



## Reliance Worldwide Corporation Limited (RWC) - Voluntary Tax Transparency Code Report For the year ended 30 June 2020

RWC is a global market leader and manufacturer of water delivery, control, and optimisation systems for the modern built environment. RWC pioneers and innovates plumbing products for residential, commercial and industrial applications. RWC's unique end-to-end meter to fixture and floor to ceiling plumbing solutions target the repair, renovation, service, new construction, and remodel markets. RWC manufactures and distributes products that disrupt and transform traditional plumbing methods by aiming to make the end user's job quicker and easier. RWC is the leading manufacturer in the world of brass Push-to-Connect ("PTC") plumbing fittings and a global leader in the manufacture and distribution of plastic PTC fittings and accessories.

RWC has chosen to adopt the Board of Taxation's Voluntary Tax Transparency Code of 2016. In accordance with that code, the below disclosures have been made for the year ended 30 June 2020.

### Part A

Reconciliation of accounting profit to income tax expense and income tax payable including identification of material temporary and non-temporary differences	FY20 AUD \$ millions	FY19 AUD \$ millions
<b>Profit before tax</b>	<b>135.87</b>	<b>176.74</b>
<b>Tax at the Australian tax rate of 30%</b>	<b>40.76</b>	<b>53.02</b>
Effect of tax rates in foreign jurisdictions	(3.78)	(9.73)
Benefits arising from US tax concessions <sup>1</sup>	(6.63)	-
Foreign income subject to US tax	7.48	-
Net (under)/over provision from prior years <sup>2</sup>	5.89	-
Non-deductible expenses	5.14	1.67
Other	(2.43)	(1.24)
<b>Income tax expense</b>	<b>46.43</b>	<b>43.72</b>
<b>Temporary differences movement</b>		
Employee benefits	1.69	0.27
Other provisions and accruals	4.40	0.06
IPO costs deductible in future periods	(1.21)	(1.21)
Property, Plant and Equipment	(6.05)	(1.14)
Unrealised foreign exchange movements	(11.52)	11.85
Other items giving rise to deferred tax assets and deferred tax liabilities	(9.41)	(11.73)
	<b>(22.10)</b>	<b>(1.90)</b>
Other adjustments including prior year	7.44	3.45
<b>Income tax payable</b>	<b>31.77</b>	<b>45.27</b>

Accounting effective company tax rates for global and Australian operations (pursuant to AASB guidance)		
	FY20	FY19
<b>Effective Tax Rate – Global operations</b>	34.20%	24.7%
<b>Effective Tax Rate – Australian operations</b>	29.70%	30.9%

<sup>1</sup> US tax concessions available in FY2020 under the Coronavirus Aid, Relief, and Economic Securities Act (the "CARES" Act).

<sup>2</sup> Primarily relates to the derecognition of foreign tax credits offset by the recognition of R&D credits and US state tax credits.

## Part B

### RWC's approach to tax policy, strategy, and governance

The RWC Group's approach to tax is approved by the Board and is aligned with the Group's commercial, reputational, and business practices and its commitment to corporate responsibility. RWC maintains a comprehensive Tax Governance Framework and adopts a conservative and cautious approach to tax risk management.

The objective of RWC's tax strategy is to ensure that shareholders' best interests are served by the correct amount of taxes being paid at the right time in the countries in or through which RWC group members operate.

RWC's tax strategy principles are:

- To ensure full compliance with all its statutory tax obligations.
- To maximise shareholder value, while operating in accordance with the law.
- Managing its tax risk and tax affairs in a proactive manner.
- To maintain professional and open relations with tax authorities.
- Consideration of reputation risk and stakeholder interests in assessing tax risk.
- For international operations, profits are allocated and taxed where the value is created.

Australian tax contribution summary	2020 AUD \$ millions	2019 AUD \$ millions
Corporate Income Tax	16.5	15.6
Fringe Benefits Tax	0.2	0.2
Net GST Remitted	2.8	2.1
Payroll Tax	1.7	1.7
PAYG Withholding	<u>8.5</u>	<u>8.7</u>
<b>Total</b>	<b><u>29.7</u></b>	<b><u>28.3</u></b>

### Information about international related party dealings

RWC conducts international business transactions with related parties in accordance with the arm's length principle in a manner consistent with OECD principles and the relevant tax laws of each jurisdiction ensuring that arm's length compensation is paid for such transactions.

RWC ensures that its international related party transactions are documented and that contemporaneous records are prepared and maintained to support the appropriateness of the arm's length pricing methodologies adopted. The main international related party transactions for RWC Australia include:

- Sale of tangible goods principally to RWC in the United States
- Inter-company funding
- Provision of credit guarantee
- R&D contract services
- Group / Head office support services are provided between Group entities where resources can be effectively shared with subsidiaries across the globe.

As a consequence of RWC's consolidated revenue exceeding AUD1 billion in the year ended 30 June 2019, the year ended 30 June 2020 is the first year for which RWC is reporting added transparency disclosures under the Country-by-Country Reporting laws of each of the countries in which it operates. These disclosures provide each revenue authority (including the ATO) with globally consistent information about RWC's entities, their international related party dealings and the level of revenues, assets, capital, profits, taxes paid, and the number of employees in each country.