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# OUR COMMUNITY TAX CONTRIBUTION 2021

A member of:

**ICMM**  
International Council  
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**MINING WITH  
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# 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 2021, MMG's revenue was \$4,255 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 include value added tax, royalties paid on the extraction of minerals, withholding taxes on the payment of interest and dividends, and taxes paid in relation to employee remuneration and benefits. 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

Corporate revenues and associated tax contributions have had increasing focus from governments and the international public in recent years. In particular, the recent agreement of the international community on a global minimum corporate tax rate of 15 per cent as part of the work by the OECD on Pillar Two is expected to dominate discussion in the public arena as the global economy seeks to recover from the economic impact of the COVID-19 pandemic.

Various frameworks for tax transparency – both legislative and voluntary, are in existence and continue to evolve. Despite varying disclosure requirements across the different frameworks, MMG remains committed to providing the right information in support of the call for global tax 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. There are broadly two approaches to tax disclosures. The first discloses taxes effectively paid, that is a company's economic contributions to governments for public expenditure. The second discloses a company's assistance in collecting taxes from third parties in addition to its own contributions. MMG's current approach reflects the former. The following initiatives further support MMG's commitment to transparency:

- Disclosures in line with OECD's BEPS (Base Erosion and Profit Shifting) Action Plan regarding Country-by-Country reporting and transfer pricing documentation
- An anti-bribery and anti-corruption 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, and a participant in the Australian EITI pilot project
- Membership of Transparency International Australia
- Membership of ICMM and participation in the annual Tax Contribution survey, providing information on MMG's corporate income tax and royalty payments (aggregated in the ICMM members' tax contribution publication)
- Annual voluntary disclosure of tax information under the Australian Tax Transparency Code.

In accordance with the 2015 OECD Report on Transfer Pricing Documentation and Country-by-Country Reporting, China Minmetals Corporation meets the requirements for filing the Country-by-Country Report to the tax authority in Beijing, China by May each year. This report contains information regarding Multinational Enterprises (MNE) on a tax jurisdiction-by-tax jurisdiction basis, which includes - tax jurisdiction per entity, revenues from related and unrelated parties, number of employees and main business activities, amongst others.

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

MMG (USD'000)	2021	2020
Total taxes paid (excluding royalties)	259,703	187,849
Total royalties paid	167,829	120,539
National supply procurement	1,718,861	1,697,500
Goods and services (excluding taxes and royalties)	2,190,309	1,846,260
New property, plant and equipment	553,000	575,500
Employee benefits	306,333	247,353
Social development programs	32,911,608	23,614

DEMOCRATIC REPUBLIC OF THE CONGO USD'000	2021	2020
Royalties	26,367	24,892
Income tax	32,626	6,046
Employment related taxes*	16,446	14,785
Withholding tax	3,740	3,792
Other Taxes (Disputes, VAT)	10,231	
Total	89,409	49,515

PERU USD'000	2021	2020
Royalties	105,394	72,281
Income tax	50,510	63,015
Employment related taxes*	42,918	37,980
Withholding tax	13,916	20,058
Other Taxes (Disputes, VAT)	35,017	
Total	247,755	193,334

AUSTRALIA USD'000	2021	2020
Royalties	36,068	23,366
Income tax	-	-
Employment related taxes*	42,328	39,950
Withholding tax	820	2,223
Other Taxes (Disputes, VAT)	11,150	-
Total	90,367	65,539

## Notes:

1. Paid/accrued in respect of FY2021
2. Disclosure has been made on a cash paid basis.
3. This category includes amounts such as taxes paid in dispute, unrecovered VAT and net GST paid.
4. Components of total tax contribution are all assured on an aggregate level during the 2021 Annual Reporting audit (assured by Deloitte Touche Tohmatsu).