

OUR COMMUNITY 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 2017, MMG's turnover was US\$4,143 million and it made a profit before tax of US\$744 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 playing its part in funding wider civil society.

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

As a multinational company, with operations in Peru, DRC, Laos 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 Extractive Industry Transparency Initiative (EITI) requirements as a reporting entity in Peru and DRC and a participant in advocacy and pilot programs to encourage governments to support and adopt the EITI, including as an inaugural participant in the Australian EITI pilot project.
- › Membership of Transparency International Australia.
- › MMG pays taxes, royalties and other payments in accordance with the tax regulations and laws applying in the jurisdictions in which we operate.

IN US\$'000	2017	2016
Taxes and royalties	345,907	289,000
Local supply procurement*	1,910,126	1,906,500
Goods & services (excluding taxes and royalties)*	2,163,239	2,228,300
Purchase of property, plant and equipment*	666,942	771,133
Purchase of intangible assets*	38,347	17,027
Employee benefits*	388,107	326,042
Social development programs*	18,323	32,200

PERU US\$'000	2017	2016
Total tax contribution	193,386	128,016
Royalties	93,601	35,187
Income tax	7,545	4,245
Employment related taxes**	38,022	29,223
Withholding tax	54,218	59,361

LAO DPR US\$'000	2017	2016
Total tax contribution	20,106	42,443
Royalties	17,347	17,226
Income tax	-	22,136
Employment related taxes**	2,759	3,081
Withholding tax	-	-



DRC US\$'000	2017	2016
Total tax contribution	44,094	38,806
Royalties	19,672	14,123
Income tax	4,627	3,628
Employment related taxes**	15,582	15,780
Withholding tax	4,213	5,275

AUSTRALIA US\$'000	2017	2016
Total tax contribution	88,321	79,742
Royalties	22,011	20,212
Income tax	-	-
Employment related taxes**	66,310	59,529
Withholding tax	-	1

* Items have not been subject to assurance for the 2017 reporting period

** Taxes paid on behalf of or in relation to employee remuneration and benefits. Unaudited for the purpose of this report.

Note: Figures have either been drawn from the 2017 MMG Annual Report or from other sections of this Sustainability Report.