



H. Fisk Johnson, Ph. D.

Chairman of the Board
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Director
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Treasury
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Via email: MNETaxTransparency@treasury.gov.au

Dear Director,

S.C. Johnson & Son, Inc ("SCJ") is writing in response to the 'Exposure Draft – Public Country by Country Reporting' released on 6 April 2023 for consultation and comment by 28 April 2023.

SCJ supports financial and regulatory transparency, is committed to meeting its tax obligations wherever it operates and is supportive of the OECD's work to increase transparency through country by country ("CBC") reporting. We have concerns, however, that Australia's current proposal goes well beyond established OECD principles and could hurt the attractiveness of the country for future investment.

Company background

SCJ is a fifth generation, privately held, family company that manufactures consumer and institutional products founded and headquartered in Racine, Wisconsin, USA in 1886. We are a global, purpose-led company, that is committed to making the world a better place today and for future generations - whether it is through creating a great place to work, social and environmental leadership, supporting our communities, or the products we make which can make people's lives a little better and easier. It also means bringing our expertise in science, innovation, and partnerships to bear on some of the world's most pressing environmental and health issues like reducing plastic waste and eradicating malaria.

We are proud to say we established operations in Australia in 1917, and we have greatly appreciated the hospitality of the Australian government and its people over the 100 plus years we have operated there. Our brands include Glade®, Kiwi®, OFF!®, Pledge®, Mr Muscle®, Duck®, Baygon®, Raid®, Ziploc®, Shout®, Meyers®, Babyganics®, Method®, Ecover®, among many others.

We have been a leader in global sustainability both inside and outside Australia and have worked for decades to be best-in-class in environmental conservation, ingredient responsibility, renewable energy use, and product transparency. In Australia, SCJ has been a leader in the voluntary Australia Plastics Covenant Organisation and have been distinguished for our conscientious plastic management.

We have worked hard to create a great place to work, and our Australian team has made the Best Workplace list three times over just the last several years as named by the Great Place to Work Institute.

Existing CBC reporting

SCJ currently reports financial information under OECD guidelines for each country in which it operates. Notably, SCJ's global CBC report is available to the Australian tax authorities through information exchange procedures mutually agreed upon by the United States and Australia under the OECD framework and by treaty. SCJ is also subject to the 2021 EU Public CBC Reporting Directive ("EU Directive"), which is broadly consistent with OECD principles.

Recommendation #1: Conform the proposal to the EU Directive

SCJ believes Australia could better align to globally accepted tax policy rules and foster economic cooperation by conforming to the OECD principles and EU Directive. We recommend the following changes:

1. Allow aggregated information for countries outside of Australia.
2. Require taxpayers to report the same data points as the EU Directive.
3. Delay the effective date at least one year; and provide an option to defer reporting for five years as allowed by the EU Directive.

The OECD, mandated through the cooperation and consensus of member nations across the globe, has been working to improve corporate tax transparency for over a decade as part of the Base Erosion and Profit Shifting ("BEPS") Project. With over one hundred jurisdictions introducing CBC filing obligations, over 3300 bilateral relationships for the exchange of CBC reports, and 134 jurisdictions covered in the fifth annual peer review process, member nations' tax authorities globally have confidential access to tax reporting data for corporate residents, operations, and subsidiaries under their jurisdiction.

The EU Directive expands publication of certain information already reported in their OECD-compliant report. Notably, the EU Directive requires no information beyond that which would already be contained in an OECD CBC report and permits organizations to aggregate data for countries outside the EU.

The breadth of the data requested in the Australian Government's proposal far exceeds the EU Directive and seeks to collect information that the European Commission concluded is not relevant for citizens to "get a thorough understanding of a company's activities and taxes paid" and "properly scrutinise multinational companies' tax strategies."¹

According to its website, the European Commission consulted a broad range of experts and interested parties from summer of 2015 onwards and it also launched a public consultation to which over 400 respondents responded. Such respondents included businesses, industry associations, NGOs, citizens and think tanks. Through proper consultation, the European Commission asserts that the Directive strikes the appropriate balance by "heed[ing] calls from citizens, NGOs and trade unions for the EU to be a global trailblazer in this area, while also taking on board some of the concerns expressed by experts and businesses when it comes to ensuring that European companies are not at a competitive disadvantage vis-à-vis their non-EU rivals."

¹ See: https://ec.europa.eu/commission/presscorner/detail/fr/MEMO_16_1351

Recommendation #2: Provide targeted exemptions consistent with the policy objectives stated in the Explanatory Materials

The current proposal grants the Commissioner the authority to exempt entities from publication. We believe the following targeted exemptions fairly balance the objectives of the CBC proposal with the concerns of companies around disclosure of sensitive financial information:

1. Privately held companies: While some public tax disclosures may be consistent with requirements to ensure investors in publicly traded companies are well informed, that same rationale does not apply to privately held companies. It is in the interests of Australia and its citizens to protect its companies' competitiveness, just as the EU did when defining the scope of the EU Directive. As stated in its explanatory materials, the EU concluded that, "demanding publicly disaggregated data for all third countries could affect companies' competitiveness and divulge information on key strategic investments in a given country. Similarly, the disclosure of turnover and purchases within a group poses a threat to multinationals in that it could divulge key information to competitors."

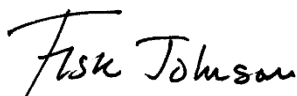
2. "Justified Trust": Australia adopted this OECD concept in 2016 and has applied it to the largest 100 Australian taxpayers. Through an examination of four key tax related areas, the tax authorities and taxpayers can "build and maintain community confidence that taxpayers are paying the right amount of tax." The "Justified Trust" initiative involves a significant investment of resources by both the taxpayer and government to ultimately achieve a "high assurance" rating.

Australia also has an Advance Pricing Agreement (APA) program where taxpayers can seek rulings on the tax consequence of certain transactions after full disclosure of relevant facts and in-depth discussions with the tax authorities. Taxpayers that participate in these programs typically have a proven record of tax compliance and a lower risk profile. Offering exemptions from CBC reporting for these taxpayers encourages further participation in these government sponsored programs while eliminating a costly compliance burden for companies doing business in Australia.

Invitation for further discussion: SCJ has enjoyed its business relationship with Australia and has benefited from its outstanding workforce and constructive business climate for several generations. Rather than benefitting Australians, we believe the current CBC proposal will have the opposite effect by making the country less attractive for future investments and job creation by multinational companies. We welcome the opportunity to meet and discuss the proposal with the goal of supporting the government's transparency initiatives while also maintaining Australia's reputation as an attractive location to do business.

Please visit our website at www.scjohnson.com for more information about the company.

Sincerely,



H. Fisk Johnson

Chairman & Chief Executive Officer

S.C. Johnson & Son, Inc.