

2020

**TAX TRANSPARENCY
REPORT**



Reporting suite

Tax Transparency Report—(this report)

Overview of our corporate structure, approach to tax and tax position for FY20—available late August 2021.

FY21 Corporate Report

The holistic performance of Transurban in FY21 including our Financial Statements.

FY21 Results Presentation

Management presentation of financial and non-financial results including non-statutory analysis.

FY21 Sustainability Supplement

Supplement to the Corporate Report including our response to Task Force on Climate-related Financial Disclosures (TCFD) recommendations and on our progress against the UN Sustainable Development Goals.

Corporate Governance Statement

Corporate Governance Statement made in accordance with the ASX Council's Corporate Governance Principles and Recommendations (4th Edition).

Modern Slavery Statement

Overview of how we identify, manage and mitigate the specific risks of modern slavery in our operations and supply chains—available late 2021.



All available at transurban.com/investor

About Transurban

As one of the world's largest toll-road developers and operators, our business is to get people where they want to go as quickly and safely as possible.

We own and operate toll roads in Australia, the United States and Canada, which more than 5.7 million customers in Australia and 3.3 million drivers in North America rely on for faster, safer and more reliable trips.

In addition to our operating assets, we have seven projects in development or delivery, which will help reduce congestion and improve the overall performance of the transport networks they support.

As a majority Australian-owned and operated company listed on the Australian Securities Exchange, Transurban represents one of the most significant infrastructure investment opportunities available to Australians. We employ more than 3,200 people, as well as thousands of contractors through the delivery of projects¹. We

foster an engaged and diverse workforce that prides itself on making a significant and lasting contribution to the cities and communities in which we operate.

Over the past two decades we have built a track record of partnering with governments to successfully deliver and manage key road infrastructure but have also been recognised for developing innovative solutions to improve the safety and efficiency of transport networks.

We continuously challenge ourselves in the way we respond to social and environmental issues and invest in both to create social inclusion and manage our environmental impacts. Success for us means we achieve our purpose – to strengthen communities through transport – and create real and lasting benefits for all our stakeholders.

Transurban in numbers

21
roads under
operations²

07
projects in
development
of delivery

2M
trips daily
across our
roads

9M
customers and
road users
globally

20+
years of
experience

¹ Total workforce includes direct employees, contract workers directly engaged by Transurban, and contract workers engaged through partner organisations

² Additional assets not included in this figure are Toowoomba Bypass and Inner City Bypass, Queensland, Australia

Message from our CFO



Michelle Jablko

Over the past 20 years, Transurban has grown from owning and operating one toll road – CityLink in Melbourne – to 21 across Australia, the United States and Canada, with seven projects in development or delivery stages.

This represents significant investment by Transurban and our partners in the transport networks in each of our markets. Throughout our company's history we have worked closely with governments to ensure our investments deliver value for stakeholders across society.

Not only do our roads and projects improve travel times and reduce congestion for the benefit of motorists and broader economy, they also deliver outcomes for the community such as active transport options, open public spaces and employment opportunities and skills training.

Just as the benefits of the toll roads are long-term, so too is our investment. Investment in infrastructure, whether it be through acquiring or building toll roads incurs significant upfront costs. These costs along with those required to maintain a toll road over its life are borne by Transurban and our project partners. This means our business generates accounting and tax losses in the early years of an investment.

This report explains how our investment activity has influenced our current tax position and details our FY20 tax contributions. It also explains our corporate structure, which enables the payment of distributions to investors while we are generating accounting and tax losses. The distributions are subject to tax in the hands of investors. We estimate that more than one and a half billion dollars of tax has been paid by our investors on distributions to date.

This is our fifth Tax Transparency Report since the Australian Government endorsed the voluntary Tax Transparency Code in May 2016.

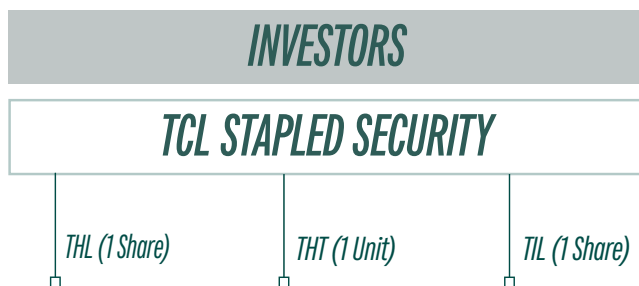
Corporate tax rules can be complex, particularly as they relate to a large infrastructure business such as ours. Each year we aim to make the information as easy to understand as possible, guided by best-practice corporate governance, and our commitment to transparency and accountability.

A handwritten signature in blue ink, appearing to read 'Michelle Jablko'. The signature is stylized and fluid.

Michelle Jablko
Transurban CFO
August, 2021

Our corporate structure

Transurban has operated as a stapled structure since listing on the Australian Securities Exchange (ASX) in March 1996.



This means that investors in Transurban hold stapled securities that comprise one share in each of Transurban Holdings Limited (**THL**) and Transurban International Limited (**TIL**), and one unit in Transurban Holding Trust (**THT**).

THT is an Australian resident unit trust that qualifies as an attribution managed investment trust. It operates as a flow-through trust for tax purposes.

THL is an Australian resident company, and the parent company of the Transurban Group for financial reporting purposes¹. TIL, an Australian resident company, is the holding company for Transurban's operations in North America.

Our stapled structure enables us to pay distributions to our investors through THT and dividends through THL and TIL.

Resident investors are subject to Australian tax on their distributions at their respective marginal tax rates. Non-resident investors are generally subject to withholding tax on their distributions.

Stapled groups have contributed to Australia developing successful public private partnering models for infrastructure investment. Transurban's investors have valued transparent outcomes for their investment and have invested through Transurban's stapled structure to fund nationally significant road infrastructure projects.

¹ Transurban prepares consolidated financial statements. THL is identified as the parent and controlling entity of the stapled structure for financial reporting purposes, and consolidated financial statements are prepared on this basis for accounting purposes. The consolidated financial statements of THL include the other members of the stapled group being TIL and its controlled entities and Transurban Infrastructure Management Limited (TIML) as the responsible entity of THT and its controlled entities. Transurban also has a controlling, non 100% ownership interest in Airport Motorway Group and Transurban Queensland. The non-controlling interest in each of TIL, THT, Airport Motorway Group and Transurban Queensland is presented within equity for financial reporting purposes

Our approach to tax

Transurban continues to foster our long-standing relationship with the Australian Taxation Office (ATO) and maintains a co-operative relationship with other revenue authorities in Australia and overseas.

In the context of tax risk management and tax governance, Transurban supports our Board's role in maintaining oversight and monitoring the effectiveness of the tax governance framework.

To achieve this, the Transurban Board, supported by the Audit & Risk Committee, oversees an internal control framework that provides guidance on how risks, including tax risks, are identified and managed within the business. To support our overall tax governance

objectives Transurban continues to enhance our tax risk management and Board reporting for tax, including periodic internal testing of tax controls².

The existence and operation of corporate governance frameworks is one of the key areas of ATO focus under the Justified Trust project. Accordingly, Transurban undertakes self-assessment activities with a view to be well positioned to meet the ATO's expectations in this regard.

Transurban's Board approved Tax Risk Management Policy is premised on the principle of accountability. As such, our approach is governed by Transurban's commitment to best—practice corporate governance, transparency and accountability. This is essential for the long—term performance and sustainability of the business, and to protect and enhance the interests of security holders and other stakeholders. Transurban recognises the inherent value for investors resulting from compliance with all tax laws by maximising operational efficiencies, reducing the risk of penalties, and maintaining a reputation as a compliant corporate taxpayer.

In this regard, the Transurban Group aims to adopt tax positions that not only comply with tax laws, but allow for efficient business structures, and maximise value for investors.

² The ATO in its Tax Risk Management and Governance Review Guide (the "Guide") requires organisations to establish tax risk management as a part of good corporate governance. This includes a formalised tax control framework, clearly defined roles and responsibilities, appropriate reporting to the Board and periodic internal controls testing. Organisations are required to retain sufficient evidence to demonstrate effective implementation of adequate processes in these key areas

New M4 Tunnels in Sydney, Australia



Our tax position explained

Our capital-intensive operations

Transurban owns and operates its toll roads through contractual agreements entered into with government authorities (known as “concessions”) under which it is entitled to collect toll revenue in return for designing, constructing, operating and maintaining toll roads in accordance with strict government requirements. At the end of concession periods, toll roads revert to the relevant government authorities for no consideration. Transurban’s business is capital intensive and requires significant upfront and ongoing capital investment to develop, operate and maintain roads that are critical to Australia’s transport needs. This upfront investment generally leads to accounting and tax losses in the early years post development.

Our stapled structure

A company is generally precluded from paying dividends where it is generating accounting losses. Transurban is structured as a stapled group comprising corporate and trust entities to allow distributions to be paid in the early years of investment to investors from the trust when accounting and tax losses are being generated by the company. The investors are subject to tax on the distributions received. In this way, the ATO collects tax earlier than would be the case under a company structure that is generating tax losses. By way of example, if Transurban was structured as a single corporate entity we

estimate that the first dividend we would have been able to pay would have been in 2009, instead of first distributions paid in 2002. The restriction on paying dividends would have significantly constrained Transurban’s ability to raise capital from equity markets to fund toll road investments.

A stapled structure is not unique to Transurban, but common practice across infrastructure investments with significant capital intensive upfront costs. It has been fundamental in helping stimulate private investment in infrastructure. In Transurban’s case it has allowed the development of nationally significant road infrastructure that is critical in meeting transportation requirements, while relieving the financing burden and associated risks for governments.

Transurban Group of wholly owned entities

Under Australian tax law, Transurban’s income is subject to tax at the investor level, through trust distributions, and our Australian resident corporate entities are taxed at a 30 per cent tax rate on their taxable income.

THT, as a flow through trust for tax purposes, does not pay income tax itself. Resident investors pay tax on trust distributions received based on their respective marginal tax rates, whereas non-resident investors are subject to withholding tax. To assist resident investors in complying

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with their tax obligations, Transurban publishes annually a Tax Statement Guide advising our investors on how distributions should be disclosed in their tax returns. The tax payable by resident investors on trust distributions is the responsibility of investors and governed by their relationship with the ATO.

THL and TIL are both Australian resident entities that pay corporate tax at 30 per cent on their taxable income. As head companies of tax consolidated groups, THL and TIL along with their respective wholly owned Australian entities have implemented the tax consolidation legislation.

THL and TIL each lodge a single income tax return on behalf of their respective tax consolidated groups.

TIL's operations in FY20 were solely based in the US and Canada.

TIL is funded by a mix of debt and equity and has largely invested into the US via equity contributions. Dividends received from wholly owned US entities are not assessable under Australian income tax law. Interest income is treated as assessable income and reduced by available debt deductions.

THL operates and maintains Australian roads. The income tax position for FY20 reflects the depreciation of our substantial infrastructure investments and the interest costs on the funds borrowed to make these investments.

A reconciliation of accounting profit to income tax payable is included in Figure 2.



CityLink Sound Tube in Melbourne, Australia

Our income tax position for FY20

Figure 2: FY20 Income Tax Transparency Disclosure—THL Reconciliation to Total Tax Payable

Reconciliation of Accounting Profit to Tax	2020 \$M
Revenue ¹	3,616
Expenses	(1,775)
EBITDA Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes	1,841
Total depreciation and amortisation ²	(1,185)
Net finance costs ³	(914)
Share of net profits of equity accounted investments ⁴	(62)
Profit (loss) before income tax	(320)

1 Note B5: Revenue, Section B: Notes to the Group financial statements, 2020 Transurban Corporate Report

2 Note B17: Intangible assets, Section B: Notes to the Group financial statements, 2020 Transurban Corporate Report. See also Consolidated statement of comprehensive income, Section A: Group Financial Statements

3 Note B13: Net finance costs, Section B: Notes to the Group financial statements, 2020 Transurban Corporate Report.

4 Note B25: Equity accounted investments, Section B: Notes to the Group financial statements, 2020 Transurban Corporate Report

5 Effective tax rate (income tax payable) is nil

Reconciliation of Accounting Profit to Tax	2020 \$M
Accounting profit/(loss) before income tax on Transurban Group's FY20 financial statements	(320)
Adjustments for entities not comprising members of the THL tax consolidated group	39
Tax adjustments	
Accounting depreciation and IFRIC12	421
Concession fees	(158)
Transaction costs	39
Provisions and accruals	87
Tax depreciation	(230)
Other	(2)
Franking credits and eligible research and development expenditure included to calculate net taxable income	21
Tax losses utilised	0
Net taxable income (loss)	(103)
Tax Payable⁵	0

Figure 3:
FY20 Australian tax contribution

\$30M
employment-related
taxes and levies

\$148M
Total GST payable
reported

\$134M
Total GST credits
reported

International dealings with related parties in FY20

95 Express Lanes in Virginia, USA

In addition to our Australian operations, we have operations across the North American region comprising of the 95, 395 and 495 Express Lanes in Greater Washington (USA), and the A25 in Montreal (Canada). To support the effective operations of our North American assets, some of our Australian entities engaged in international related party dealings and during FY20 these dealings broadly comprised the following:

- Funding and related services - each of THL, TIL¹ and THT were involved in the provision of funding support to our North American assets. The two largest international related party dealings in this regard were:
 - An interest-bearing loan to a related party resident in the USA which facilitated the operation and development of our two assets in the USA; and

- An interest-bearing loan to a related party resident in Canada which facilitated our 100% acquisition of the A25 asset.
- Management services - THL² was involved in the provision of management services to a related party resident in the US. These management services supported the day-to-day operations of all our entities situated in the US and consistent with the requirements of domestic and international tax laws, the management services provided have been priced according to arm's length principles that uses the behaviour of independent parties as a benchmark to determine the pricing of services between related parties in international dealings. This involves a comparison between what an entity has done and what an independent party would have done in the same or similar circumstance.

1 THL and TIL in their capacities as Head Entities of their respective income tax consolidated groups

2 THL in its capacity as Head Entity of its income tax consolidated group

Australia

Melbourne (Head office)

Tower Five, Collins Square
Level 31, 727 Collins Street
Melbourne, Victoria 3000

Sydney

Level 9, 1 Chifley Square
Sydney, New South Wales 2000

Brisbane

Level 39, 300 George St
Brisbane, Queensland 4000

Mailing address

Locked Bag 28
South Melbourne,
Victoria 3205
Phone +61 3 8656 8900
Fax +61 3 8656 8585

United States of America

Transurban (USA) Inc.

Suite T500, 7900 Westpark Drive
Tysons, VA 22102
Phone +1 571 419 6100

General enquiries

Email corporate@transurban.com

transurban.com

Further information

Visit our website for more information about our tax position, tax guides and financial statements:
transurban.com/distributions-and-tax