

# GLENCORE

24 April 2015

Dr Kathleen Dermody  
Committee Secretary  
Senate Economics Committee,  
Parliament House,  
Canberra ACT 2600

Dear Dr Dermody

Thank you for your email correspondence on 15th April 2015 in relation to Glencore's appearance at the Senate Economics Committee public hearings.

Glencore is pleased to provide the following attachments:

- **Attachment 1:** Glencore corrections to the draft proof Hansard transcript

Please note that we have restricted our comments to typographical and transcription errors. These have been marked up on a hard copy and include comments on pages 39, 42, 44, 45 and 48.

- **Attachment 2:** Glencore response to Questions taken on Notice

Glencore has reviewed the proof Hansard transcript and has identified 6 matters that were questions taken on notice related to the following:

- Interest rates on intercompany loans for the AZSA Holdings Pty Limited group of companies
- Subsidiaries of the Glencore Australia Group in so called secrecy jurisdictions
- Whether the Glencore Australia Group has subsidiaries in Luxembourg
- List of the Glencore Australia's foreign subsidiaries
- Glencore operations in Zambia
- Profit and tax Glencore or any associated entities or subsidiary companies made or paid in relation to Singapore in relation to its Australian coal business.

We note Senator Milne's reference to her correspondence to Glencore from 18<sup>th</sup> August 2014 during the hearing, and we responded in the hearing to her questions on accounting profits and company tax. Glencore will prepare a separate response to Senator Milne's letter addressing all other matters – these were not raised or taken as questions on notice.

If the Committee believe there are any further questions on notice that we have not addressed, Glencore would be pleased to provide a supplementary response.

Yours sincerely

Nick Talintyre  
Finance  
Glencore Australia

## RESPONSE TO QUESTIONS ON NOTICE

### 1. Interest rates on intercompany loans

*Chair: ...You took this question on notice. Is the \$3.4b loan from the Swiss company at an interest rate of 9%? Is that correct? (Page 44 of Transcript)*

#### *Glencore Response:*

The Glencore Coal NSW business had debt of approximately AUD \$3.37B as at 31 December 2013 with an average interest rate of 8.611%. The interest rate was calculated on an arms-length basis and supported by independent studies. The loans were entered into between 2002 and 2011, and used to acquire various coal mines in NSW. As part of the Australian corporate simplification undertaken in 2014 the majority of this debt has now been repaid. As at 31 December 2014 the total debt across all of Glencore's operations in Australia was approximately USD\$11.6B with an average interest rate of 2.87%.

### 2. Subsidiaries in secrecy jurisdictions

*Senator Ketter: Do you have subsidiaries in secrecy jurisdictions or tax havens? (Page 48 of Transcript)*

#### *Glencore Response:*

The Glencore Australian group at 31 December 2014 had 16 foreign subsidiaries in so called "low tax or secrecy jurisdictions", and the majority of these were inherited from corporate acquisitions. All but one of these jurisdictions (Cyprus) is subject to bilateral tax information exchange or sharing agreements with Australia. These foreign companies are also subject to Australia's rigorous Controlled Foreign Companies (CFC) tax regime, which applies Australian tax to offshore passive income.

**Table 1: Glencore Australia subsidiaries in so called "low tax or secrecy jurisdictions"**

Entity	Country	Tax Information Exchange Agreement (TIEA)
		with Australia
Falconbridge Explorations Limited (in liquidation)	Bermuda	Yes
Glencore Cerrejon Limited	Bermuda	Yes
Glencore Coal South America Ltd (to be wound up)	Bermuda	Yes
Glencore El Pachon Limited	Bermuda	Yes
Glencore Holdings (Bermuda) Limited	Bermuda	Yes
Glencore Investment Holdings Australia Limited	Bermuda	Yes
Glencore Investments Antamina Ltd	Bermuda	Yes
Glencore SA Holdings Ltd	Bermuda	Yes
Pachon Project Limited	Bermuda	Yes
Perly Limited	Bermuda	Yes
Ronlis Limited	Bermuda	Yes
Jumelles Limited	British Virgin Islands	Yes
Kabanga Holdings Ltd	Cayman Islands	Yes
Glencore South America Ltd	Cayman Islands	Yes
Falconbridge East Limited (being dissolved)	Cyprus	No
Jumelles M Limited	Mauritius	Yes

### 3. Query if Glencore Australia Group has subsidiaries in Luxembourg

Chair: Luxembourg? (re: whether Glencore Australia has a Luxembourg subsidiary) (Page 48/49 of Transcript)

#### Glencore Response:

The Glencore Australian group does not have any subsidiaries in Luxembourg.

### 4. List of Glencore Australia's foreign subsidiaries

Senator Ketter: How many subsidiaries do you have in other countries? (Page 49 of Transcript)

Chair: The question you are taking on notice is: how many subsidiaries – I assume this will probably be in your return somewhere, but can we get a list on notice of your subsidiary companies? (Page 49 of Transcript)

#### Glencore Response:

**Table 2: List of Glencore Australia's foreign subsidiaries**

	Entity Name	Jurisdiction	DTA with Australia	TIEA with Australia	Signatory to Convention on Mutual Administrative Assistance in Tax Matters
1	MIM Argentina Exploraciones S.A.	Argentina	Yes	N/A	Yes
2	MIM Argentina S.A.	Argentina	Yes	N/A	Yes
3	Minera Alumbreira Limited	Argentina	Yes	N/A	Yes
4	Xstrata Pachon SA	Argentina	Yes	N/A	Yes
5	Falconbridge Explorations Limited (in liquidation)	Bermuda	No	Yes	Yes
6	Glencore Cerrejon Limited	Bermuda	No	Yes	Yes
7	Glencore Coal South America Ltd (to be wound up)	Bermuda	No	Yes	Yes
8	Glencore El Pachon Limited	Bermuda	No	Yes	Yes
9	Glencore Holdings (Bermuda) Limited	Bermuda	No	Yes	Yes
10	Glencore Investment Holdings Australia Limited	Bermuda	No	Yes	Yes
11	Glencore Investments Antamina Ltd	Bermuda	No	Yes	Yes
12	Glencore SA Holdings Ltd	Bermuda	No	Yes	Yes
13	Pachon Project Limited	Bermuda	No	Yes	Yes
14	Perly Limited	Bermuda	No	Yes	Yes
15	Ronlis Limited	Bermuda	No	Yes	Yes
16	Mineracao Mount Isa do Brasil Ltda	Brazil	No	No	Yes
17	Xstrata Brasil Exploracao Mineral Ltda (Exploration)	Brazil	No	No	Yes
18	Jumelles Limited	British Virgin Islands	No	Yes	Yes
19	1787393 Ontario Ltd	Canada	Yes	N/A	Yes
20	614429 Alberta Inc.	Canada	Yes	N/A	Yes
21	8001979 Canada Inc	Canada	Yes	N/A	Yes
22	8221375 Canada Inc	Canada	Yes	N/A	Yes

	Entity Name	Jurisdiction	DTA with Australia	TIEA with Australia	Signatory to Convention on Mutual Administrative Assistance in Tax Matters
23	8857806 Canada Inc	Canada	Yes	N/A	Yes
24	Bathurst Inlet Port and Road Inc.	Canada	Yes	N/A	Yes
25	Boreas Coal Limited	Canada	Yes	N/A	Yes
26	Cascadia Port Management Corporation	Canada	Yes	N/A	Yes
27	CMI Terminal JV	Canada	Yes	N/A	Yes
28	Donkin Coal Limited	Canada	Yes	N/A	Yes
29	Donkin Coal Management Limited	Canada	Yes	N/A	Yes
30	Donkin Coal Marketing Limited	Canada	Yes	N/A	Yes
31	Donkin Tenements Limited	Canada	Yes	N/A	Yes
32	First Coal Corporation	Canada	Yes	N/A	Yes
33	Gardiner Dam Terminal JV	Canada	Yes	N/A	Yes
34	GCBC Management Services Ltd	Canada	Yes	N/A	Yes
35	Glencore Canada Corporation	Canada	Yes	N/A	Yes
36	Glencore Coal Canada Limited	Canada	Yes	N/A	Yes
37	Glencore Coal Canada Resources Limited	Canada	Yes	N/A	Yes
38	Glencore Holdings Canada Ltd	Canada	Yes	N/A	Yes
39	Kidd Creek Timber Ltd	Canada	Yes	N/A	Yes
40	Magnola Metallurgy Inc	Canada	Yes	N/A	Yes
41	Magnola Mining Inc	Canada	Yes	N/A	Yes
42	New Brunswick Zinc Limited	Canada	Yes	N/A	Yes
43	Prince Rupert Grain Consortium	Canada	Yes	N/A	Yes
44	Prince Rupert Grain Ltd	Canada	Yes	N/A	Yes
45	Ridley Grain Ltd	Canada	Yes	N/A	Yes
46	Societe Minere Raglan du Quebec Lte	Canada	Yes	N/A	Yes
47	Viterra Inc	Canada	Yes	N/A	Yes
48	XKN Finance Inc. (Ontario)	Canada	Yes	N/A	Yes
49	Xstrata Canada Financial Corp.	Canada	Yes	N/A	Yes
50	Xstrata Finance (Canada) Limited	Canada	Yes	N/A	Yes
51	Xstrata Technology Canada Ltd	Canada	Yes	N/A	Yes
52	Kabanga Holdings Ltd	Cayman Islands	No	Yes	Yes
53	Glencore South America Ltd	Cayman Islands	No	Yes	Yes
54	Compania Minera Dona Ines da Collahuasi, SCM	Chile	Yes	N/A	Yes
55	Compania Minera West Wall SCM	Chile	Yes	N/A	Yes
56	Compania Minera Xstrata Lomas Bayas	Chile	Yes	N/A	Yes
57	Energia Austral Spa (Chile)	Chile	Yes	N/A	Yes
58	Glencore Inversiones Chile SpA	Chile	Yes	N/A	Yes
59	Pachon Transportes y Servicios Limitada	Chile	Yes	N/A	Yes
60	Xstrata Chile Norte Inversiones Limitada	Chile	Yes	N/A	Yes
61	Xstrata Chile Servicios Corporativo Limitada	Chile	Yes	N/A	Yes
62	Xstrata Copper Chile SA	Chile	Yes	N/A	Yes
63	Xstrata Energia E Inversiones Limitada	Chile	Yes	N/A	Yes

	Entity Name	Jurisdiction	DTA with Australia	TIEA with Australia	Signatory to Convention on Mutual Administrative Assistance in Tax Matters
64	Xstrata Norte Exploraciones Y Servicios	Chile	Yes	N/A	Yes
65	Fangchenggang Maple Grain & Oil Industrial Co Ltd	China	Yes	N/A	Yes
66	Shengzhou Xstrata Metal Refining Technology Co. Ltd	China	Yes	N/A	Yes
67	Viterra (Shanghai) Trading Co Ltd	China	Yes	N/A	Yes
68	Xstrata Technology Trading (Beijing) Co. Ltd	China	Yes	N/A	Yes
69	Xstrata Coal Columbia Ltda	Columbia	No	No	Yes
70	Falconbridge East Limited	Cyprus	No	No	Yes
71	Falconbridge Dominicana C por A	Dominican Republic	No	Yes	No
72	Fundacion Falconbridge Inc	Dominican Republic	No	Yes	No
73	Xstrata Technology Hong Kong PLC	Hong Kong	No	No	No
74	Glencore Zinc Ireland Limited	Ireland	Yes	N/A	Yes
75	Glencore Recycling Inc. (Malaysia) SDN BHD	Malaysia	Yes	N/A	No
76	EL AOIJ Mining Company S.A. (EMC)	Mauritania	No	No	No
77	Sphere Lebtheinia S.A.	Mauritania	No	No	No
78	Sphere Mauritania S.A.	Mauritania	No	No	No
79	Jumelles M Limited	Mauritius	No	Yes	No
80	XCM LLC	Mongolia	No	No	No
81	Glencore Grain (NZ) Limited	New Zealand	Yes	N/A	Yes
82	Xstrata Nikkelverk AS	Norway	Yes	N/A	Yes
83	Xstrata PNG Exploration Limited	Papua New Guinea	Yes	N/A	No
84	Compañía Minera Antapaccay S.A.	Peru	No	No	No
85	Glencore Holding Peru S.A.	Peru	No	No	No
86	Minera Mount Isa Peru S.A.	Peru	No	No	No
87	Noranda Antamina S.R.L	Peru	No	No	No
88	Xstrata Copper Servicios Corporativos Peru S.A.	Peru	No	No	No
89	Xstrata Peru S.A.	Peru	No	No	No
90	Hillcrest Inc	Philippines	Yes	N/A	Yes
91	Pacific Land Realty Corporation	Philippines	Yes	N/A	Yes
92	Sagittarius Mines Inc.	Philippines	Yes	N/A	Yes
93	SMI Power Corporation	Philippines	Yes	N/A	Yes
94	Tampakan Mineral Resources Corp	Philippines	Yes	N/A	Yes
95	Mining Project Development Congo S.A.U	Republic of Congo	No	No	No
96	Viterra Asia Pte Limited	Singapore	Yes	N/A	Yes
97	MIM Process Technologies South Africa (Pty) Limited	South Africa	Yes	N/A	Yes
98	Kabanga Nickel Company Limited	Tanzania	No	No	No
99	Kagera Mining Company Limited	Tanzania	No	No	No

	Entity Name	Jurisdiction	DTA with Australia	TIEA with Australia	Signatory to Convention on Mutual Administrative Assistance in Tax Matters
100	Noranda Madencilik Sanayi Ve Ticaret Ancriom Sirkehl	Turkey	Yes	N/A	Yes
101	Glencore Grain Finance (Bermuda) Ltd	UK	Yes	N/A	Yes
102	Jumelles Technical Services (UK) Limited	UK	Yes	N/A	Yes
103	Xstrata Project Services (UK) Limited	UK	Yes	N/A	Yes
104	Noranda Finance LLC	USA	Yes	N/A	Yes

Note: DTA refers to Double Tax Agreements and TIEA refers to Tax Information Exchange Agreements.

## 5. Glencore operations in Zambia

*Senator Xenophon: So when Zambia clamped down on Glencore, you shut down a number of the operations in Zambia back in 2011-12 – is that right?.. Could you take that on notice. (Page 49 of Transcript)*

### **Glencore Response:**

Our Mopani operations are an important part of our business in Africa. In February 2011 a draft provisional report prepared by advisers to the Zambia Revenue Authority was unofficially circulated in Zambia. The draft provisional report contained fundamental factual errors and both Mopani and Glencore have publicly refuted its 'conclusions' on numerous occasions. Mopani has engaged in a detailed and constructive dialogue with the Zambia Revenue Authority on these matters. The Zambia Revenue Authority has completed its audits of all the years in question.

Glencore's corporate shareholders have committed over \$4 billion in investment since privatisation to redevelop and expand Mopani's operations. Today, around 20,000 people work at Mopani (9,000 employees and 11,000 contractors). We estimate that each employee has an average of eight dependents. Over 8,000 new jobs have been created since privatisation of Mopani, and mining is the highest paying sector in Zambia. In 2013, Mopani made payments totalling \$800 million to contractor and supplier companies.

Mopani has paid over \$1 billion in taxes, royalties and other dues to Government since privatisation. Mopani was recently awarded the best reporting company for EITI in Zambia for demonstrating consistency and strict adherence to the EITI reporting requirements. More information can be found here: <http://www.glencore.com/public-positions/paying-tax-transparently/paying-tax-in-zambia/>

## 6. Profit and tax Glencore or any associated entities or subsidiary companies made or paid in relation to Singapore.

*Senator Xenophon: How much profit has Glencore or any associated entities or subsidiary companies made in Singapore since its marketing hub was opening back in 2011- is that right, 2011?*

*Can you tell us how much profit has been made in Singapore?.., and can you tell us how much tax you pay in Singapore and the profits derived by those marketing hubs since 2011? Is that something you need to take on notice? (Page 50 of Transcript)*

### **Glencore Response:**

Since Xstrata established its Coal Marketing office in Singapore in 2011 the pre-tax profit to the end of 2014 was US\$630m on a consolidated basis of which Glencore's share was \$482m.

Income tax expense in relation to this period totalled \$30m on a consolidated basis, of which Glencore's share was \$23m. Tax paid in relation to these profits totalled \$20m on a consolidated basis of which Glencore's share is \$16m – the difference between tax expense and tax paid is due to the timing of instalment payments of Singaporean tax. The Singaporean marketing companies are subject to a 5% corporate tax rate in Singapore.

Glencore's joint venture partners in its mines in Australia held the same respective interests in the relevant Singapore marketing companies.

The Singapore coal marketing office was established by Xstrata. Since acquiring Xstrata, Glencore has integrated the coal marketing function into its global coal marketing business and is in the process of closing the Singapore coal marketing office. Going forward coal sales contracts will be directly between Glencore's coal companies in Australia and end customers.

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