



**Voluntary Tax
Transparency Report**
Australia 2019

About Glencore

We are one of the world's largest natural resources companies. We own and operate a diverse mix of assets all over the world, and we're engaged at every stage of the commodity supply chain.

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



Metals & Minerals



Energy



Marketing

160,000

Employees and contractors

60

Commodities across a range of metals, minerals and energy sectors

3,000

Employees in marketing

1,200

Vessels on the ocean at any one time

7,000+

Long-term relationships with suppliers and customers

Our values

Glencore is committed to running a profitable business in a safe, responsible and sustainable manner. Our values define what it means to work at Glencore, regardless of location or role.



Safety



Integrity



Responsibility



Openness



Simplicity



Entrepreneurialism

Diversified by commodity, geography and activity

- Fully integrated from mine to customer
- Presence in over 35 countries across 150 operating sites
- Producing and marketing about 60 commodities
- Diversified across multiple suppliers and customers

The right commodity mix for changing needs

- Future demand patterns for mature economies are likely to favour mid- and late-cycle commodities
- Major producer of later cycle commodities including the enabling materials (copper, cobalt, nickel) that underpin the battery chemistry and infrastructure likely to power electric vehicles and low emission storage systems

Well-capitalised, low-cost, high-return assets

- Since 2009, over US\$45 billion has been invested in our global industrial assets
- Low-cost, long-life assets in many of the world's premier mining districts support sustainable long-term cash flows
- Mine-life extension potential embedded in key commodities

Glencore in Australia

Australia has been an important part of our global business for more than 20 years. In 2019, Glencore contributed about \$14.8 billion to regional, state and national economies in Australia.*

18,720

Employees and contractors

\$1.9 b

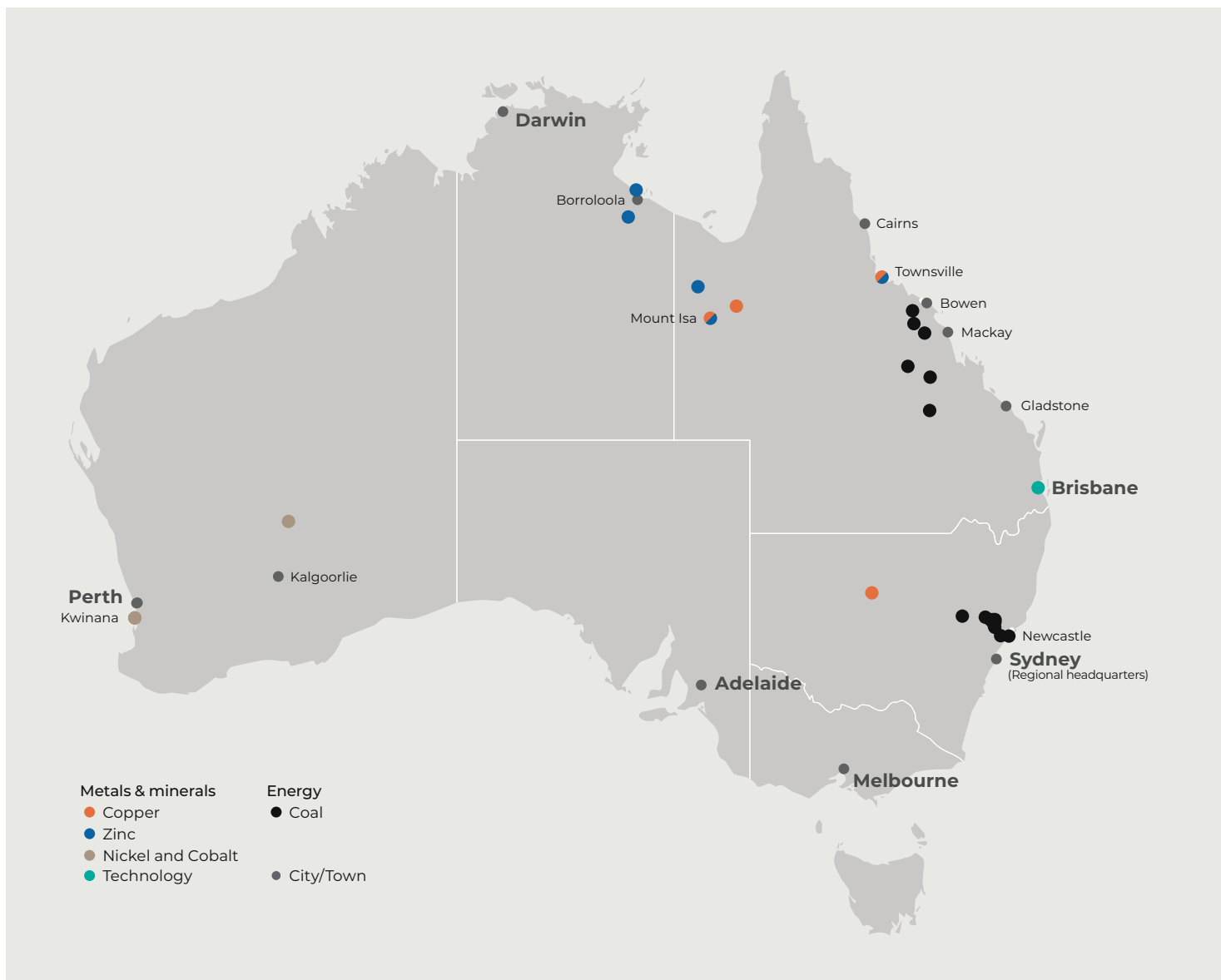
Wages and salaries

\$9.5 b

Spent on goods and services

\$3.4 b

Taxes and royalties paid to state and federal governments



* The taxes and royalties figure represents Glencore's share of every operation we operate and manage in Australia. All other figures represent 100% of the operations that Glencore manages in Australia and include our joint venture partners' interests in Ernest Henry Mining, our various coal joint ventures and our 49% share of Hunter Valley Operations.

** Glencore also has a 49.99% stake in Glencore Agriculture, which handles, stores and markets grain and oilseeds in Australia. The socio-economic contribution figures for Glencore Agriculture are not included here.

All dollar figures are AUD, and relate to the 2019 calendar year, unless otherwise stated.

Taxes and royalties

In 2019, Glencore paid almost \$3.4 billion in taxes and royalties to Federal and State Governments in Australia.

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

- Since 2008, Glencore's Australian operations have paid more than \$17 billion in taxes and royalties in Australia, of which \$3.7 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 2008

	COMPANY TAX	ROYALTIES	COMPANY PAYROLL AND OTHER TAXES	TOTAL
Federal Government	\$3,771 m	–	\$4,705 m	\$8,476 m
State Government	–	\$7,611 m	\$1,509 m	\$9,120 m
Total	\$3,771 m	\$7,611 m	\$6,214 m	\$17,596 m

TAXES AND ROYALTIES PAID FOR CALENDAR YEAR 2019

	COMPANY TAX	ROYALTIES	COMPANY PAYROLL AND OTHER TAXES	TOTAL
Federal Government	\$1,341 m	–	\$727 m	\$2,068 m
State Government	–	\$1,106 m	\$219 m	\$1,325 m
Total	\$1,341 m	\$1,106 m	\$946 m	\$3,393 m

* All dollar figures are AUD, and relate to the amounts paid in the 2019 calendar year (unless otherwise stated).

What could our taxes and royalties pay for?

In 2019, Glencore's total tax and royalty contribution of almost **\$3.4 billion** at a State and Federal level was the equivalent of:

Hiring over
48,500
new police officers¹ or



Building
136
new schools² or



Funding
1,848
intensive care
hospital beds
per year³

¹ Average salary of ~\$70,000 per annum for new police constables in Queensland (reference: www.policerecruit.qld.gov.au/whatWeOffer/Employment-Entitlements.htm)

² \$25m per school (Minerals Council of Australia, The Next Frontier (Feb 2019): minerals.org.au/sites/default/files/190208%20The%20Next%20Frontier%20MCA%20Policy%20Priorities.pdf)

³ Based on 2019 Independent Hospital Pricing Authority estimate, based on patient-level data, of \$5,040 per ICU bed-day (Independent Hospital Pricing Authority, National pricing model: technical specifications 2019-20: www.ihpa.gov.au/sites/default/files/publications/national_pricing_model_technical_specifications_2019-20.pdf)

* All dollar figures are AUD (unless otherwise stated).

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.

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 held through Glencore Investment Pty Limited (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 2019 Annual Reports, financial records or submitted tax returns.

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 risk management framework 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."

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.

TAX DISPUTES

Reflecting the complexity of our operations, uncertainty around application of tax law at times (as tax laws are inherently complex and subject to interpretation) and the legitimate concern of tax administrations to collect the full amounts due to them, our arrangements are subject to careful scrutiny and even occasional dispute.

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.

One such case is the transfer pricing dispute with the ATO in relation to whether the price of copper concentrate produced from one of our Australian mines and sold to our marketing operations in Switzerland was within an arm's length range for transfer pricing purposes. The ATO had issued amended income assessments for the calendar years 2007–2009, requiring us to pay additional tax.

We objected to the ATO assessments and the ATO disallowed our objections with the matter ultimately going before the Federal Court which overturned the amended tax assessments. The ATO filed an appeal against this decision in October 2019.

The Full Federal Court unanimously dismissed the Commissioner's appeal from the decision of the

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

Federal Court in November 2020, save for the pricing of the freight allowance in the 2009 income year.

INTRA-GROUP TRANSACTIONS

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.

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.

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

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 benefit from the full range of value added margin and arbitrage opportunities which exist throughout the commodity supply chain.

The marketing of 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.

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. 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.

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 2019 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 shown below.

2019 (USD MILLIONS)	GLENCORE PLC CONSOLIDATED	GIPL CONSOLIDATED
Profit before income taxes and attribution	(888)	1,015
Less: Share of (income)/loss from associates and joint ventures	(114)	383
Parent Company's and subsidiaries' (loss)/income before income tax and attribution	(1,002)	1,398
Income tax credit/(expense) calculated at Swiss/Australian tax rate of 15%/30%	150	(419)
Tax effects of:		
Different tax rates from the standard Swiss/Australian tax rate	450	26
Tax exempt income from recurring items	175	0
Tax exempt income from non-recurring items	37	14
Items not tax deductible from recurring items	(689)	0
Items not tax deductible from non-recurring items	(200)	(144)
Effects from translation adjustments	(12)	0
Tax effects of first time recognition/non-recognition of deferred tax assets	(543)	(1)
Recognition of temporary differences arising from retrospective changes in restructuring regulations	120	120
Adjustment in respect of prior years	94	130
Utilisation and changes in recognition of tax losses and temporary differences	(187)	0
Other	(13)	48
Income tax (expense)	(618)	(226)
Effective tax rate	61.68%	16.17%

Temporary Differences

2019 (USD MILLIONS)	GLENCORE PLC CONSOLIDATED	GIPL CONSOLIDATED
Deferred tax losses	1,212	0
Depreciation and amortisation	(5,680)	(2,744)
Other	(29)	939
Total temporary differences	(4,497)	(1,805)

The Group's 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 AASB112. 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 is lower than the statutory rate due to prior year adjustments to tax expense and the recognition of temporary differences arising from retrospective changes in tax restructuring regulations.

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 utilised carry-forward tax losses from prior periods during the income year. We note, whilst the Australian tax consolidated group still has 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

2019 (USD MILLIONS)	GIPL CONSOLIDATED
Income tax expense	226
Adjusted for:	
Non-deductible and non-creditable withholding tax	(1)
Adjustment in respect of prior year current income tax	68
Deferred income tax expense	294
Adjustment in respect of prior year deferred income tax	62
Australian group tax losses utilised	520
Other	1
Australian income tax instalments paid	(979)
Income tax payable/(refundable)	191

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 2019 at www.glencore.com/sustainability/reports-and-presentations.

INTERNATIONAL RELATED PARTY DEALINGS

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 Australian and our Switzerland marketing function, and to a lesser extent with other Glencore subsidiaries in other jurisdictions.

During 2019, 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 Australian Taxation Office 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 marketing operations 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 the USD as the reporting and tax functional currency for the business. The Australian entities withhold and remit applicable interest withholding tax.	United Kingdom

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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 2020

In late 2020, the ATO will release the Corporate Tax Transparency Report for 2018–19. This report contains the total income, taxable income and tax payable for the 2019 income year for all public Australian companies with total income in excess of AUD100 million.

This information will be published on the Australian Government Data website.

Glencore information that will be published will be in respect of the calendar year ended 31 December 2018. Glencore Australia entities paid more than AUD1.06 billion combined tax for the period in question. Glencore's material tax groups² total income, taxable income and tax payable for 2019 will be published on this website as follows:

2018 (AUD MILLIONS)	GLENCORE INVESTMENT PTY LIMITED	OAKBRIDGE PTY LIMITED
Total income	20,680	1,474
Taxable income	3,298	368
Income tax payable	814	108

A summary reconciliation of these disclosures is provided below:

2018 (AUD MILLIONS)	GLENCORE INVESTMENT PTY LIMITED	OAKBRIDGE PTY LIMITED
Total income	20,680	1,474
Total expenses	(16,742)	(1,095)
Accounting profit before tax ³	3,938	379
Tax adjustments (net) ⁴	(120)	(11)
Tax losses utilised	(520)	(0)
Taxable income	3,298	368
Tax @ 30%	989	110
Tax offsets ⁵	(175)	(2)
Income tax payable	814	108

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

3 Represents accounting profit before tax for the year ended 31 December 2018 for the respective tax consolidated groups

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

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

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Glencore Investment Pty Ltd
ABN 67 076 513 034

Level 44, Gateway
1 Macquarie Place
Sydney NSW 2000
Australia

T. +61 2 8247 6300
F. +61 2 9251 4740