



**Voluntary Tax
Transparency Report**
Australia 2018

Glencore in Australia

Australia has been an important part of our global business for more than 20 years. In 2018, Glencore contributed more than \$15.6 billion to regional, state and national economies in Australia.*

18,000

Employees and contractors

\$2.0 b

Wages and salaries

\$10.1 b

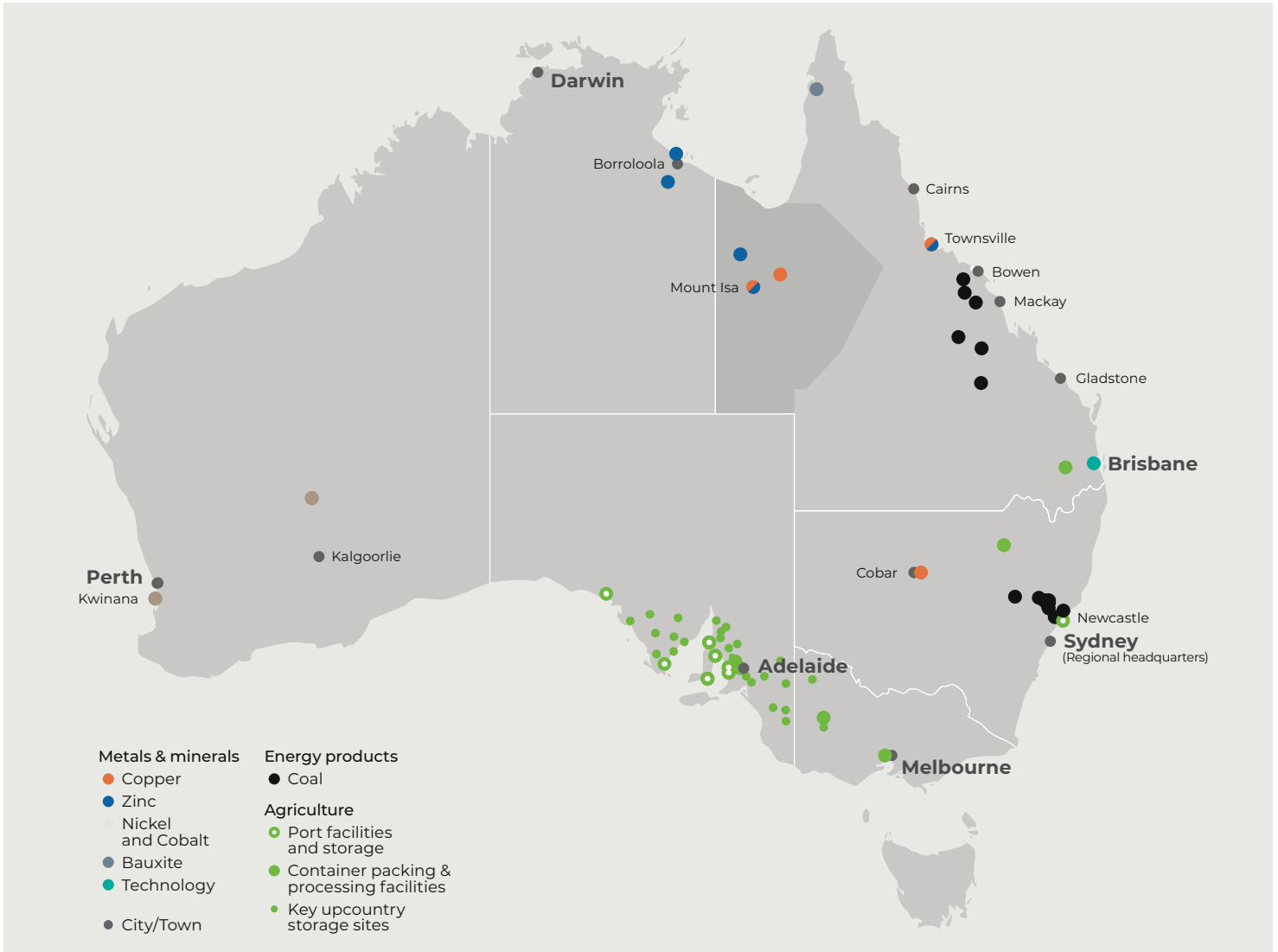
Spent on goods and services

\$2.2 b

Taxes and royalties paid to state and federal governments

\$1.3 b

Capital and sustaining investment in our operations



Our values

Glencore is committed to running a profitable business in a safe, efficient, responsible and sustainable manner. 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.



Safety



Entrepreneurialism



Simplicity



Responsibility



Openness

* All amounts quoted in the report are in AUD unless otherwise stated

*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 Glencore Agriculture, Ernest Henry Mining, our various coal joint ventures and our 49% share of Hunter Valley Operations

Our operations and their contributions in 2018

AGRICULTURE

1,200	Employees and contractors
\$87 m	Wages and salaries
\$2.34 b	Spent on goods and services



USES OF OUR PRODUCTS

- Vegetable oils, Beverages, Bread, Pasta, Cereals, Animal Feed, Beer, Clothing

OPERATIONS

- 10 million tonnes total storage across storage and handling sites in south-eastern Australia

OFFICES

- Adelaide, Melbourne

PORTS

- Thevenard
- Port Lincoln
- Wallaroo
- Ardrossan (non-grain)
- Port Giles
- Outer Harbor (Adelaide)
- Inner Harbour (Adelaide)

CONTAINER PACKING AND PACKAGING FACILITIES

- Port Adelaide, Two Wells, Dooen, Narrabri, Melbourne

GRAIN ACCUMULATION OFFICES

- Fremantle, Dooen, Wagga Wagga, Narrabri, Toowoomba

COAL

9,500	Employees and contractors
\$1.0 b	Wages and salaries
\$5.6 b	Spent on goods and services



USES OF OUR PRODUCTS:

- Electricity generation, Cement production, Steel production

MINING OPERATIONS

New South Wales:

- Bulga Open Cut
- Ravensworth Open Cut
- Mount Owen Open Cut
- Glendell Open Cut
- Liddell Open Cut
- Integra Underground
- Hunter Valley Operations Open Cut*

- Mangoola Open Cut

- Ulan West Underground

- Ulan Underground

Queensland:

- Rolleston Open Cut
- Clermont Open Cut
- Oaky North Underground
- Hail Creek Open Cut
- Newlands Open Cut
- Collinsville Open Cut

COPPER

3,700	Employees and contractors
\$456 m	Wages and salaries
\$670 m	Spent on goods and services



USES OF OUR PRODUCTS:

- Electrical wiring, Electricity production and transmission, Air conditioning units, Plumbing, Electronic medical devices like ultrasound machines, Smart phones, GPS trackers, Traffic lights, Electric shavers and toothbrushes, Electric car connectors, Stock feed nutrition, Circuit boards in iPads and Xboxes, Australia's coins

MINING OPERATIONS

New South Wales:

- CSA Underground Mine

Queensland:

- Enterprise Underground at Mount Isa Mines
- X41 Underground at Mount Isa Mines
- Ernest Henry Mining Underground

PROCESSING OPERATIONS

Queensland:

- Mount Isa Mines copper smelter and concentrator
- Ernest Henry Mining copper concentrator
- Copper Refineries Ltd copper refinery

NICKEL AND COBALT

1,000	Employees and contractors
\$110 m	Wages and salaries
\$597 m	Spent on goods and services



USES OF OUR PRODUCTS:

- Electric Vehicle batteries, Catalytic converters, Cutlery, 3D Printing, Smart phones, Dental drills and instruments, Sports trophies, Forceps, clamps and other surgical instruments, Digital battery storage, Australia's coins, Battery energy storage

MINING OPERATIONS

Western Australia:

- Murrin Murrin Open Cut Mine and Processing Operations

ZINC AND LEAD

2,400	Employees and contractors
\$279 m	Wages and salaries
\$696 m	Spent on goods and services



USES OF OUR PRODUCTS:

- **Zinc:** Galvanisation of steel, Household roofing, Brass fittings and valves, Aeroplanes, Solar panels, Paints, Sun creams, Road signs, Wind turbines, Batteries in watches, calculators, toys and electronics, Nutrients in animal feed
- **Lead:** Batteries in cars, trams, taxis and buses, Medical equipment such as ultrasound machines

MINING OPERATIONS

Queensland:

- George Fisher Underground Mine at Mount Isa Mines
- Lady Loretta Underground Mine

Northern Territory:

- McArthur River Open Cut Mine

PROCESSING OPERATIONS

Queensland:

- Lead smelter and zinc-lead concentrator at Mount Isa Mines

Northern Territory:

- Zinc-lead concentrator at McArthur River Mine

*Non-managed Joint Venture in which Glencore holds a 49% stake

Taxes and royalties

In 2018, Glencore paid more than \$2.2 billion in taxes and royalties to Federal and State Governments in Australia. Our total corporate income tax liability in Australia for the 2018 financial year was over \$1 billion*. Since 2008, Glencore operations have paid more than \$14 billion in taxes and royalties in Australia, of which \$2.5 billion was corporate income tax.

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

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	\$2,498m	–	\$4,002m	\$6,500 m
State Government	–	\$6,506m	\$1,323m	\$7,829 m
Total	\$2,498 m	\$6,506 m	\$5,325 m	\$14,329 m

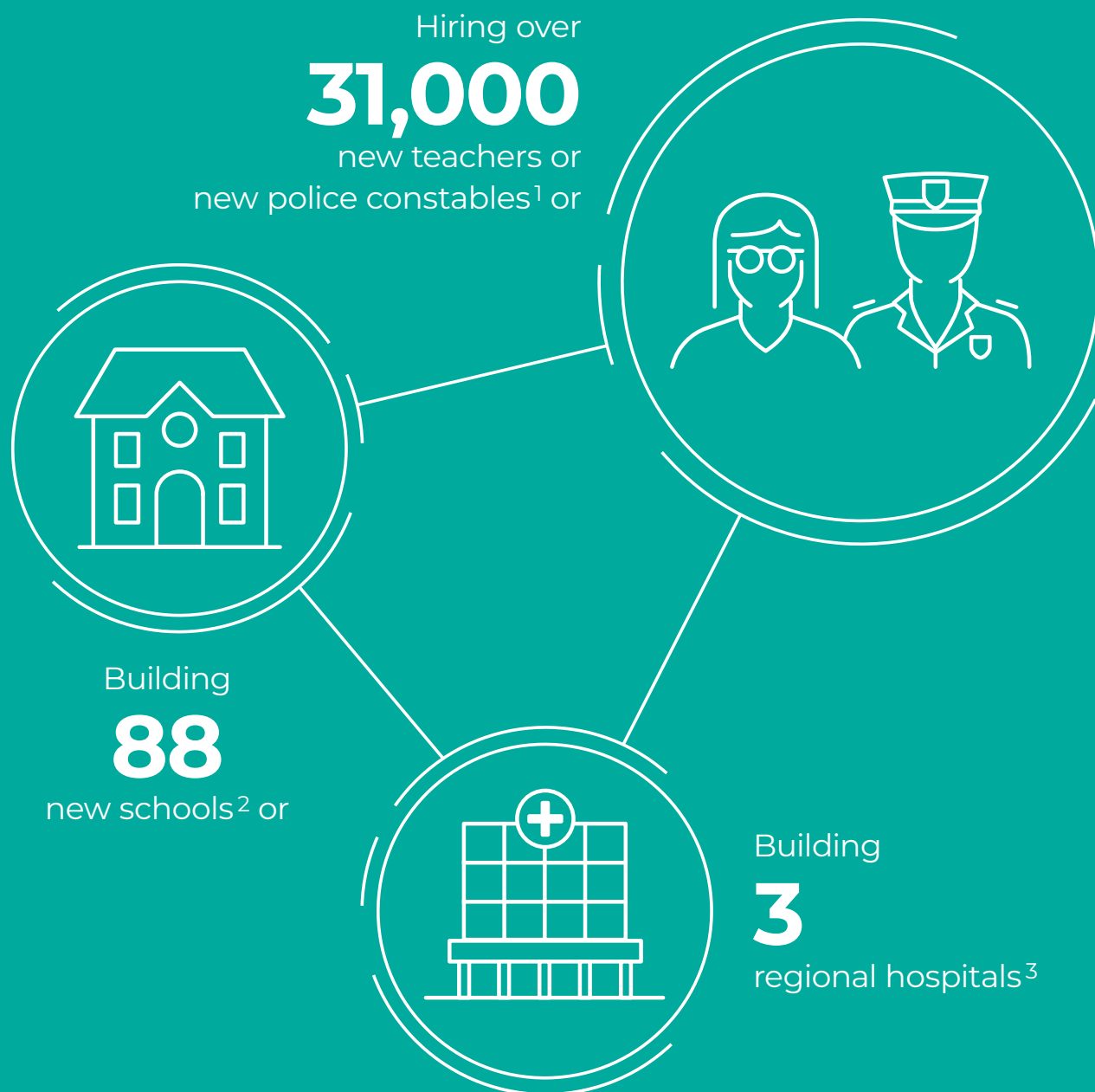
TAXES AND ROYALTIES PAID FOR CALENDAR YEAR 2018

	COMPANY TAX	ROYALTIES	COMPANY PAYROLL AND OTHER TAXES	TOTAL
Federal Government	\$588m	–	\$628m	\$1,216 m
State Government	–	\$941m	\$61m	\$1,002 m
Total	\$588 m	\$941 m	\$689 m	\$2,218 m

* Tax payable in relation to 2018 financial year was paid during the 2018 and 2019 years

What could our taxes and royalties pay for?

In the 2018 Financial Year, Glencore's \$2.2 billion total contribution to taxes and royalties at a State and Federal level was the equivalent of:



1 Average salary of ~\$70,000 per annum for new teachers and new police constables in Queensland (references: teach.qld.gov.au/teaching-with-us/pay-and-benefits and 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 \$700m per hospital (Minerals Council of Australia, The Next Frontier (Feb 2019): minerals.org.au/sites/default/files/190208%20The%20Next%20Frontier%20MCA%20Policy%20Priorities.pdf)

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.

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 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.

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 operations also have a robust Tax Governance Framework which espouses the principles of both the Global Code of Conduct and the Group Tax Policy. 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 globally 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.

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 governs 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

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

not engineer structures or transactions that exploit transfer pricing rules by artificially 'transferring' profit into lower tax jurisdictions. We can and do trace all intra-group 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 exploit 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 office has 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.

We do however from time to time make use of companies incorporated in what would be termed tax neutral or low tax jurisdictions. Where that occurs, it is always for a specific purpose and the companies used can be referred to as special purpose vehicles (SPVs). 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. For example:

- Our interest in the Colombian coal producer Cerrejón, a three-way joint venture between Glencore, BHP Ltd and Anglo American plc, is held through a Bermudian entity, while our co-shareholders hold through EU holding SPVs. All of them are exempt from dividend taxation, although the two EU-country jurisdictions are not typically considered to be tax haven jurisdictions.

We have initiated a process of reviewing all entities established in low tax jurisdictions with the intention of consolidating or eliminating as many as possible. Where it is not possible to do this, entities will adopt tax residence in a jurisdiction where the Group can establish enhanced local substance.

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 Australian Taxation Office (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.

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 2018 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.

2018 (USD MILLIONS)	GLENCORE PLC CONSOLIDATED	GIPL CONSOLIDATED
Profit before income taxes and attribution	4,679	2,999
Less: Share of income from associates and joint ventures	(1,043)	(172)
Parent Company's and subsidiaries' income before income tax and attribution	3,636	2,827
Income tax expense calculated at Swiss/Australian tax rate of 15%/30%	(545)	(848)
Tax effects of:		
Different tax rates from the standard Swiss/Australian tax rate	(227)	(7)
Tax exempt income from recurring items	275	18
Tax exempt income from non-recurring items	77	14
Items not tax deductible from recurring items	(585)	(62)
Items not tax deductible from non-recurring items	(187)	(8)
Effects from translation adjustments	(130)	(22)
Tax effects of first time recognition/non-recognition of deferred tax assets	(340)	(39)
Other	(401)	(71)
Income tax expense	(2,063)	(1,025)
Effective tax rate	56.73%	36.25%

Temporary Differences

2018 (USD MILLIONS)	GLENCORE PLC CONSOLIDATED	GIPL CONSOLIDATED
Deferred tax losses	1,514	52
Depreciation and Amortisation	(6,318)	(3,422)
Other	(307)	1,025
Total temporary differences	(5,111)	(2,345)

The Group 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 profit as per AASB112. GIPL's effective tax rate is higher than the statutory rate due to prior year adjustments to tax expense and impact of accounting expenses that are not deductible for tax purposes.

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

2018 (USD MILLIONS)	GIPL CONSOLIDATED
Income tax expense	1,025
Adjusted for:	
Non-deductible and non-creditable withholding tax	(26)
Adjustment in respect of prior year current income tax	(3)
Deferred income tax expense	(75)
Adjustment in respect of prior year deferred income tax	10
Australian group tax losses utilised	(115)
Other	(9)
Australian income tax instalments paid	(86)
Income tax Payable/(Refundable)	721

INTERNATIONAL RELATED PARTY DEALINGS

Our Australian business has 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 2018, 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.

The typical dealings of the GIPL group with its international related parties are described at a high level below:

KEY INTERNATIONAL RELATED PARTY DEALINGS	DESCRIPTION	SIGNIFICANT JURISDICTIONS
Purchases and sales of commodities	<p>The Australian entities sell various commodities to the Group's trading office and also purchase commodities from affiliated Glencore companies for use in their operations and for sale to the Australian market.</p> <p>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.</p>	Switzerland Singapore
Marketing services	<p>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.</p> <p>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.</p>	Switzerland
Financing	<p>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.</p> <p>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 for the relevant jurisdictions. The related party debt is predominantly denominated in the USD as the reporting and tax functional currency for the business.</p> <p>The Australian entities withhold and remit the applicable interest withholding tax to the ATO.</p>	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 our captive insurance entity are managed by an independent third party insurance broker.</p>	Singapore

ATO TAX TRANSPARENCY DISCLOSURES IN DECEMBER 2019

In late 2019, the ATO will release the Corporate Tax Transparency Report for 2017–18. This report contains the total income, taxable income and tax payable for the 2018 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 entities information that will be published will be in respect of the calendar year ended 31 December 2017. Glencore's material tax groups² total income, taxable income and tax payable for 2018 will be published on this website as follows:

2017 (AUD MILLIONS)	GLENCORE INVESTMENT PTY LIMITED	OAKBRIDGE PTY LIMITED
Total Income	15,694	1,386
Taxable Income	2,087	311
Income tax payable	240	91

A summary reconciliation of these disclosures is provided below:

2017 (AUD MILLIONS)	GLENCORE INVESTMENT PTY LIMITED	OAKBRIDGE PTY LIMITED
Total Income	15,694	1,386
Total expenses	(13,981)	(1,187)
Accounting profit before tax ³	1,713	199
Tax adjustments (net) ⁴	757	175
Tax losses utilised	(383)	(63)
Taxable Income	2,087	311
Tax @ 30%	626	93
Tax Offsets ⁵	(386)	(2)
Income Tax Payable	240	91

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 2017 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

DECEMBER 2019

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