dividend income</b>	<b>2,305.1</b>
Profit before tax	112.6
less tax exempt foreign related party dividend income	(10.5)
Australian profit before tax (excluding dividends)	102.1
add/(less) permanent non-taxable differences	(2.7)
add/(less) temporary tax timing differences	123.5
<b>Taxable income</b>	<b>222.9</b>
<b>Australian Tax Payable is calculated as:</b>	
Taxable income	222.9
Gross tax payable @ 30%	66.8
less Australian imputation credits	(0.7)
<b>Australian tax payable</b>	<b>66.1</b>
<b>Calculation of the Australian income tax expense:</b>	
Profit before tax	112.6
less tax exempt foreign related party dividend income subsidiaries	(10.5)
Australian profit before tax (excluding dividends)	102.1
Australian income tax expense on current year income @ 30%	30.6
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</b>	
Sundry items	0.7
Net assessable trust distributions	0.2
Imputation credits and foreign tax credits	(0.7)
Adjustment for current tax of prior periods	(1.4)
Unrecognised tax losses and deferred tax assets	0.1
<b>Income tax expense</b>	<b>29.5</b>

## Australian effective tax rate

nib Australia	2020 AU\$m
Total profit before tax - including tax exempt dividends from foreign subsidiaries of \$10.5m	26.2%
Taxable Australian profit - excluding tax exempt dividends from foreign subsidiaries of \$10.5m	28.9%

Effective tax rate equals income tax expense as a percentage of the stated profit values.

## Australian tax contribution summary

The table below provides an overview of all the other Australian Federal and State taxes paid and collected by nib in the 2020 income year.

nib Australia	2020 AU\$m
Corporate income tax	56.1
Fringe benefits tax	0.3
Payroll tax	7.4
State stamp duties	0.1
<b>Total Australian taxes paid</b>	<b>63.9</b>
GST collected and remitted	14.3
GST paid and reclaimed	(25.5)
PAYG – employee withholding tax	33.6
State stamp duties	36.6
Other withholding	2.5
<b>Total Other Australian taxes collected and remitted</b>	<b>61.5</b>

## Basis of preparation

The purpose of this report is to provide an overview of the tax and economic contributions made by nib and provide further information in relation to our tax risk and governance profile.

The Australian component of the report has been prepared in accordance with the Voluntary Tax Transparency Code.

**Currency:** All amounts contained within this report have been disclosed in Australian Dollars. Amounts in relation to our overseas entities have been translated from their natural currencies into Australian Dollars using the average exchange rate for the year.

**External revenue and other income:** This represents revenues received from third parties and excludes international related party amounts.

**Income tax paid:** Income tax paid comprises cash payments made during the year to 30 June 2020, net of refunds received. It includes both amounts paid to tax authorities as well as withholding taxes paid to foreign governments.

**Number of employees:** This includes full time and part time employees of nib. Contractors and individuals engaged through outsourcing arrangements have been excluded.

**Profit disclosed on a country level basis:** this represents local statutory profit before tax, excluding dividends received from international related parties.

