



OUR COMMUNITY TAX CONTRIBUTION



WE MINE FOR
PROGRESS

A member of:

ICMM
International Council
on Mining & Metals

MINING WITH
PRINCIPLES

HKEX:1208

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).