

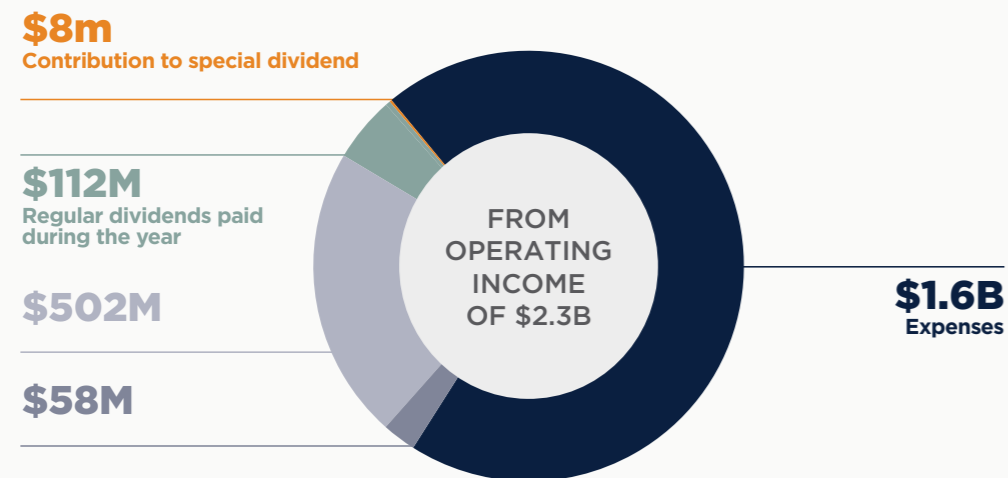
# TAX CONTRIBUTION REPORT 2019



## DULUXGROUP OVERVIEW

At DuluxGroup, we help our consumers to imagine and create better places and spaces in which to live and work. We do this by manufacturing and marketing a wide range of products that enhance, protect and maintain those places and spaces. We recognise that doing business in a responsible and ethical way is critical for us to earn and maintain the respect and trust of all stakeholders including our consumers, customers and communities, our environment, our people and our shareholders.

DuluxGroup makes a significant contribution to the Australian economy. For the 15-month period ended 31 December 2019 (2019), we generated \$2.3 billion in revenue, which was distributed to our various stakeholders including employees, suppliers, shareholders, governments and the community.



\$502 million went to wages and benefits for our approximately 4,000 employees; \$58 million was contributed in company income taxes; \$112 million was returned to shareholders in the form of regular dividends and \$8 million in the form of special dividends; \$1.6 billion was paid in expenses, including to thousands of suppliers – small, medium and large – some of which rely on DuluxGroup’s businesses for their own viability and ability to employ. In addition, DuluxGroup made contributions to a range of community organisations and our employees contributed hundreds of hours volunteering to help out on community projects, to raise funds and to provide mentoring or technical expertise to help those in need.

We are pleased to present DuluxGroup’s Tax Contribution Report for for 2019. The information provided in this report incorporates the tax transparency disclosures recommended by the Board of Taxation and contains information required to publish a tax strategy in other jurisdictions.

**Note 1:** A special dividend of \$108m was also paid during the year as part of \$220M in total dividends paid (the balance comprising of regular dividends of \$112M).

## TAX STRATEGY AND GOVERNANCE

### APPROACH TO RISK MANAGEMENT AND GOVERNANCE ARRANGEMENTS

DuluxGroup’s Tax Risk Management Framework is reviewed annually by the Board and sets out our policy and procedures for managing our tax risk globally.

The Executive General Manager – DuluxGroup Finance is responsible for managing tax risk on behalf of the Board and the Group Manager – Tax, Risk and Assurance is mandated to design, review and update the tax risk procedures.

### CORPORATE GOVERNANCE

Our directors and management are committed to conducting business in an ethical, fair and transparent manner in accordance with high standards of corporate governance. Managing tax risk is an integral component of good corporate governance.

We have a robust corporate governance framework in place and are committed to fostering a culture of compliance that values personal and corporate integrity, accountability and continuous improvement.

### DULUXGROUP’S CORPORATE GOVERNANCE FRAMEWORK INCLUDES:

- An experienced and engaged Board of Directors and management team;
- Clear and transparent communication with our shareholders;
- Strong risk management and assurance processes and culture; and
- Our Values and Behaviours and supporting policies that underpin how we do business.

### ATTITUDE TOWARDS TAX PLANNING

Our tax philosophy is to comply with all tax laws and operate at the highest level of integrity at all times. The tax strategy is principled, transparent and sustainable with the following objectives:

- Operate in good faith, with transparency and to comply with tax laws in all jurisdictions;
- Align to our current business strategy;
- Continually look at ways of improving efficiency in the tax compliance and reporting functions; and
- Operate in accordance with our tax risk appetite.

### ACCEPTED LEVEL OF RISK IN RELATION TO TAX

In order to meet the expectations of shareholders and the Board, DuluxGroup aspires to maintain a tax risk profile which is low.

### APPROACH TO ENGAGEMENT WITH TAX AUTHORITIES

DuluxGroup aims for a co-operative relationship with every tax and revenue authority. As part of this commitment, DuluxGroup has voluntarily adopted the Australian Tax Transparency Code.

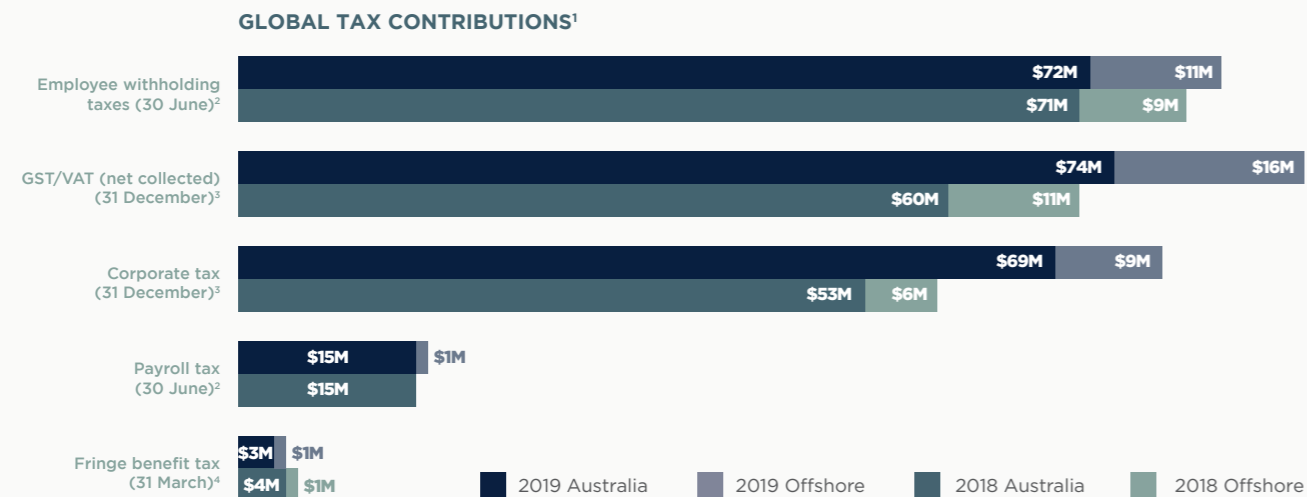
From time to time, it is expected that DuluxGroup will be subject to review by the various tax authorities across the jurisdictions we operate in. We endeavour to work collaboratively to achieve early agreement and to resolve any disputes which may arise.



# TAX CONTRIBUTION SUMMARY

DuluxGroup's tax culture is driven by our commitment to enrich the communities in which we operate. Our community expects that DuluxGroup pays its fair share of taxes – and we do.

As illustrated in the chart, we contributed more than \$271m in taxes in 2019. In Australia our tax contributions of \$233m are significant and reflect DuluxGroup's operations as a predominantly Australian based business.



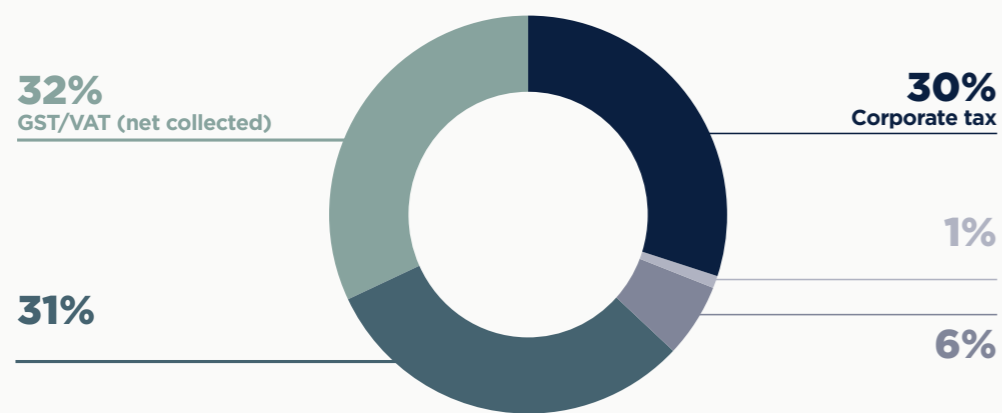
**Note 1:** Amounts are subject to rounding.

**Note 2:** Employee withholding taxes and payroll taxes paid based on a 30 June year.

**Note 3:** 2019 GST/VAT (net collected) and Corporate Taxes paid during 1 October 2018 - 31 December 2019 (2018: 1 October 2017 - 30 September 2018). Corporate tax contributions for our operations in China are based on a 31 December year.

**Note 4:** Fringe benefits taxes paid based on 31 March year.

## AUSTRALIAN TAX CONTRIBUTIONS



We also pay other taxes such as land tax, stamp duty, customs and excise and other business taxes in the various countries we operate in.

## RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE AND INCOME TAX PAYABLE

The table represents a reconciliation of accounting profit to income tax expense and income tax payable for 2019.

	15 MONTHS ENDED 31 DEC 19 \$M	12 MONTHS ENDED 30 SEP 18 \$M
<b>Profit before tax</b>	177	206
Income tax calculated at 30%	53	62
Non-temporary differences	5	(4)
<b>Income tax expense</b>	<b>58</b>	<b>58</b>
Temporary differences	7	(5)
<b>Income tax payable</b>	<b>65</b>	<b>53</b>

## EFFECTIVE TAX RATE

DuluxGroup's effective tax rate on its global operations for 2019 is 33% with an Australian effective tax rate of approximately 30%. The effective tax rate is calculated as income tax expense divided by accounting profit before tax.

## INTERNATIONAL RELATED PARTY DEALINGS

DuluxGroup's business operations are predominately in Australia and we also hold market leading positions in New Zealand and Papua New Guinea, with exposure to higher growth regions in Southeast Asia and China and a small presence in the United Kingdom.

All subsidiary entities are subject to local tax regimes. A full list of subsidiary entities and their foreign jurisdiction is disclosed in the Annual Report 2019.

As an Australian based company, DuluxGroup's international related party transactions are relatively limited. On an annual basis, the gross value of international related party transactions in and out of Australia represent about 4-5% of revenue.

The key category of our limited related party transactions are the movement and production of stock and raw

materials. We also maintain some manufacturing sites offshore which mainly support our international operations. Our intra-group stock and raw material movements as well as all other international related party dealings are priced in accordance with arm's length principles to meet the regulatory requirements of the relevant jurisdictions.

Some of our other transactions with our international related parties include:

- Management fee charges for the support services provided by the Australian head office; and
- Other charges for the licensing of intellectual property to offshore subsidiaries, including for the use of our household brands such as Dulux and Selleys.

## AUSTRALIAN TAX OFFICE TRANSPARENCY DISCLOSURES

The Australian Taxation Office publishes an annual Report of Entity Tax Information for all entities with total income of at least \$100 million. The information expected to be published for 2018 in relation to the Australian tax consolidated group is provided in the table. The disclosures relating to 2014 to 2017 were published in earlier years.

DISCLOSURE ITEM	2018 \$M	2017 \$M	2016 \$M	2015 \$M	2014 \$M
<b>Total income</b>	1,749	1,650	1,582	1,563	1,494
<b>Taxable income</b>	172	182	151	152	126
<b>Tax payable</b>	48	50	40	40	34