



**Voluntary Tax
Transparency Report**
Australia 2018

Glencore Agriculture

We are Glencore Agriculture, a global leader in the sourcing, handling, processing and marketing of agricultural commodities and products. Glencore Agriculture has been a stand-alone business since Glencore plc¹ divested in 2016.

With operations in more than 35 countries and over 13,000 employees, we create value for producers at origin and customers at destination. Our business covers the whole supply chain from the farm gate to the customer.

We source commodities such as grains, oilseeds, pulses, rice, sugar and cotton from producers.

Using our network of storage facilities, processing plants and transport assets we process, manage and supply these commodities and products to our customers around the world. Our customers include the processing industry (food, animal feed and consumer products), local importers and distributors and governments.

Through our industry insight, strong relationships and network of assets, we focus on the sustainability, safety, quality and reliability in everything we do.

GLENCORE AGRICULTURE SHAREHOLDERS

On 1 December 2016, 49.98% of Glencore Agriculture shares were acquired by two Canadian investors:

- **Canada Pension Plan Investment Board (CPPIB):** CPPIB is a professional investment management organisation that invests the funds not needed by Canada Pension Plan to pay current benefits in the best interests of 20 million contributors and beneficiaries. In order to build a diversified portfolio of CPP assets, CPPIB invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg,

Mumbai, New York City and São Paulo, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At 31 March 2018, the CPP Fund totalled CAD356 billion.

- **British Columbia Investment Management Corporation (BCI):** With more than CAD146.5 billion of assets, BCI is one of Canada's largest institutional investors within the global capital markets. Based in Victoria, British Columbia, BCI is a long-term institutional investor that invests in all major asset classes. Their clients include public sector pension plans, public trusts and insurance funds.

Furthermore, an Employee Trust has a 0.03% equity interest in Glencore Agriculture with Glencore Plc owning the remaining 49.99% equity interest in Glencore Agriculture.

GOVERNANCE TRANSITION

During 2018, Glencore Agriculture continued its transition to a fully independent stand-alone group through bedding down of its independent governance structure and the firm establishment of its own stand-alone capital structure and credit profile.

As part of this process the Glencore Agriculture Board approved a Group Tax Policy in April 2019 which was effective from 1 January 2019. Accordingly, Glencore Agriculture continued to adopt the Glencore Group Tax Policy and the Glencore Australian Operations Tax Governance Framework for the year ended 31 December 2018 – the year in focus for this report.

* All amounts quoted in the report are in AUD unless otherwise stated

¹ Glencore plc and its related affiliates are collectively referred to as 'Glencore' or 'the Group' or 'the Company'

Glencore Agriculture Australia

OUR 2018 CONTRIBUTION

1,200

EMPLOYEES
AND CONTRACTORS

\$87 m

WAGES AND
SALARIES

\$2.34 b

SPENT ON GOODS
AND SERVICES

\$32 m

CAPITAL
INVESTMENT

We are a significant contributor to the agricultural industry in Australia, connecting agricultural commodities safely and efficiently between growers and customers at home and overseas.

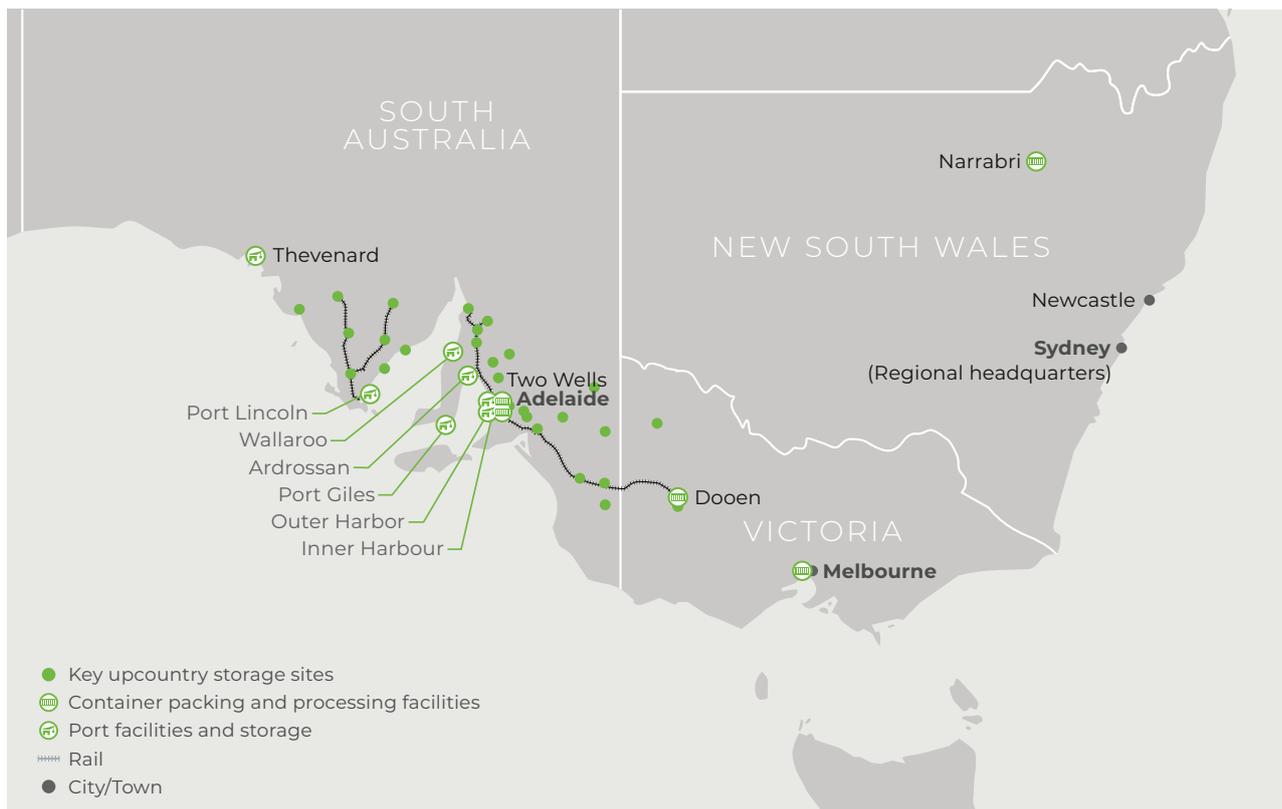
We originate, handle, store, transport and market a range of agricultural commodities, including wheat, barley, oilseeds, pulses, sorghum, meals and cotton.

In 2018, our origination and marketing/distribution business bought more than 4.6 million tonnes of agricultural commodities directly from growers

across Australia to connect with domestic and overseas customers.

Viterra's storage and handling business received 4.1 million tonnes of grain in 2018, with 4.8 million tonnes shipped through its South Australian ports on behalf of 13 exporters.

| | | | |
|-----------------------------------|--|---|--|
| STORAGE AND HANDLING SITES | About 10 million tonnes total storage, with sites ranging in capacity from 6,000 tonnes to over 600,000 tonnes | | |
| COMMODITIES | <ul style="list-style-type: none"> • Wheat • Barley • Canola • Lentils | <ul style="list-style-type: none"> • Peas • Chickpeas • Faba beans • Lupins | <ul style="list-style-type: none"> • Sorghum • Protein meals • Cotton |
| CORPORATE OFFICES | <ul style="list-style-type: none"> • Adelaide | <ul style="list-style-type: none"> • Melbourne | |
| GRAIN ACCUMULATION OFFICES | <ul style="list-style-type: none"> • Fremantle • Dooen | <ul style="list-style-type: none"> • Wagga Wagga • Narrabri | <ul style="list-style-type: none"> • Toowoomba |



Our approach to tax and transparency

We are committed to high standards of corporate governance and tax transparency including compliance with all applicable tax laws, rules and regulations. We seek to maintain long-term, open, transparent and cooperative relationships with tax authorities in our host countries.

As part of our commitment to Australian corporate tax transparency, Glencore adopted the Australian Board of Taxation's voluntary Tax Transparency Code (the Code) from 2018.

This Tax Transparency disclosure has been prepared to meet the requirements of the Code for all Glencore Agriculture entities in Australia. The disclosure includes details of our tax policy, strategy and governance; and details of effective tax rate, taxes paid and international related party dealings as required under the Code.

TAX GOVERNANCE AND TAX RISK MANAGEMENT

Glencore's global tax strategy and governance focus is disclosed in its Group Tax Policy, which is available at www.glencore.com/who-we-are/governance.

Our Australian operations also have a robust Tax Governance Framework which espouses the principles of both the Global Code of Conduct and the Group Tax Policy. At the foundation of this framework is the following Glencore standard:

"We are committed to full compliance with relevant laws and external and company reporting requirements, including those concerning disclosure to tax authorities and reporting on the tax payments that we make.

As a signatory of the Extractive Industries Transparency Initiative, we support increased transparency around payments to governments across the world and how they are redistributed and/or reinvested into the communities in which we operate.

The pricing of transactions between Glencore companies is based on fair market terms, whereby exchanges of goods, property and services are conducted on an arm's length basis.

We will continue to review our tax payment reporting and make appropriate improvements in line with any applicable regulatory developments."

TRANSPARENCY

We welcome fiscal transparency as it encourages the responsible management of revenues from our activities. We believe that countries that transparently and effectively allocate natural resource wealth for the benefit of their communities have the potential to attract greater, more responsible and longer-term business investment.

Our Board Audit Committee engages with senior management to understand the potential tax exposures globally and the key estimates taken in determining the positions recorded, including the status of communications with local tax authorities and the carrying values of deferred tax assets.

TAX DISPUTES

Reflecting the complexity of our operations, uncertainty around application of tax law at times (as tax laws are inherently complex and subject to interpretation) and the legitimate concern of tax administrations to collect the full amounts due to them, our arrangements are subject to careful scrutiny and even occasional dispute.

We approach both scrutiny and dispute in a fair and transparent manner, but we resolutely defend the principle that profit must be taxed only once and that tax administrations are as bound in law by the Transfer Pricing Guidelines as we are.

INTRA-GROUP TRANSACTIONS

The group is comprised of a number of separate legal entities established across a large number of jurisdictions. Like many multinational enterprises, our business activities are co-ordinated (in terms of personnel, assets and capital) on a worldwide basis.

International tax law and, in particular, the OECD Transfer Pricing Guidelines and Article 9 of the OECD Model Tax Convention governs the allocation of overall group profitability between jurisdictions. They require that individual entities within the group transact with each other at the same price that they would if they

were independent parties and in due recognition of the true value to be accorded to the transaction.

The purpose of this allocation and of the Guidelines is twofold: for the fair division of Group profit to enable the levying of tax according to where it is earned; and to ensure that the same profit is taxed once and only once. The Group tax policies commit us to not engineer structures or transactions that exploit transfer pricing rules by artificially 'transferring' profit into lower tax jurisdictions. We can and do trace all intra-group transactions to value adding commercial activities.

Given the complexity of the Group's operations, our transfer pricing can, and should be, subject to careful scrutiny.

GLOBAL AGRICULTURAL MARKETING BUSINESS

Our marketing activities source a diversified range of commodity products from third party growers, third party marketers and our asset-owning companies (processing plants, storage facilities such as silos and grain elevators, and certain port infrastructure including terminals). We provide value added services such as freight, third party insurance coordination, financing and/or storage, to a broad range of consumers and industrial commodity end users.

All marketing arrangements within the group are priced using the 'arm's length' principle in line with guidelines issued by the OECD and in accordance with local jurisdiction transfer pricing legislation.

LOW TAX JURISDICTIONS

In recent years, governments, the media and the public at large have raised legitimate questions in connection with the alleged diversion of business profits by multinational enterprises into low tax jurisdictions mainly in order to avoid paying local taxes.

We do not undertake any such activity. Both the Group tax policies and our adherence to the OECD Transfer Pricing Guidelines forbid the allocation of profit to jurisdictions that do not provide value-adding activities and do not have any real commercial substance.

APPROACH TO DEALINGS WITH TAX AUTHORITIES

We recognise the important role of all tax authorities in the various jurisdictions in which the Glencore Group operates, confirming them as stakeholders in its business.

It is our policy to be transparent and proactive in all interactions with tax authorities.

In Australia, we have constructive relationships with the tax authorities and regularly engage with the Australian Taxation Office (ATO) throughout the year to provide assurance over our tax governance practices and to ensure that tax calculations and payments accord with tax law. Nevertheless, we recognise that on occasion there will be areas in which our legal interpretation may differ from that of the ATO and where the tax treatment of activities and transactions is uncertain. In such cases, we will engage in proactive discussions with the ATO with a view to bringing matters to a reasonable conclusion as rapidly and equitably as possible.

We are committed to being characterised as a 'good corporate fiscal citizen' aiming for sustainability in relation to tax.

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE

The Glencore Agriculture companies in Australia are members of a Multiple Entry Consolidated (MEC) group for income tax purposes. The provisional head entity of the MEC group is Glencore Grain Holdings Australia Pty Ltd (GGHA). These entities include our grain marketing business based in Melbourne headed by Glencore Agriculture Pty Ltd and our Viterra storage and handling business based in Adelaide.

This report sets out the aggregated tax balances of the two business groups mentioned above.

| 2018 (AUD MILLIONS) | AGGREGATED AUSTRALIAN AND NEW ZEALAND GROUP ² |
|--|---|
| Total income tax expense | (49.7) |
| Income tax expense is attributable to: | |
| Profit from continuing operations | (50.6) |
| Profit from discontinued operations | 0.9 |
| Total income tax expense | (49.7) |

Income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

| 2018 (AUD MILLIONS) | AGGREGATED AUSTRALIAN AND NEW ZEALAND GROUP |
|--|--|
| Profit from continuing operations before income tax expense | 169.9 |
| Profit from discontinued operations before income tax expense | 15.3 |
| Parent Company's and subsidiaries' income before income tax and attribution | 185.2 |
| Income tax expense calculated at the Australian tax rate 30% | (55.5) |
| Tax effects of: | |
| Difference in tax rates | 1.1 |
| Tax exempt income from recurring and non-recurring items | 5.4 |
| Other non-deductible/(assessable) items | (1.0) |
| Adjustment in current year in relation to current tax of prior year | 0.3 |
| Income tax expense | (49.7) |
| Effective tax rate | 26.8% |

Temporary Differences

| 2018 (AUD MILLIONS) | AGGREGATED AUSTRALIAN AND NEW ZEALAND GROUP |
|------------------------------------|--|
| Deferred tax losses | 0.8 |
| Fixed assets | 74.7 |
| Other financial assets/liabilities | 5.7 |
| Section 40-880 costs | 7.2 |
| Inventory | (9.9) |
| Employee and other provisions | 12.8 |
| Other | 5.7 |
| Total temporary differences | 97.0 |

² Includes GGHA's controlled New Zealand subsidiary

Tax payable is based on taxable income at the prevailing jurisdictional tax rate.

The accounting effective tax rate is calculated as the income tax expense divided by profit as per AASB112. GGHA group's effective tax rate is lower than the statutory rate primarily due to the impact of accounting income that is not assessable for tax purposes.

Material temporary differences relate to amounts which are assessable or deductible for tax purposes at a different time for accounting purposes. Consistent with an asset intensive operation, Viterra's material temporary differences arise from differences in depreciation of fixed assets between tax and accounting.

The effective tax rate of the Glencore Agriculture group's operations (calculated on the same basis stated above) is 137%, materially due to non-recognition of deferred tax balances on tax losses and the impact of the relative levels of profits arising in the group's operating jurisdictions.

RECONCILIATION OF INCOME TAX EXPENSE TO INCOME TAX PAYABLE

| 2018 (AUD MILLIONS) | AGGREGATED AUSTRALIAN AND NEW ZEALAND GROUP |
|---|--|
| Income tax expense | (49.7) |
| Adjusted for: | |
| Non-deductible and non-creditable withholding tax | 0.9 |
| Adjustment in respect of prior year income tax | (0.3) |
| Deferred income tax expense | 33.0 |
| Foreign exchange impacts | (2.2) |
| Other adjustments impacting tax payable | (5.3) |
| Australian income tax paid | 59.1 |
| Income tax payable/(refundable) | 35.5 |

INTERNATIONAL RELATED PARTY DEALINGS

Our Australian business also has dealings with related parties which are conducted on an arm's length basis in line with OECD guidelines and the Australian transfer pricing legislation. International related party commodity and service transactions occur primarily between Australian and our Netherlands and Singapore marketing functions, and to a lesser extent with subsidiaries in other jurisdictions.

During 2018, international related party dealings comprised mainly of sale and purchase of commodities, marketing services, insurance and financing. We disclose all international related party dealings to the ATO through the lodgement of our tax returns, Country by Country Reporting and other co-operative compliance activities such as the Pre-lodgement Compliance Review (PCR) arrangement.

The principal dealings of the GGHA group with its international related parties are described at a high level below:

| KEY INTERNATIONAL RELATED PARTY DEALINGS | DESCRIPTION | SIGNIFICANT JURISDICTIONS |
|--|--|-------------------------------|
| Purchases and sales of commodities | <p>Australian entities sell and purchase various commodities to/from the trading offices so located in the Netherlands and Singapore</p> <p>Agricultural commodity trading occurs in an active global market which provides access to standard pricing methodology from the transparent market prices. Accordingly, the prices the Australian entities pay or receive closely match what third party customers would pay for the same commodities. This is in line with the arm's length principle in accordance with the OECD Transfer Pricing guidelines and Australian domestic transfer pricing legislation.</p> | Netherlands Singapore |
| Financing | <p>As a large business, our Australian operations are financed by a mixture of shareholders equity, external debt, related party debt, and internal capital.</p> <p>Where interest is considered to be chargeable on related party debt, the pricing is on an arm's length basis and benchmarked according to the OECD Transfer Pricing Guidelines and transfer pricing for the relevant jurisdictions.</p> <p>The Australian entities withhold and remit applicable interest withholding tax.</p> | United Kingdom Netherlands |

ATO TAX TRANSPARENCY DISCLOSURES IN DECEMBER 2019

In late 2019, the ATO will release the Corporate Tax Transparency Report for 2017–18. This report contains the total income, taxable income and tax payable for the 2018 income year for all public Australian companies with total income in excess of AUD100 million.

This information will be published on the Australian Government Data website.

The tax data that will be published for the GGHA MEC Group in respect of the calendar year ended 31 December 2017 is as follows:

| 2017 (AUD MILLIONS) | GLENCORE GRAIN HOLDINGS AUSTRALIA PTY LIMITED |
|----------------------------|--|
| Total income | 3,760.8 |
| Taxable income | 119.2 |
| Income tax payable | 35.8 |

A summary reconciliation of these disclosures is provided below:

| 2017 (AUD MILLIONS) | GLENCORE GRAIN HOLDINGS AUSTRALIA PTY LIMITED |
|---|--|
| Total income | 3,760.8 |
| Total expenses | (3,521.8) |
| Accounting profit before tax ³ | 239.0 |
| Tax adjustments (net) ⁴ | 111.2 |
| Tax losses utilised | (231.0) |
| Taxable income | 119.2 |
| Tax @ 30% | 35.8 |
| Tax offsets | 0.0 |
| Income tax payable | 35.8 |

³ Represents accounting profit before tax for the year ended 31 December 2017 for the aggregated GGHA MEC group

⁴ Represents differences between income and expense recognition for accounting and tax purposes

