

# WE CONTRIBUTE TO DEVELOPMENT

At MMG we mine for progress. For us, that means delivering progress for our people, host communities and countries; progress for economic wellbeing via the products and technologies we support and, most importantly for MMG, progress for broader human development.

The social and economic benefits we provide through our operations and their supply chains support our employees, shareholders, communities, regions and host countries to develop and prosper.

This contribution comes through our payment of taxes, royalties, wages and employee entitlements; our purchase of goods and services; and through community compensation, benefit sharing and our direct investment in addressing the UN SDGs 1–6, as listed below:

	<b>GOAL 1</b>	NO POVERTY
	<b>GOAL 2</b>	ZERO HUNGER
	<b>GOAL 3</b>	GOOD HEALTH AND WELLBEING
	<b>GOAL 4</b>	QUALITY EDUCATION
	<b>GOAL 5</b>	GENDER EQUALITY
	<b>GOAL 6</b>	CLEAN WATER AND SANITATION

In addition to improving access and achievement across health, education and livelihood indicators, human development recognises the importance of managing vulnerability and building community resilience.

Communities and countries must be able to withstand ongoing pressures around social and economic security, as well as the impacts of development and political instability. For example, in reducing and eradicating poverty structural factors, such as the lack of housing and health care, and persistent vulnerabilities, such as food and economic insecurity, communities are able to prevent impacts that have the potential to hinder development progress. For this reason, MMG is also committed to supporting initiatives such as the EITI, which aligns with UN SDG 16: Peace, Justice and Strong Institutions.

In 2020, we invested over US\$23.6 million in social investment programs across the business, up from US\$18.5 million in 2019.

Our Las Bambas operation saw an increase in spend to over US\$20 million in 2020. A significant percentage of this was related to SDG1: No Poverty, and included programs such as infrastructure projects and road maintenance, using local labour, and local business development. We continued to support numerous agricultural programs, including guinea pig raising, livestock vaccination, our Andean Crops program and greenhouse installation and production. Much of the effort regarding education in 2020, was focused around ensuring all children had access to the virtual classroom support from the government through improving access to internet, technology, school book and supply distribution and additional training for teachers (see case study page 47). Investment in health care almost doubled when compared to 2019, as the operation supported local communities through the COVID-19 pandemic as well as ongoing commitments to support community health drives and local health clinics.









# WE CONTRIBUTE TO DEVELOPMENT CONTINUED

At Kinsevere, our social investment spend was impacted by COVID-19, limiting our access to communities due to physical distancing requirements. The operation invested a total of US\$2.93 million during the year. Kinsevere continued to focus on projects designed to support livelihood generation and food security, including the sewing workshop, the Ubuntu farm and the Farmer's Assistance Program (see case study page 47). Educational support is an ongoing focus for the operation, as well as the ongoing success of the scholarship program for students to continue their secondary school education in Lubumbashi. There was also considerable focus on health care, with support for the Kilongo health centre and numerous COVID-19 related healthcare initiatives (see case study page 14).

Our Rosebery operation is an active member of community life in North West Tasmania and the site continues to invest in the region, with US\$420,223 spent on community initiatives during 2020. The decrease in spend is directly related to the COVID-19 restrictions implemented across the state of Tasmania throughout most of 2020. The initiatives during the year included traineeship and apprenticeship programs for local community

members, support for the local hospital and a number of local sporting initiatives.

Dugald River continues to be an active participant in the life of its local communities. Despite significant impacts from COVID-19, we continued to provide support for the Kalkadoon Development Fund, which includes educational and training initiatives, as well as support for community events and programs in Cloncurry. The operation continues to support initiatives to increase local supply opportunities for businesses in Cloncurry and Mount Isa, resulting in near-mine spend totalling US\$20.49 million for the year.

SOCIAL INVESTMENT IN 2020					
INVESTMENT BY SDG	DUGALD RIVER	KINSEVERE	LAS BAMBAS	ROSEBERY	TOTAL
 <b>No poverty</b>	–	6,400	7,178,743	–	7,185,143
 <b>Zero hunger</b>	–	2,747,508	2,722,216	–	5,469,724
 <b>Good health and wellbeing</b>	17,195	29,009	2,793,808	252,235	3,092,247
 <b>Quality education</b>	45,311	150,385	3,396,770	168,188	3,760,654
 <b>Gender equality</b>	–	–	820,687	–	820,687
 <b>Clean water and sanitation</b>	–	1,540	3,226,215	–	3,227,755
<b>Consolidated Corporate spend</b>	–	–	–	–	57,775
<b>Total</b>	<b>62,506</b>	<b>2,934,842</b>	<b>20,138,439</b>	<b>420,423</b>	<b>23,613,985</b>

## CASE STUDY TOWARDS SUSTAINABILITY FOR THE FARMER'S ASSISTANCE PROGRAM

The farmers assistance program (FAP), established in 2007, involves all 26 villages within Kinsevere's area of influence, with more than 400 participating farmers. Each farming season, participants are assisted with inputs to grow their crops, technical support and in-field training. At harvest, farmers pay in grain the agreed quantity to sustain the program. However, for the program to become sustainable in the long term, the farmers had to learn how to grow maize seed for the FAP themselves. Over a number of years, Kinsevere employed an agricultural consultant to prepare the FAP maize seeds, and at the end of 2019, five local farmers were coached to grow eight hectares of maize seed. This was harvested in June 2020, and was accredited and labelled by the SENAEM, the government body in charge of controlling the seed quality under the DRC Ministry of Agriculture.

For more information visit



IMAGE: Participants in FAP seed program, DRC.

IMAGE: Student participating in digital education campaign, Peru.



## CASE STUDY ACHIEVING OUTCOMES THROUGH DIGITAL EDUCATION AT LAS BAMBAS

Due to the COVID-19 pandemic and related social distancing restrictions in Peru, children were unable to physically attend school in 2020. To ensure educational stability and prevent children from falling behind in their development, the Peruvian government implemented a series of initiatives to keep students engaged, using mediums including television, radio and the internet. Not all Peruvian families have access to these means of communication, and in response Las Bambas developed the Digital Education campaign to support five elements key to the success of the initiative: teachers, school leadership, students, digital education instruments and connectivity, following the MINEDU regulations and the Learning at Home (Aprendo en Casa) campaign.

The emphasis was on strengthening digital skills developed by a team of specialists through a digital platform with permanent support, which allowed educational interaction and institutional management and learning of Primary and Secondary students.

For more information on this campaign visit



## WE CONTRIBUTE TO DEVELOPMENT CONTINUED

### COMMITMENT TO LOCAL EMPLOYMENT

We are committed to the regions where we operate. We aim to share our success with our communities by providing local employment opportunities and investing in training and education to help local residents gain valuable and transferrable skills. In 2020, over 93% of our workforce at all of our operations were nationals.

We recognise that local employee development programs are a life-of-asset commitment, particularly in host communities where education and training opportunities are limited.

Local employment is a major contributor to socio-economic improvements and is the foundation of positive engagement with local communities. Over time, these programs will establish and develop capability within the local workforce, reduce dependency on non-local employees and build broader community socio-economic resilience.

We are committed to working with Indigenous groups in all regions and our agreement with the Kalkadoon people near our Dugald River operation is focused on increasing participation.

At Kinsevere, all casual workers were recruited from the local communities in consultation with the chiefs of the individual villages. This is an important component of the operation's community initiative, providing an uplift to the economy of the host communities as well as imparting essential skills to the local villagers.

In 2020, Rosebery focused its recruitment strategy on engaging candidates from the local and regional Tasmanian communities, and converted 20 employees on fixed-term contracts to permanent roles in line with site requirements and site planning forecasting.

### PERCENTAGE NATIONAL EMPLOYMENT IN 2019 AND 2020

SITE	2020	2019
Dugald River	93.0%	88.0%
Kinsevere	97.0%	96.5%
Las Bambas	99.0%	98.8%
Rosebery	95.0%	93.9%

### LOCAL SUPPLY

At MMG we are committed to supporting local suppliers in developing sustainable businesses that supply our operations, as well as other customers locally and globally.

Where possible, we aim to source products and services from local suppliers who are able to meet our key selection criteria in safety, environment, quality, technical, social responsibility and commercial viability. Where gaps are identified, we assist local suppliers to meet our standards and support them in building their capability. This process enables them to take up future opportunities to grow their businesses and expand their offering to customers beyond MMG.

In 2020, we spent US\$1.85 billion on goods and services excluding taxes and royalties. Our sites spent US\$1.70 billion with suppliers in-country. Of this, US\$352 million was spent with suppliers in the same province or state of our operations and US\$247 million with suppliers in the immediate near-mine area.

IMAGE: Participants in Las Bambas local business development program, Peru.



### CASE STUDY LAS BAMBAS LOCAL BUSINESS DEVELOPMENT PROGRAM

Las Bambas invests in the development of local businesses and seeks opportunities for them to join its supply chain or enter other markets both regionally and nationally.

In 2020, the team worked hard to further embed a competitiveness model for local businesses to ensure compliance with safety and quality standards, which became especially important with the emergence of COVID-19 and the additional health and hygiene requirements of the Peruvian

Government and contractors.

This included:

- › Training in biosafety protocols
- › Technical assistance and support in human resources cost management in order to face potential financial impacts
- › Shifting business, where possible, to use online and remote technologies.

More information about the local business development program can be found at

### PROCUREMENT SPEND IN 2020

SITE	NEAR-MINE / DISTRICT LEVEL		PROVINCIAL / STATE LEVEL		NATIONAL LEVEL		TOTAL
	(ZONE 1)		(ZONE 2)		(ZONE 3)		
Dugald River	20.49	10%	79.72	39%	203.89	98%	207.05
Kinsevere	145.59	68%	147.49	69%	155.26	73%	213.86
Las Bambas	36.05	3%	64.12	5%	1185.03	94%	1262.85
Rosebery	32.94	31%	43.29	40%	107.40	100%	107.89
Corporate	12.27	22%	17.41	32%	45.92	84%	54.62
<b>MMG</b>	<b>247.33</b>	<b>13%</b>	<b>352.04</b>	<b>19%</b>	<b>1697.50</b>	<b>92%</b>	<b>1846.26</b>

Note: Local procurement spend is based on the location of the vendor we purchased product from. This does not indicate origin of manufacturer or supplier.



# OUR TAX AND COMMUNITY CONTRIBUTION

As a major investor, taxpayer, employer and purchaser of local goods and services, MMG makes significant contributions to the economies of countries within which we operate. For the financial year ended 31 December 2020, MMG's revenue was US\$3,033.7 million.

Corporate income tax is one of many types of taxation revenue collected by governments and it 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 use other mechanisms to derive income from a company's activities as well. These include 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. Therefore, it is 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 they

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 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:

- ▶ A zero tolerance anti-bribery and corruption policy through the Company's Code of Conduct
- ▶ Public disclosures in line with the Australian 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, and a participant in the Australian EITI pilot project
- ▶ Membership of Transparency International Australia
- ▶ Disclosure of key licences and contracts where not restricted by confidentiality or commercial in confidence agreements between parties

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

## TAX AND COMMUNITY CONTRIBUTION

IN USD'000	2020	2019
Total taxes paid	308,388	418,305
Total royalties paid	120,539	100,154
National supply procurement	1,697,500	1,745,600
Goods and services (excluding taxes and royalties)	1,846,260	1,915,300
New property, plant and equipment	575,500	563,000
Employee benefits	247,353	302,901
Social development programs	23,614	18,547



PERU USD'000			DRC USD'000			AUSTRALIA USD'000		
	2020	2019		2020	2019		2020	2019
Total tax contribution	193,334	282,733	Total tax contribution	49,515	65,577	Total tax contribution	65,539	69,995
Royalties	72,281	53,973	Royalties	24,892	22,512	Royalties	23,366	23,669
Income tax	63,015	50,122	Income tax	6,046	21,327	Income tax	—	—
Employment related taxes*	37,980	48,108	Employment related taxes*	14,785	16,619	Employment related taxes*	39,950	45,339
Withholding tax	20,058	130,530	Withholding tax	3,792	5,119	Withholding tax	2,223	987

Note: Royalties, income tax, withholding tax and employment-related taxes are all assured on an aggregate level during the 2020 Annual Reporting audit (assured by Deloitte Touche Tohmatsu).