

GLENCORE

12 May 2015

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

Dear Dr Dermody

Thank you for your email correspondence on 4th May 2015 in relation to additional questions on notice from Senator Christine Milne, following Glencore's appearance at the Senate Economics Committee public hearings.

Glencore is pleased to provide our response to the additional questions on notice at Attachment 1.

Yours sincerely

Nick Talintyre
Finance
Glencore Australia

RESPONSE TO QUESTIONS ON NOTICE PROVIDED BY SENATOR MILNE

1. Does Glencore current have any audits or assessments against them by the ATO in relation to the operation of their own companies?

Glencore Response:

We currently have one ongoing Australian Taxation Office (ATO) tax audit and two objections against amended assessments issued following ATO tax audits. We are working with the ATO to resolve the matters in dispute. With respect to the tax objection matters, \$42m of tax has been paid pending resolution of the matter.

2. What was the value that the Australian company received as consideration for the fair value of transferring contractual rights to the related Singapore company?

Glencore Response:

Xstrata Coal did not transfer any contractual rights to its related Singaporean marketing company ("SMC"), and therefore no amount was receivable by the Australian company. The SMC established a new coal marketing business, and negotiated new coal sales contracts. Australian coal sales contracts entered into prior to the establishment of the SMCs remained with the Australian contract party and continued to be supplied directly from the Australian contract party to the end customer. No existing coal sales contracts at the time of establishment of the SMCs were terminated. The coal offtake agreements entered into between the Australian mines and the SMCs allowed the Australian mines to fulfil existing contractual obligations.

3. What was the value that the Australian company paid as consideration for the fair value of transferring contractual rights back from the related Singapore company?

Glencore Response:

As advised to the Senate Committee on 24 April 2015, following the acquisition of Xstrata, Glencore has integrated the coal marketing function into its existing 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 the relevant Australian mining company and end customer. Existing coal sales contracts between the SMCs and their end customers have been/will be transferred to the relevant Australian company for a nominal amount. As the Singapore coal marketing office is closing, there are no other planned transfers of contractual rights to the Australian companies.

4. To what extent are the Directors of the Australian companies of the Glencore group able to exercise independent decision-making without consulting the directors of the parent company?

Glencore Response:

The directors of the Australian Glencore group companies act at all times in the best interests of the companies to which they are directors. Directors of Glencore's Australian companies are well aware of their obligations as directors including specific responsibilities with respect to corporations legislation, taxation, environmental and health and safety laws, and emissions reporting. Therefore the directors of the Australian companies exercise their independent judgement on such matters.

As mentioned during the Senate Inquiry, consistent with these duties, the directors of the Australian subsidiaries, to the extent permitted by law can and do take into account the interest of the parent company to ensure that its commercial objectives, policies and interests are advanced.

This is no different to any other large corporate group, whether wholly within Australia or multi-national, where directors of subsidiary companies report to senior management at the ultimate holding company level. We also actively encourage new directors to undertake specific training on their director responsibilities including for example the Australian Institute of Company Directors', "Company Directors Course".

5. Please provide the following information for the past two financial years for your Australian based consolidated groups.
- Total revenue
 - Total pre-tax profit
 - Total company tax paid
 - Total payroll tax paid
 - Total income tax paid
 - Total Fringe Benefits tax paid

Glencore Response for the Australian group:

	Currency	2014	2013
		\$'M	\$'M
Total revenue	USD	12,769	14,518
Total pre-tax profit/(loss)	USD	(1,356)	441
Total company tax paid	AUD	77	100
Total payroll tax paid¹	AUD	93	101
Total Fringe Benefits tax paid	AUD	12	12

(1) This is separate to employee PAYG taxes withheld from salaries

2014 data is based on preliminary financial data as Glencore Australia's 2014 corporate tax returns and statutory filings are still being finalised.

We also refer you to the Glencore Tax Factsheet (available on the Glencore plc website). Since 2007 Glencore Australia has paid almost A\$9billion in Australian taxes and royalties.

6. Please provide the following related party transaction information for the past two financial years, which has involved any of your Australian based consolidated groups.
- The total related party transaction amounts.

Glencore Response:

The total amount of international related party transactions for the years ended 31 December 2013 and 2014 were, as follows:

	2014	2013
	USD \$'M	AUD \$'M
Total sales to related parties	8,962	10,652
Total purchases from related parties	(1,477)	(1,332)
Total payments for services provided by related parties	(117)	(120)
Total payments for services provided to related parties	19	65
Total interest received from related parties	37	19
Total interest paid to related parties	(626)	(906)

2013 data is based on Glencore Australia's 2013 Australian income tax returns.

2014 data is based on preliminary financial data as Glencore Australia's 2014 corporate tax returns are not due for filing until later in 2015.

Glencore's Australian business became USD functional currency from 1 January 2014 – all financial reporting from 1 January 2014 will therefore be in USD.

b. The number of related party transactions

Glencore Response:

As part of one of the world's largest natural resource and agricultural commodity production and marketing businesses, Glencore Australia has a large number of international related party transactions in the following categories:

- Sales and purchases of various commodities, raw materials and consumables including coal, copper, zinc, nickel, lead, grains, oil seeds, cotton
- Supply and receipt of various services including technical, management and administrative services
- Provision and receipt of financing
- Provision of insurance
- Provision of parent company guarantees

It is not practical to identify the exact number of these related party transactions. We note that Glencore reports its international related party transactions to the ATO in its annual International Dealings Schedule, which forms part of the annual Australian corporate income tax return.

c. What entities they are being paid to and the location of these entities

Glencore Response:

Please find below a list of the international related party entities with which Glencore Australia transacted during the past two financials years, and the location of these entities.

	International Related Party	Country	Double Tax Agreement	Tax Information Exchange Agreements with Australia	Signatory to Convention on Mutual Administrative Assistance in Tax Matters (as of 8 Apr 2015)
1	8857806 Canada Inc	Canada	Yes	N/A	Yes
2	Asturania de Zinc SA	Spain	Yes	N/A	Yes
3	Britannia Refined Metals Limited	United Kingdom	Yes	N/A	Yes
4	Compañía Minera Antapaccay S.A	Peru	No	No	No
5	Compañía Minera Xstrata Lomas Bayas	Chile	Yes	N/A	Yes
6	Cumnock Coal Sales Pte Limited	Singapore	Yes	N/A	Yes
7	Glencore (Schweiz) Ag	Switzerland	Yes	N/A	Yes
8	Glencore Canada Corporation	Canada	Yes	N/A	Yes
9	Glencore Coal Marketing AG	Switzerland	Yes	N/A	Yes
10	Glencore Coal Sales (Services) Pte Limited	Singapore	Yes	N/A	Yes
11	Glencore Coal Sales Pte Limited	Singapore	Yes	N/A	Yes
12	Glencore Coal South America Limited	Bermuda	No	Yes	Yes
13	Glencore Commercial Services (Shanghai) Co. Ltd	China	Yes	N/A	Yes
14	Glencore Finance (Dubai) Limited	United Arab Emirates	No	No	No
15	Glencore Grain (NZ) Limited	New Zealand	Yes	N/A	Yes
16	Glencore Grain BV	Netherlands	Yes	N/A	Yes

	International Related Party	Country	Double Tax Agreement	Tax Information Exchange Agreements with Australia	Signatory to Convention on Mutual Administrative Assistance in Tax Matters (as of 8 Apr 2015)
17	Glencore Grain Finance (Bermuda) Limited	Bermuda	No	Yes	Yes
18	Glencore Grain India Pvt Ltd	India	Yes	N/A	Yes
19	Glencore Grain Singapore Pte Ltd	Singapore	Yes	N/A	Yes
20	Glencore Group Funding Ltd	United Arab Emirates	No	No	No
21	Glencore International AG	Switzerland	Yes	N/A	Yes
22	Glencore Iron Ore Services AG	Switzerland	Yes	N/A	Yes
23	Glencore Nickel International Limited	Barbados	No	No	No
24	Glencore plc	United Kingdom	Yes	N/A	Yes
25	Glencore Singapore Pte Limited	Singapore	Yes	N/A	Yes
26	Glencore South Africa (Proprietary) Limited	South Africa	Yes	N/A	Yes
27	Glencore South America Limited	Cayman Islands	No	Yes	Yes
28	Glencore Technology Canada Ltd	Canada	Yes	N/A	Yes
29	Glencore Technology Pty Ltd (South Africa)	South Africa	Yes	N/A	Yes
30	Harbour Insurance Pte Limited	Singapore	Yes	N/A	Yes
31	Katanga Mining Limited	Canada	Yes	N/A	Yes
32	Kazzinc Limited	Republic of Kazakhstan	No	No	Yes
33	Liddell Coal Sales Pte Limited	Singapore	Yes	N/A	Yes
34	Macquarie Coal Sales Pte Limited	Singapore	Yes	N/A	Yes
35	Minera Alumbrera Limited	Argentina	Yes	N/A	Yes
36	Mopani Copper Mines plc	Zambia	No	No	No
37	Mutanda Mining SARL	Democratic Republic of Congo	No	No	No
38	NCA Coal Sales Pte Limited	Singapore	Yes	N/A	Yes
39	Nordenhamer Zinkhutte GmbH	Germany	Yes	N/A	Yes
40	Oaky Creek Coal Sales Pte Limited	Singapore	Yes	N/A	Yes
41	Ravensworth Underground Coal Sales Pte Limited	Singapore	Yes	N/A	Yes
42	Rolleston Coal Sales Pte Limited	Singapore	Yes	N/A	Yes
43	Sagittarius Mines Inc	Philippines	Yes	N/A	Yes
44	Tinna Viterra Trade Pvt Ltd	India	Yes	N/A	Yes
45	Viterra Asia Pte Ltd	Singapore	Yes	N/A	Yes
46	Viterra Inc	Canada	Yes	N/A	Yes
47	Viterra Japan Ltd	Japan	Yes	N/A	Yes
48	Viterra SA (Geneva)	Switzerland	Yes	N/A	Yes
49	XMAN Services Pty Ltd	Philippines	Yes	N/A	Yes
50	Xstrata Chile S.A.	Chile	Yes	N/A	Yes

	International Related Party	Country	Double Tax Agreement	Tax Information Exchange Agreements with Australia	Signatory to Convention on Mutual Administrative Assistance in Tax Matters (as of 8 Apr 2015)
51	Xstrata Commodities Middle East DMCC	United Arab Emirates	No	No	No
52	Xstrata Copper Chile S.A	Chile	Yes	N/A	Yes
53	Xstrata Frieda River Limited	Papua New Guinea	Yes	N/A	No
54	Xstrata Nikkelverk AS	Norway	Yes	N/A	Yes
55	Xstrata Technology Agencia en Chile	Chile	Yes	N/A	Yes
56	Xstrata Zink GmbH	Germany	Yes	N/A	Yes

d. What is the nature of the product/service that is being sold between related parties.

Glencore Response:

Please refer to our response at 6(b).

ENDS