

# Tax Contribution Report

For the financial year ended 30 June 2020



# Worley: An Australian company with global reach

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A leading service provider of professional project and asset services in the energy, chemicals and resources sectors.

We are Australia's largest exporter of knowledge-based services. We use this position to support our customers across the world transition towards a low-carbon future.

# Foreword from our Chief Financial Officer



Welcome to Worley Limited's <sup>1</sup> Tax Contribution Report for the year ended 30 June 2020 ("FY20"). In preparing this report, Worley has followed the recommendations of the Board of Taxation's Tax Transparency Code ("the Code").

In adopting this voluntary code we welcome the opportunity to provide users with an outline of our tax activities and our tax contributions across the globe. The report provides information about our approach to tax governance and strategy, details of our international related party dealings, information about our effective tax rate and an overview of our tax contributions for FY20.

Whilst not required by the Code, we also provide commentary to allow a better understanding of the tax information recently published by the Australian Taxation Office ("ATO") in relation to Worley Limited's consolidated income tax return ("ITR") for the year ended 30 June 2019.

The COVID-19 pandemic meant that 2020 was a difficult year globally and Worley sought to prioritize the safety of our employees across the 49 jurisdictions in which we operate. We also worked hard to keep our businesses in these countries operating as close to normal as possible, continuing to focus on our compliance obligations and external relationships.

Worley has a strong commitment to transparency and compliance and we are proud to present this report to highlight our global tax profile and demonstrate that our tax contributions and activities benefit the many countries in which we operate.

<sup>1</sup> In this Report references to 'Worley', 'the Group', 'we', 'us' and 'our' refer to Worley Limited and each of its subsidiaries incorporated in any jurisdiction globally.

# Worley makes tax contributions in 49 countries



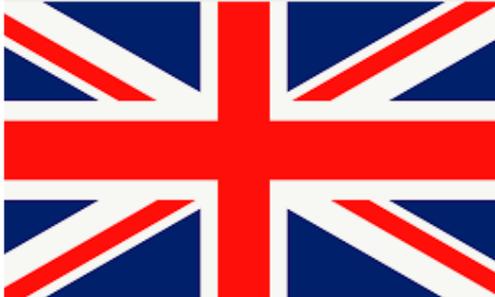
*Map of the world showing Worley office locations as at 30 June 2020*

# Global Tax Contributions

Total tax contributions in 4 key operating countries in FY20



**Canada**  
\$180m  
(2019: \$190m)



**UK**  
\$179m  
(2019: \$154m)



**USA**  
\$556m  
(2019: \$131m)



**Australia**  
\$208m  
(2019: \$166m)

# Tax policy, strategy and governance

Accountability & Governance	Compliance	Business Structure	Relationship with Authorities
<p>Worley has a long established Tax Corporate Governance framework which has been approved by our Board and seeks to ensure that our tax obligations continue to be met. The Tax Corporate Governance Board Policy, which is part of the aforementioned framework, also seeks to formalise and document the responsibilities of the Worley tax function as expected by the Board, particularly in relation to tax risk management.</p> <p>Worley's tax strategy and principles apply to all our operations in all jurisdictions.</p> <p>Worley management reports at least semi-annually to the Board in relation to tax risks and adherence to tax strategy.</p> <p>Worley employs appropriately qualified and trained tax professionals with the right levels of expertise and understanding.</p>	<p>Worley seeks to comply with the tax legislation of the countries in which we operate.</p> <p>Worley puts in place strong compliance procedures to ensure accurate and complete tax returns, submitted by their due dates.</p> <p>Taxes will be managed with the objective that all tax liabilities properly due under the law are paid, recorded and accounted for.</p> <p>Worley will not seek to artificially reduce its tax obligations. However, in order to preserve shareholder value, it will also seek to ensure that it does not enter into arrangements whereby it pays more than the appropriate level of tax, as determined under the laws of the countries in which we operate.</p> <p>All intercompany transactions should be undertaken in accordance with the arm's length principle.</p>	<p>Worley is transparent about the entities that it owns around the world.</p> <p>Worley pays tax on profits according to where value is created within the normal course of commercial activity.</p> <p>All transactions and dealings are subject to thorough review processes and, where relevant, escalated to the Board for approval to ensure the transaction gives rise to a low level of tax risk. We will not engage in arrangements whose sole purpose is to create a tax benefit which is in excess of what is reasonably understood to be intended by relevant tax rules.</p>	<p>Worley strongly believes that the fostering of strong relationships with revenue authorities is critical to the proper management of tax risk.</p> <p>We seek to maintain a positive relationship with revenue authorities with the aim of enabling an efficient and collaborative hearing of any tax issues that arise.</p> <p>We are open and transparent with tax authorities, responding to enquiries in a straight forward and timely manner.</p> <p>Worley seeks to enter into early dialogue with authorities wherever possible, where there is significant uncertainty about how tax rules apply to our business.</p>

# International related party dealings

Worley operates through subsidiaries, branches and joint ventures in 49 countries across six continents, all of which are subject to local tax regimes.

Our Australian business (“Worley Australia”) enters into various international related party dealings with our overseas operations and these dealings are summarized below:

- Engineering services – fees for technical engineering and related services obtained from / provided to a Worley affiliate in relation to a client project.
- Global support services – fees received and paid for a range of strategic, operational and administrative support services provided to Worley affiliates on a regional and global basis, including business strategy, quality assurance, marketing, legal, risk management, treasury services, etc. Worley Australia centralises and recharges global support service costs for the Worley Group.
- Marketing intangible license fees – royalties received from Worley affiliates who license Worley Australia’s suite of intangible assets.
- Intra-group loans – interest received and paid for intra-group loans typically required to support working capital and other cash requirements across the Worley Group.

Worley Australia’s other related party transactions include software license recharges, insurance charges and expense reimbursements.

The table provides a summary of the total value of these international related party dealings for Worley Australia for the financial year ended 30 June 2020.

International related party dealing	Primary counterparty countries	Revenues (A\$M)	Expenses (A\$M)
Engineering services	Singapore, South Africa, Canada, India, United States, United Kingdom, New Zealand, Oman, Saudi Arabia, Papua New Guinea	36.6	(24.0)
Global support services	United States, Canada, United Kingdom, India, Singapore, Oman, Netherlands, Norway, Kazakhstan, Malaysia	270.3	(253.4)
Marketing intangible license fees	United Kingdom, United States, Canada, Qatar, Saudi Arabia, Netherlands, Singapore, Bulgaria, South Africa, Brazil	26.6	-
Intra-group loans (interest)	Canada, United States, United Kingdom, South Africa, Norway, Hong Kong, Chile, Papua New Guinea, Peru, Malaysia	25.7	(13.6)
Other	United Kingdom, Canada, United States, Saudi Arabia, India, Qatar, Oman, Malaysia, Singapore, China	96.3	(1.8)
<b>Total</b>		<b>455.5</b>	<b>(292.8)</b>

# Effective tax rate and reconciliation of accounting profit to income tax payable

Description	Australia A\$ '000	Global Group A\$ '000
Accounting profit / (loss) before tax	149,740	267,000
Income tax expense	20,041	79,100
Effective corporate tax rate	13.4%	29.6%

Worley calculates its effective tax rate as income tax expense divided by accounting profit before tax.

We note that the effective tax rate for our Australian operations is below the corporate tax rate of 30%. This is mainly due to the fact that the accounting profit before tax of the Australian operations includes repatriated profits from our overseas companies and branches. These profits are not subject to tax under Australia's tax laws as they have already been subject to tax in the foreign jurisdiction.

## Reconciliation of accounting profit to income tax expense

Worley Global Group	A\$ '000
Profit Before Tax	267,000
At the statutory income tax rate of 30%	80,100
<i>Increase in income tax expense due to:</i>	
Non-deductible performance rights	11,000
Share of net profits of equity accounted associates	2,000
Non deductible impairment of associates	2,000
Tax expense in relation to change in legislation	1,000
<i>Decrease in income tax expense due to:</i>	
Differences in overseas tax rates	(26,000)
Tax losses not previously recognised	(2,000)
Under provision / (Over provision) for prior financial period	11,000
<b>Tax Expense per financial statements</b>	<b>79,100</b>

Worley Australia Tax Consolidated Group	A\$ '000
Profit Before Tax	149,740
At the statutory income tax rate of 30%	44,922
<i>Increase in income tax expense due to:</i>	
Controlled foreign company Income	1,350
Performance Rights	11,161
Exempt Branch Expenses	1,232
Non-deductible foreign exchange	1,046
Other non-deductible expenses	3,973
<i>Decrease in income tax expense due to:</i>	
Exempt overseas dividends	(53,945)
Exempt Branch Income	(1)
Under provision / (over provision) for prior financial period	10,303
<b>Income tax expense</b>	<b>20,041</b>

# Effective tax rate and reconciliation of accounting profit to income tax payable

## 2020 income tax expense and effective tax rates

### Reconciliation from tax expense to income tax payable

Worley Global Group	A\$ '000
FY20 Tax expense	79,100
<i>Movement in temporary differences</i>	
Provisions & accruals	(36,000)
Other temporary differences	(56,000)
Deferred tax on intangibles	37,000
Net foreign exchange gains	(1,000)
Tax losses carried forward	60,000
Less: under / over provision from prior year	(11,000)
Amounts recorded directly in equity	(5,100)
Current tax expense / tax payable in relation to FY20	67,000
Income tax payable per 2020 annual report	33,000
Income tax paid per FY20 cashflow statement <sup>1</sup>	53,000

[1] In any income year, there will be a difference between the income tax expense calculated and the total income tax payable to the relevant tax authorities during the same period. This is due to a number of factors, such as the timing of corporate tax instalment payments as well as permanent and / or timing differences (where the income and expense recognition criteria is different for accounting and tax purposes).

# Total tax contributions

The table below provides a more detailed analysis of our total tax contribution across four of our key operating jurisdictions during FY20.

	Australia A\$ '000	Canada A\$ '000	USA A\$ '000	UK A\$ '000	Total A\$ '000
Corporate income tax <sup>1</sup>	8,257	2,394	2,085	1,964	14,700
Other taxes:					
Fringe benefits tax <sup>2</sup>	754				754
Payroll taxes	28,559				28,559
Net GST tax <sup>3</sup>	38,783	52,064	4,686	26,747	122,280
Employee taxes remitted <sup>4</sup>	131,968	125,643	549,060	150,250	956,921
<b>Total</b>	<b>208,321</b>	<b>180,101</b>	<b>555,831</b>	<b>178,961</b>	<b>1,123,214</b>

[1] Corporate income tax is net of offsets and rebates such as franking credits and foreign income tax offsets

[2] FBT payable for the year ended 31 March 2020.

[3] GST collected on sales by Worley Limited less GST paid on business purchases by Worley Limited.

[4] PAYG/PAYE/salary withholding collected by Worley Limited.

# ATO tax transparency disclosures

## ATO public disclosure

In December 2020, the ATO published the following information in respect of Worley Limited's Australian income tax return (ITR) for the year ended 30 June 2019.

<b>Total income</b>	<b>\$1,247,787,759</b>
<b>Taxable income</b>	<b>\$47,102,834</b>
<b>Tax payable</b>	<b>\$0</b>

## Total Income

Total income reported in the ITR represents gross income for accounting purposes – that is, income before any expenses are taken into account. Total income is not an indicator of the real, economic or taxable profits of an organisation. To illustrate this, set out below is a reconciliation of Worley Limited's total income to accounting profit for the year ended 30 June 2019.

<b>Total income</b>	<b>\$1,247,787,759</b>
<b>Less: Total expenses</b>	<b>\$1,069,228,496</b>
<b>Accounting Profit</b>	<b>\$178,559,263</b>

## Reconciliation of profit to taxable income

A reconciliation of Worley Limited's accounting profit to taxable income for the year ended 30 June 2019, as reported in the ITR, is set out below. Worley utilised brought forward tax losses to reduce taxable income. Tax payable was fully offset by franking credits and foreign income tax offsets.

	<b>A\$</b>
<b>Profit before tax</b>	<b>178,559,263</b>
<b>Add:</b>	
Franking credits	1,714,286
Other assessable income	88,171,117
Non-deductible expenses	117,491,100
<b>Subtract:</b>	
Non-assessable income	(253,449,669)
Other deductible amounts	(85,383,263)
<b>Taxable income (loss)</b>	<b>47,102,834</b>
<b>Tax @ 30%</b>	<b>14,130,850</b>
<b>Less:</b>	
Franking credits and foreign tax offsets utilised	14,130,850
<b>Tax payable</b>	<b>0</b>

## Non-assessable income

Dividends received by the Worley Australian consolidated tax group from its overseas subsidiaries and profits from its overseas branches are included in accounting profit before tax. However, these are then excluded in the calculation of taxable income under the Australian tax law.

## Foreign income tax offsets

The Worley Australian consolidated tax group generates assessable income from overseas, which is included in its ITR. In some instances, foreign tax has been paid on that income in another country. Where this occurs, Worley is able to claim foreign income tax offsets in respect of tax paid on assessable income to avoid double taxation.

**Worley**  
energy | chemicals | resources