



GLENCORE

**Voluntary Tax
Transparency Report**
Australia 2020



About Glencore

Glencore is one of the world's largest globally diversified natural resource companies. We own and operate a diverse mix of assets all over the world, and we're engaged at every stage in the commodity supply chain; a unique business model that maximises value for all our stakeholders.

Our business model covers Metals and Minerals, Energy Products and Recycling, which are supported by our extensive global marketing network.



Metals & Minerals



Energy



Marketing



Recycling

135,000

EMPLOYEES AND CONTRACTORS

> 60

COMMODITIES ACROSS A RANGE OF METALS, MINERALS AND ENERGY SECTORS

> 35

ON-THE-GROUND PRESENCE IN OVER 35 COUNTRIES

1,200

VESSELS ON THE OCEAN AT ANY ONE TIME

7,000+

LONG-TERM RELATIONSHIPS WITH SUPPLIERS AND CUSTOMERS

Net Zero

AMBITION TO BE A NET ZERO TOTAL EMISSIONS COMPANY BY 2050

Glencore in Australia

We operate 26 mines in Australia, as well as a number of metals processing assets in Queensland. In 2020, Glencore contributed \$13.8 billion to regional, state and national economies in Australia.*

17,690

Employees and contractors

\$2.1b

Wages and salaries

\$9.5b

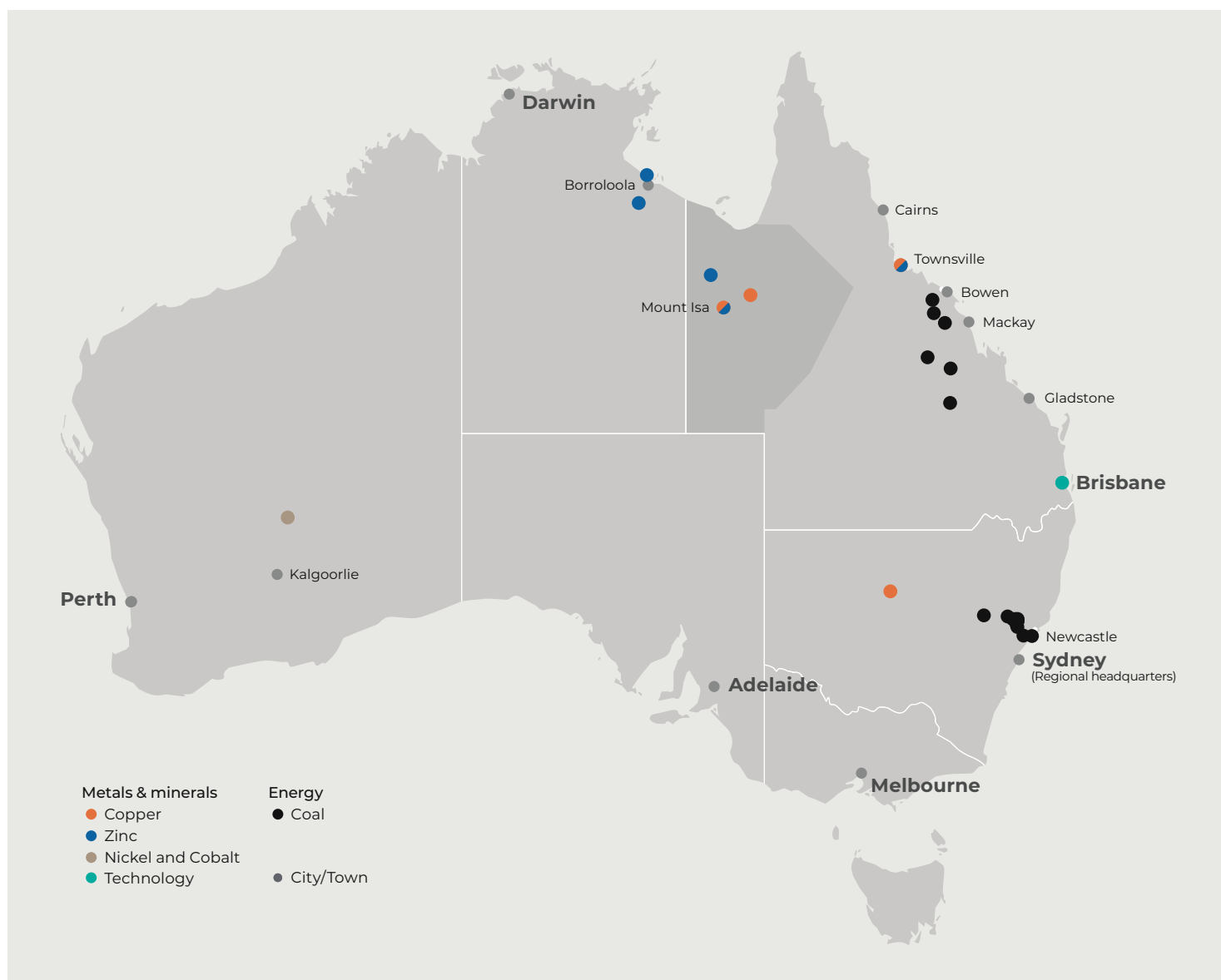
Spent on goods and services

7,890

Suppliers

\$2.1b

Taxes and royalties paid to state and federal governments



* The federal income taxes portion of the above figures represent Glencore's share of our Australian operations. All other figures, including royalties, represent 100% of the operations that Glencore manages, or participates in, in Australia and include any joint venture partners' interests. The above numbers do not include the contribution of Viterro (previously Glencore Agriculture), in which Glencore holds a 49.99% stake.

All dollar figures are AUD, and relate to the 2020 calendar year, unless otherwise stated.

Taxes and royalties

In 2020, Glencore operations paid over \$2.1 billion in taxes and royalties to Federal, State and Local Governments in Australia.

When it comes to our tax and royalty contribution, it is important to note:

- Since 2010, Glencore's Australian operations have paid over \$18 billion in taxes and royalties in Australia, of which more than \$3 billion was corporate income tax.
- Corporate income tax is paid on taxable profits, not on revenue.
- Our business is highly cyclical and needs high levels of capital and sustaining investment over the long term.
- Our profitability in Australia is generally driven by the price of our core commodities: coal, copper, nickel and zinc.
- Mining royalties are generally calculated and paid as a percentage of revenue per unit (tonne, ounce) of product sold.

TAXES AND ROYALTIES PAID SINCE 2010 (SUMMARISED)

	COMPANY TAX	ROYALTIES	COMPANY PAYROLL AND OTHER TAXES	TOTAL
Federal Government	\$3,084 m	–	\$5,299 m	\$8,383 m
State and Local Government	–	\$8,469 m	\$1,291 m	\$9,760 m
Total	\$3,084 m	\$8,469 m	\$6,590 m	\$18,143 m

TAXES AND ROYALTIES PAID FOR CALENDAR YEAR 2020

	COMPANY TAX	ROYALTIES	COMPANY PAYROLL AND OTHER TAXES	TOTAL
Federal Government	\$266 m	–	\$847 m	\$1,113 m
State and Local Government	–	\$906 m	\$168 m	\$1,074 m
Total	\$266 m	\$906 m	\$1,015 m	\$2,187 m

* Tax payable in relation to 2020 financial year was paid during the 2020 and 2021 calendar years

** The federal income taxes portion of the above figures represent Glencore's share of our Australian operations. The royalties figure represents 100% of the operations that Glencore manages, or participates in, in Australia and includes any joint venture partners' interests.

Living our values

Our values reflect our purpose, our priorities and the beliefs by which we conduct ourselves. They define what it means to work at Glencore, regardless of location or role. They are the heart of our culture and the way we do business.



Safety

We never compromise on safety. We look out for one another and stop work if it's not safe.



Integrity

We have the courage to do what's right, even when it's hard. We do what we say and treat each other fairly and with respect.



Responsibility

We take responsibility for our actions. We talk and listen to others to understand what they expect from us. We work to improve our commercial, social and environmental performance.



Openness

We're honest and straightforward when we communicate. We push ourselves to improve by sharing information and encouraging dialogue and feedback.



Simplicity

We work efficiently and focus on what's important. We avoid unnecessary complexity and look for simple, pragmatic solutions.



Entrepreneurialism

We encourage new ideas and quickly adapt to change. We're always looking for new opportunities to create value and find better and safer ways of working.

Our approach to tax and transparency

Glencore¹ is committed to high standards of corporate governance and tax transparency including compliance with all applicable tax laws, rules and regulations. Glencore seeks to maintain long-term, open, transparent and cooperative relationships with tax authorities in our host countries.

As part of our commitment to Australian corporate tax transparency, Glencore adopted the Australian Board of Taxation's voluntary Tax Transparency Code (the Code) from 2018, and we have enhanced our report each year.

EXTERNAL ENGAGEMENT

We are committed to transparent and constructive dialogue with all of our stakeholders. We recognise that this is an evolving space and that through a broad range of external perspectives we can deliver high standards of corporate governance and disclosure. Throughout the year, we engaged with a variety of organisations on tax and transparency matters, including but not limited to the following:

- Extractive Industries Transparency Initiative
- International Council on Mining and Metals
- Organisation for Economic Cooperation and Development (OECD)
- Investors, analysts and banks

In Australia specifically, Glencore is committed to working with the Australian Tax Office (ATO) in a transparent and collaborative fashion at all times. In addition, we are committed to making accurate, fair and timely disclosures to the Australian tax authorities, as and when required.

TAX GOVERNANCE AND TAX RISK MANAGEMENT

Glencore's global tax strategy and governance focus is disclosed in its Group Tax Policy, which is available at www.glencore.com/who-we-are/governance.

Our Australian business actively manages all identified tax risks within an appropriate Tax Governance Framework (TGF) and robust control procedures. At the foundation of this framework is the following Glencore standard:

"We are committed to full compliance with relevant laws and external and company reporting requirements, including those concerning disclosure to tax authorities and reporting on the tax payments that we make.

As a signatory of the Extractive Industries Transparency Initiative, we support increased transparency around payments to governments

across the world and how they are redistributed and/or reinvested into the communities in which we operate.

The pricing of transactions between Glencore companies is based on fair market terms, whereby exchanges of goods, property and services are conducted on an arm's length basis.

We will continue to review our tax payment reporting and make appropriate improvements in line with any applicable regulatory developments."

Ultimate responsibility for tax risk resides with the Board and our governance ensures suitably qualified personnel are involved in decisions related to tax. The Glencore Investment Pty Limited (GIPL) board has oversight over Australian tax risks and carries this out through the GIPL Board Audit Committee, and a clearly defined reporting hierarchy exists through which risks are escalated through the organisation.

We have a dedicated Australian tax function as well as a global tax team that provides support as and when required. We also use third party advisors where appropriate to assess tax risks and ensure that we are in compliance with applicable tax laws, rules, regulations and reporting requirements.

In the management of tax risk, the tax function own and manage risks at the 'first line of defence'. The tax function identifies and manages risk by developing appropriate policies, standards and controls to apply across our organisation – senior personnel with the appropriate skill and experience are involved in key tax decisions. These formal procedures around the governance of tax matters and tax risk must be adhered to by all employees.

The 'second line of defence' involves selected senior personnel in the tax team critically reviewing the effectiveness of our policies, controls and processes in mitigating risk in light of factors such as material changes to our business. These senior personnel are able to draw on their own experience and the advice of tax technical experts to suggest improvements.

Our external auditor also reviews significant risks and disputes.

During the past 12 months we continued to make enhancements to our robust TGF and associated tax control framework through this process of continuous review.

¹ Glencore plc and its related affiliates are collectively referred to as 'Glencore' or 'the Group' or 'the Company'

TRANSPARENCY

We welcome fiscal transparency as it encourages the responsible management of revenues from our activities. We believe that countries that transparently and effectively allocate natural resource wealth for the benefit of their communities have the potential to attract greater, more responsible and longer-term business investment.

Our Board Audit Committee engages with senior management to understand the potential tax exposures and the key estimates taken in determining the positions recorded, including the status of communications with local tax authorities and the carrying values of deferred tax assets.

We maintain that it is important to be transparent in the disclosure of our tax affairs. This report contributes to that transparency, as do our other publications. We believe this is an important step in ensuring that the way we manage our tax affairs is explained clearly and is easy to understand.

TAX DISPUTES

In accordance with our overarching group Code of Conduct, we are committed to comply with all applicable tax laws, rules and regulations, without exception. Glencore does not (and will not) enter into artificial arrangements in order to avoid taxation or to defeat the stated purpose of the tax legislation, nor does it (nor will it) undertake aggressive tax planning. Given the scale of Glencore's operations in Australia, Glencore has adopted an enhanced tax governance and assurance program. This recognizes that tax risk management is an important part of good corporate governance and provides the ATO with assurance over routine transactions in addition to engagement on more complex transactions.

Commercial transactions can be multifaceted, and some areas of tax law are inherently complex and subject to interpretation; as such, there may be differences of opinion between the ATO and Glencore from time to time. Given the uncertainty around the application of tax law at times and the legitimate concern of tax administrations to collect the full amounts due to them, our arrangements are subject to ongoing and careful scrutiny, and even occasional dispute, where the tax authorities may take a differing view or disagree with our interpretation of tax law.

With respect to cross border related party transactions, the Australian Federal Court and Full Federal Court confirmed that the sale of copper concentrate from our Cobar operations to our primary trading entity, Glencore International AG for the 2007 to 2009 years, was in accordance with arm's length comparatives. In May 2021, the High Court of Australia declined the ATO's request for special leave to appeal and the matter was finalized in Glencore's favour.

We approach both scrutiny and dispute in a fair and transparent manner, but we resolutely defend the principle that profit must be taxed only once and that tax administrations are as bound in law by the Transfer Pricing Guidelines as we are.

TRANSFER PRICING

The Glencore group is comprised of a number of separate legal entities established across a large number of jurisdictions. Like many multinational enterprises, our business activities are co-ordinated (in terms of personnel, assets and capital) on a worldwide basis and these activities give rise to intra-group cross border transactions.

International tax law and, in particular, the OECD Transfer Pricing Guidelines and Article 9 of the OECD Model Tax Convention govern the allocation of overall group profitability between jurisdictions. They require that individual entities within the group transact with each other at the same price that they would if they were independent parties and in due recognition of the true value to be accorded to the transaction.

The purpose of this allocation and of the Guidelines is twofold: for the fair division of Group profit to enable the levying of tax according to where it is earned; and to ensure that the same profit is taxed once and only once. The Group tax policies commit us to not engineer structures or transactions that exploit transfer pricing rules by artificially 'transferring' profit into lower tax jurisdictions. We can and do trace all intragroup transactions to value adding commercial activities.

Action 13 of the BEPS project significantly increased transparency standards for multinational taxpayers by introducing new requirements for transfer pricing documentation and Country by Country Reporting (CbCR). In addition to complying with CbCR and the new transfer pricing documentation requirements, we are fully committed to maintaining enhanced tax disclosures as demonstrated by the voluntary disclosures within this report.

Given the complexity of the Group's operations, our transfer pricing can, and should be, subject to careful scrutiny.

OUR MARKETING BUSINESS

Glencore's marketing activities source a diversified range of physical commodities from third-party suppliers and from industrial assets in which Glencore has full or part ownership interests. These commodities are sold, often with value added services such as freight, insurance, financing and/or storage, to a broad range of consumers and industrial commodity end users, with many of whom Glencore enjoys long-term commercial relationships.

As a specialist marketer, Glencore is able to differentiate itself from other production entities as, in addition to focusing on minimising costs and maximising operational efficiencies, Glencore focuses on maximising returns from the entire supply chain, taking into account its extensive and global third party supply base, its logistics, risk management and working capital financing capabilities, extensive market insight, business optionality, extensive customer base, strong market position and penetration in most commodities, and economies of scale.

Our integrated marketing and industrial businesses work side-by-side to give us presence across the entire supply chain, delivering in-depth knowledge of physical market supply and demand dynamics and an ability to rapidly adjust to market conditions.

In contrast, this is not the business model of Glencore's mainly industrial competitors who are generally not set up to realise the full range of value added margin and arbitrage opportunities which exist throughout the commodity supply chain.

The marketing of metals and minerals commodities is co-ordinated primarily through Glencore's office in Baar, Switzerland where the marketing offices have historically been located as the centre of the business model. The main marketing office is strategically supported by several regional marketing offices, the largest of which are located in the United Kingdom, United States and Singapore in order to be close to our customers in the different regions and markets.

All marketing arrangements within the group are priced using the "arm's length" principle in line with guidelines issued by the OECD and in accordance with local jurisdiction transfer pricing legislation.

LOW TAX JURISDICTIONS

In recent years, governments, the media and the public at large have raised legitimate questions in connection with the alleged diversion of business profits by multinational enterprises into low tax jurisdictions mainly in order to avoid paying local taxes.

We do not undertake any such activity. Both the Group tax policies and our adherence to the OECD Transfer Pricing Guidelines forbid the allocation of profit to jurisdictions that do not provide

value-adding activities and do not have any real commercial substance.

Nevertheless, at certain times we have used companies incorporated in what would be termed tax neutral or low tax jurisdictions. Where this has occurred, it is always for a specific purpose and the companies used was referred to as special purpose vehicle (SPV).

In all cases, the use of the SPV is to serve a commercial or administrative purpose, has no tax motivation and is fiscally transparent i.e. it generates neither a tax saving nor expense. For this reason, when we need to establish an SPV, it is often in a tax-neutral jurisdiction, as tax in these cases is an irrelevance.

We are continuing the process of reviewing all entities established in low tax jurisdictions with the intention of consolidating and/or eliminating as many as possible.

APPROACH TO DEALINGS WITH TAX AUTHORITIES

Glencore recognises the important role of all tax authorities in the various jurisdictions in which the Glencore Group operates, confirming them as stakeholders in its business.

It is Glencore's policy to be transparent and proactive in all interactions with tax authorities.

In Australia, we have constructive relationships with the tax authorities and regularly engage with the ATO throughout the year to provide assurance over our tax governance practices and to ensure that tax calculations and payments accord with tax law. This helps provide certainty for both parties and enables discussion of business arrangements and activities in a current timeframe. Nevertheless, we recognise that on occasion there will be areas in which our legal interpretation may differ from that of the ATO and where the tax treatment of activities and transactions is uncertain. In such cases, Glencore will engage in proactive discussions with the ATO with a view to bringing matters to a reasonable conclusion as rapidly and equitably as possible.

Glencore is committed to being characterised as a 'good corporate fiscal citizen' aiming for sustainability in relation to tax.

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE

The General Purpose Financial Statements of GIPL comprise its controlled entities and its interest in associates and jointly controlled entities. They are prepared in accordance with both Australian Accounting Standards and International Financial Reporting Standards.

In line with these standards, the 2020 Financial Report included a reconciliation of accounting profit to income tax expense. An extract from the Notes to the Financial Statements, setting out this reconciliation, is copied below.

Income Taxes

2020 (USD MILLIONS)	GLENCORE PLC CONSOLIDATED	GIPL CONSOLIDATED
Profit/(loss) before income taxes and attribution	(5,116)	(899)
Less: Share of income from associates and joint ventures	(444)	(24)
Parent Company's and subsidiaries' income/(loss) before income tax and attribution	(5,560)	(923)
Income tax credit/(expense) calculated at Swiss/Australian tax rate of 12%/30%	667	277
Tax effects of:		
Different tax rates from the standard Swiss/Australian tax rate	1,572	-
Tax exempt income from recurring items	206	-
Tax exempt income from non-recurring items	4	25
Items not tax deductible from recurring items	(589)	-
Items not tax deductible from non-recurring items	(280)	(38)
Effects from translation adjustments	(76)	-
Changes in tax rates from non-recurring items	(9)	-
Utilisation and changes in recognition of deferred tax assets	-	34
Adjustment in respect of prior years	96	(21)
Utilisation and changes in recognition of tax losses and temporary differences	(249)	-
Other	(172)	16
Income tax benefit/(expense)	1,170	293
Effective tax rate	21.04%	31.74%

Temporary Differences

2020 (USD MILLIONS)	GLENCORE PLC CONSOLIDATED	GIPL CONSOLIDATED
Deferred tax losses	1,951	19
Depreciation and amortisation	(4,123)	(2,582)
Other	(297)	1,021
Total temporary differences	(2,469)	(1,542)

Tax payable is based on taxable income at the prevailing jurisdictional tax rate.

The accounting effective tax rate is calculated as the income tax expense divided by accounting profit (including adjustments for non-temporary differences) as per AASB 112. Non-temporary differences are amounts which are recognised differently for accounting and tax purposes, and do not reverse over time. GIPL's effective tax rate deviates from the statutory headline rate of 30% primarily due to prior year income tax expense (i.e. book to return true up adjustments) and non-temporary adjustments.

Material temporary differences relate to amounts which are assessable or deductible for tax purposes at a different time for accounting purposes. Consistent with the mining industry, GIPL's material temporary differences arise from differences in depreciation of fixed assets between tax and accounting purposes as well as mining provisions.

The Australian tax consolidated group generated tax losses during the year which will be carried forward and utilised in future income years. We note, whilst the Australian tax consolidated group still has historical carry-forward tax losses to utilise in the future, the rate of utilisation of these carry forward losses is low based on the application of tax laws.

RECONCILIATION OF INCOME TAX EXPENSE TO INCOME TAX PAYABLE

2020 (USD MILLIONS)	GIPL CONSOLIDATED
Income tax expense/(benefit)	(293)
Adjusted for:	
Deferred Taxes	255
Prior Year Income Taxes Payable	(184)
Non-deductible and non-creditable withholding tax	1
Taxes Paid	143
Other adjustments ²	34
Income tax payable/(refundable)	(44)

A complete breakdown of the Group's payments to government, by classification of taxes paid, can be found in Glencore's Payments to Governments Report 2020 at www.glencore.com/sustainability/reports-and-presentations.

INTRA-GROUP CROSS BORDER TRANSACTIONS

This section provides qualitative information about the Australian business' material dealings with related parties which are conducted on an arm's length principle in line with OECD guidelines and the Australian transfer pricing legislation. International related party commodity and service transactions occur primarily between Australia and our Switzerland marketing function, and to a lesser extent with other Glencore subsidiaries in other jurisdictions.

During 2020, international related party dealings comprised mainly of sale and purchase of commodities, marketing services, insurance and financing. We disclose all international related party dealings to the ATO through the lodgement of our tax returns, Country by Country Reporting and other co-operative compliance activities such as the Pre-lodgement Compliance Review (PCR) arrangement.

KEY INTERNATIONAL RELATED PARTY DEALINGS	DESCRIPTION	SIGNIFICANT JURISDICTIONS
Purchases and sales of commodities	The Australian entities sell various commodities to the Group's trading office and also purchase commodities for use in their operations and for sale in the Australian market from affiliated Glencore companies. These commodities are globally traded within an active global market which provides a deep and standard pricing methodology from the transparent market prices. The prices that the Australian entities pay or receive closely match what third party customers would pay for the same commodities. This is in line with the arm's length principle in accordance with the OECD Transfer Pricing guidelines and Australian domestic transfer pricing legislation.	Switzerland Singapore
Marketing services	As mentioned earlier in the report, our global marketing function supports the creation of incremental value from a pool of allocated capital through critical mass, blending, storage and arbitrage opportunities. In addition to third party producers, our trading offices also provide marketing services to our Australian operations. These arrangements typically involve fee type payments to the relevant marketing function for arranging the sale and marketing of certain commodities. The applicable fees are benchmarked on an arm's length basis and in accordance with the OECD Transfer Pricing guidelines.	Switzerland
Financing	As a large business, our Australian operations are financed by a mixture of shareholders equity, external debt, related party debt, and internal capital. The mix of debt and equity allows us to continue to make significant investments in Australia. Where interest is considered to be chargeable on related party debt, the pricing is on an arm's length basis and benchmarked according to the OECD Transfer Pricing Guidelines and transfer pricing rules for the relevant jurisdictions. The related party debt is predominantly denominated in USD as the reporting and tax functional currency for the business. The Australian entities withhold and remit applicable interest withholding tax.	United Kingdom

continued over ...

² Predominantly prior year adjustments that do not impact current year

KEY INTERNATIONAL RELATED PARTY DEALINGS	DESCRIPTION	SIGNIFICANT JURISDICTIONS
Insurance	<p>Glencore has a captive insurance company resident in Singapore, which provides insurance coverage to Australian Insured entities and other group entities for low frequency/high severity events, such as property damage and business interruption. Singapore offers appropriate expertise, strong regulatory rules and access to global insurance and reinsurance markets.</p> <p>Similar to other companies who self-insure, having a captive insurance company in the structure significantly affects the cost and availability of suitable insurance which provides economic benefits to the group.</p> <p>The premiums are priced in accordance with the arm's length principle as set out in the OECD Transfer Pricing Guidelines. Applicable withholding tax on premiums is also remitted to the ATO.</p> <p>The insurance arrangements between the Australian Insured entities and the captive insurer are managed by an independent third party insurance broker.</p>	Singapore

ATO TAX TRANSPARENCY DISCLOSURES IN DECEMBER 2021

In late 2021, the ATO will release the Corporate Tax Transparency Report for 2019–2020. This report contains the total income, taxable income and tax payable for the 2020 income year for all public Australian companies with total income in excess of AUD100m.

This information will be published on the Australian Government Data website. Glencore entities information that will be published will be in respect of the calendar year ended 31 December 2019. Glencore's material tax groups³ total income, taxable income and tax payable for 2020 will be published on this website as follows:

2019 (AUD MILLIONS)	GLENCORE INVESTMENT PTY LIMITED	OAKBRIDGE PTY LIMITED
Total income	22,341	1,453
Taxable income	2,524	452
Income tax payable	578	133

A summary reconciliation of these disclosures is provided below:

2019 (AUD MILLIONS)	GLENCORE INVESTMENT PTY LIMITED	OAKBRIDGE PTY LIMITED
Total income	22,341	1,453
Total expenses	(17,892)	(1,033)
Accounting profit before tax ⁴	4,449	420
Tax adjustments (net) ⁵	(1,614)	32
Tax losses utilised	(311)	(0)
Taxable Income	2,524	452
Tax @ 30%	757	136
Tax offsets ⁶	(179)	(2)
Income tax payable	578	133

BASIS OF REPORT PREPARATION

This Tax Transparency disclosure has been prepared to meet the requirements of the Code for all Australian entities controlled by Glencore that are immediately held by GIPL. The disclosure includes details of our tax policy, strategy and governance; and details of effective tax rate, taxes paid and international related party dealings as required under the code.

Amounts disclosed in this report are in US dollars (unless otherwise stated), which is the Group's functional currency. Amounts disclosed in the report have either been sourced from the financial statements in the Group's 2020 Annual Reports, financial records or submitted tax returns.

³ Glencore Investment Pty Limited and Oakbridge Pty Limited are the head entities of our two material tax groups constituting the GIPL accounting group which comprises GIPL and all its controlled subsidiaries

⁴ Represents accounting profit before tax for the year ended 31 December 2019 for the respective tax consolidated groups

⁵ Represents differences between income and expense recognition for accounting and tax purposes

⁶ Largely represents utilisation of prior and current year R&D tax offsets and franking tax offsets



DECEMBER 2021

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