

OUR COMMUNITY AND TAX CONTRIBUTION

As a major investor, taxpayer, employer and purchaser of local goods and services, MMG makes significant contributions to the economies of countries where we operate. For the financial year ended 31 December 2018, MMG's turnover was US\$3,670 million and it made a profit before tax of US\$306 million.

Corporate income tax is one of many types of taxation revenue collected by governments and is a direct tax levied on company profits. Other forms of indirect taxes such as value added tax, royalties paid on the extraction of minerals and taxes paid in relation to employee remuneration and benefits form part of MMG's overall fiscal contribution.

Governments also use other mechanisms to derive income from a company's activities, including a wide range of mineral royalties, taxes on employee remuneration and benefits provided and withholding taxes on the payment of interest and dividends. These additional sources of government revenue are often substantial and represent an important contribution to public finances. It is therefore essential to take these government revenue-raising mechanisms into account when assessing the extent to which a company is contributing to public revenue.

Corporate income taxes are paid on profits, not on revenues. Where a company makes little or no profit, it will generally pay less corporate income tax. Without such an approach, companies experiencing periods of low profitability would be faced with disproportionate tax demands and significant disincentives for investment. The payment of other taxes that are levied on revenue such

as mineral royalties can decrease the amount of profit a company makes and will, in turn, reduce its corporate income tax liability.

The resources sector is capital intensive and as a result has high operating costs. Governments seeking to encourage job creation and attract capital investment, such as the development and construction of mining operations, allow companies to claim tax allowances for capital expenditure and on the interest on debt raised to fund investment. The claims for capital allowances and other operating costs will initially be higher than the revenues generated by these operations as the operations ramp up to full production, resulting in low profits in the early years of operation and lower corporate income taxes paid.

Our approach to revenue transparency

MMG pays taxes, royalties and other payments in accordance with the tax regulations and laws applying in the jurisdictions in which we operate.

As a multinational company, with operations in Peru, DRC and Australia, MMG adheres to the highest standards of corporate governance in all matters related to tax. This includes operating under a policy of full transparency and cooperation with all tax authorities and the payment of all taxes properly due under the law wherever we operate.

Transparency on mineral revenues paid to governments is important to regulatory stability and stakeholder understanding of the responsible use of taxes and the role they play in supporting the provision of citizenship entitlements.

MMG's approach to transparency includes the disclosure of tax and royalty payments, as well as broader social contribution detailed in annual and sustainability reports.

The following initiatives further support MMG's commitment to transparency:

- › An anti-bribery and anti-facilitation payments policy through the company's Code of Conduct.
- › Public disclosures in line with the Foreign Investment Review Board, Australian Taxation Office and Hong Kong Stock Exchange disclosure requirements, complemented by voluntary disclosure of key payments in annual sustainable development reports for MMG and Las Bambas.
- › Engagement with the EITI requirements as a reporting entity in Peru and DRC.
- › Membership of Transparency International Australia.

2018 TAX CONTRIBUTION

IN USD'000	2018	2017
Taxes and royalties	338,886	339,797
Local supply procurement	1,744,400	1,910,000
Goods & services (excluding taxes and royalties)	2,034,500	2,163,000
New property, plant and equipment	337,500	666,900
Employee benefits	320,400	388,100
Social development programs	17,935	18,323



Peru USD'000	2018	2017
Total tax contribution	207,302	193,386
Royalties	75,794	93,601
Income tax	38,058	7,545
Employment related taxes*	42,417	38,022
Withholding tax	51,033	54,218

DRC USD'000	2018	2017
Total tax contribution	56,202	44,094
Royalties	25,548	19,672
Income tax	9,775	4,627
Employment related taxes*	16,615	15,582
Withholding tax	4,264	4,213

Australia USD'000	2018	2017
Total tax contribution	75,382	87,497
Royalties	24,790	22,011
Income tax	-	-
Employment related taxes*	50,592	65,486
Withholding tax	-	-

Note: Royalties, income tax, withholding tax and employment related taxes are based on amounts reported in the 2018 Annual Report (which is audited by Deloitte). For more information see the 2018 Annual Report available at mmg.com.