

South32 Limited  
(Incorporated in Australia under the Corporations Act 2001 (Cth))  
(ACN 093 732 597)  
ASX / LSE / JSE Share Code: S32 ADR: SOUHY  
ISIN: AU000000S320

3 September 2021

## **2021 annual report**

South32 Limited (ASX, JSE, LSE: S32; ADR: SOUHY) (South32) advises that the following documents have today been submitted to the National Storage Mechanism and will shortly be available for inspection at:

<https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

- 2021 Annual Report
- 2021 Corporate Governance Statement
- Appendix 4G: Key to Disclosures – Corporate Governance Council Principles & Recommendations

These documents along with the Tax Transparency and Payments to Government Report may be accessed via South32's website: <https://www.south32.net/investors-media/investor-centre/annual-reporting-suite> or [www.south32.net](http://www.south32.net)

## **Additional information**

The following information is extracted from the 2021 Annual Report (page references are to pages in the Annual Report) and should be read in conjunction with South32's Financial Results and Outlook for the year ended 30 June 2021 announcement issued on 19 August 2021. Both documents can be found at [www.south32.net](http://www.south32.net) and together constitute the material required by DTR 6.3.5 to be communicated to the media in unedited full text through a Regulatory Information Service. This material is not a substitute for reading the 2021 Annual Report in full.

### **1. Principal risks and uncertainties**

#### **Risk management**

Our approach to risk management is governed by our risk management framework, which has been in place since the Demerger of South32 from BHP in 2015. The minimum mandatory requirements for the management of risks that have a material impact on our purpose, strategy and business plans are defined in our material risk management standard.

The framework and the standard are delivered through our System of Risk Management which is aligned to the principles of the International Standard for Risk Management AS/NZS ISO 31000:2018. This approach applies to all employees, Directors and contractors of the company and its subsidiaries. Our risks are regularly assessed and managed at both a company-wide strategic level and at a material tactical level for operations, functions and projects.

#### **Material risks**

Our System of Risk Management and assurance processes are based on the three lines model, which describes how key organisational roles work together to facilitate strong risk management and assurance. This approach is used to manage our material risks and enables us to:

- Provide stable and consistent processes, tools and routines to identify and regularly assess the most impactful risk and opportunities;
- Ensure predictable outcomes and prevent unforeseen events with material impacts
- Ensure risks are well understood and managed at all levels of the organisation; and

- Eliminate risks where appropriate or improve our processes using a risk- based approach

Risks assessed as material are routinely reported to the South32 Lead Team and reviewed by the Risk and Audit Committee as well as the Sustainability Committee; assisting the Board to carry out its role in overseeing our risk management and assurance practices.

We report transparent real-time risk data through our risk management tool, Global360. This software connects data relating to the management of our risks, events, hazards and assurance actions. Aside from helping us manage our operations and functions, reliable data on material risks contributes towards the monitoring and management of our strategic risks. This provides insight into trends and emerging themes that can trigger a review of our business plans or inform a change in strategic direction.

## **Strategic risks**

Our strategic risks are risks which can affect our ability to achieve our strategic objectives. They have the capacity to affect the whole, or a significant part of our organisation and therefore tend to have significant impacts, both negative and positive. With that in mind, our strategic risks and associated management responses are evaluated every year. The review process is informed by external and internal events that could have a potential impact on our organisation, as well as emerging themes across our material risks. In FY21, we identified 12 strategic risks which could influence our plans and the sustainability of our business.

## **Climate change**

**Strategic Risk:** Climate change and the response of South32, our markets and broader society to it, poses a risk to both our portfolio (i.e. demand for our commodities, costs and profit margins, social licence, regulatory exposure) and to our physical assets, infrastructure, supply chains and people.

We regularly assess these dynamic risks through a framework that includes policy, market and physical factors, and use climate change scenarios to stress test these risks and opportunities against our portfolio, operations and communities.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Stable and predictable performance while minimising impact
- Create enduring social, environmental and economic value
- Technology and innovation deliver value
- Sustainably reshape our business for the future

**Opportunities:** Aligning our business strategy, including how we operate and what we produce, with stakeholder expectations, future technologies and evolving climate policy and regulation, ensures our portfolio sustains a favourable outlook in a low-carbon future as we shift towards base metals.

Identifying and implementing energy efficiency projects to reduce our emissions, has the potential to deliver financial and other environmental benefits through reduced operating costs (e.g. less purchased electricity) and related inputs (e.g. reduced water consumption).

**Threats:** If we do not manage our portfolio to be resilient to changing commodity demands, climate policies (including greenhouse gas emission restrictions, pricing, taxation and trade regulations) and developments in technology (including energy sources and commodity substitution), nor reduce our emissions in line with the goals of the Paris Agreement, our reputation and social licence will be negatively impacted, our costs may increase, profit margins decrease, and demand for our products may reduce. This may result in 'stranded asset exposures' in relation to emissions-intensive commodities and our associated assets.

Similarly, failure to build the resilience of our business and operations to the physical impacts of climate change (including both the increase in the frequency and intensity of extreme weather events, and gradual onset impacts such as increases in average temperatures and changing precipitation patterns) could negatively impact the health and safety of our people, our supply chains, communities, access to key operational inputs (e.g. water), business continuity and distribution to market, while incurring additional costs to maintain, adapt, repair or replace our assets and infrastructure.

Failure to manage the above risks may increase our legal exposures, while limiting our ability to access capital and insurances, retain and attract employees and grow our business in existing and new jurisdictions.

Climate change may also impact our ability to secure development approvals, permits or licences, or their extension.

Refer to related risks of 'Portfolio reshaping', 'Major events or natural catastrophes' and 'Security of supply of logistics chains, and critical goods and services'.

**Our response:**

- We are actively shifting our portfolio towards those commodities that will be required in a low-carbon future (with a bias to base metals);
- We support the objectives of the Paris Agreement and have set a medium-term operational carbon emissions reduction target of 50 per cent by 2035, and a goal of net zero carbon emissions by 2050;
- We seek to understand and stress-test our portfolio performance in a range of future climate scenarios (inclusive of a 1.5°C aligned scenario in FY21), considering both opportunities and threats, to inform our business strategy;
- We use climate modelling data to inform us of the level of risk to our operations and operational plans and identify controls in the short-, medium- and long-term to address these risks;
- We engage regularly with investors, governments, industry partners, membership-based sustainability organisations, Environmental Social Governance (ESG) proxy advisors and ESG activist groups to identify and monitor emerging climate risks, opportunities and trends;
- The achievement of our emissions reduction targets is linked to remuneration;
- We invest in research and development, both directly and through partnerships, to develop technology and innovative solutions necessary for the transition to a low-carbon future;
- We develop and implement energy efficiency, carbon abatement and renewable and low carbon energy projects to reduce our operational emissions; and
- We're transparent in our disclosure of climate change-related opportunities and threats in our annual reporting, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures. Further detail on this risk and its management is detailed in our Sustainable Development Report.

**Ensuring that our people go home safe and well**

**Strategic Risk:** A safe and healthy working environment is fundamental to living our values.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Working safely

**Opportunities:** Ensuring that our people go home safe and well drives the culture we aspire to and sets our expectations of each other.

**Threats:** The impact of not having a safe working environment can be devastating for our employees, contractors and communities. It can alter lives, impact shareholder returns, stakeholder confidence and ultimately our licence to operate.

**Our response:**

- In everything we do, we focus on the health and safety of our people, contractors and communities;
- We have a system of risk management, comprehensive internal health and safety policies, standards and systems with associated performance requirements designed to prevent and mitigate potential exposure to health and safety risks;
- We engage, develop and train our people so that our work is well designed and executed;
- We investigate actual and potential significant events, ensure controls are in place, and share our learnings across the organisation;
- We continuously improve our work environment to make it safer, healthier and more productive for our people; and
- We have an independent assurance function, following the three lines model, that reviews our material risks and the associated controls, to test how effective they are.

**Actions by government, tax authorities and political risks**

**Strategic Risk:** Changes in legislation, regulation and policy have the potential to impact our strategic objectives and the way we work. This includes broader policy decisions and regulatory changes, related but not limited to, changes to royalty and taxation policy, nationalisation of mineral resources, renegotiation or nullification of contracts, leases, permits or agreements, and environmental and social performance requirements.

We aim to effectively manage this uncertainty through engagement with key stakeholders and industry associations, monitoring of political activity, policy, legislative and regulatory changes, and by ensuring we have access to specialised knowledge.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Stable and predictable performance while minimising impact
- World class project execution
- Sustainably reshape our business for the future
- Create enduring social, environmental and economic value

**Opportunities:** Proactive engagement leading to strong relationships with governments provides a mutual understanding of drivers for decision-making. This increases clarity around policy and regulatory environments, enables appropriate and tailored responses to issues, and provides investment certainty.

**Threats:** Legislation adverse to our business and regulatory or policy decisions taken by governments can result in operational disruption, affect future planning or lead to cessation of operations or non-investment in operations or projects.

**Our response:**

- We have specialised knowledge through in-house expertise or the use of external experts, including tax management or the use of external experts, including tax management capability, tax advice and external affairs advice;
- We monitor political activity, policy, legislative and regulatory changes in the jurisdictions we operate in, and we also engage with relevant authorities;
- We engage with key stakeholders in all jurisdictions where we operate, in accordance with our Stakeholder Engagement Plans;
- We work through selected industry associations to influence how the industry is positioned; and
- We produce an annual Tax Transparency and Payments to Governments Report, which shows how we meet our regulatory tax obligations.

## **Portfolio reshaping**

**Strategic Risk:** Our objective is to outperform by offering our shareholders exposure to high-quality operations in commodities with a strong and sustainable outlook, in jurisdictions where we believe we can operate in line with our values.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- World class project execution
- Sustainably reshape our business for the future

**Opportunities:** We invest for value in our preferred commodities and jurisdictions. We do this by progressing our internal development options, by acquiring exploration opportunities, development projects or existing operations and by divesting non-preferred exposures that we believe will not generate an acceptable shareholder return.

**Threats:** If we don't invest in a disciplined way, execute projects to budget and plan or divest non-preferred exposures for value, we could reduce shareholder returns. Climate change, and the transition to a low-carbon economy, may present both risks and opportunities for our portfolio commodity composition. This is discussed under 'Climate change' on page 25.

**Our response:**

- Our strategy informs the decisions we make about portfolio composition. We formally evaluate our strategic positioning annually with the Board and provide updates throughout the year;
- We have a dedicated greenfields exploration team focused on building a pipeline of low-cost, high-quality resource development options;
- We maintain a life of operations planning process. By evaluating the embedded options in our operations, we can progress with selected organic options at the right time;

- We apply a rigorous project development process and have experienced and dedicated project execution capability;
- We follow strong due diligence processes for acquisitions and new business ventures;
- We carry out an annual review of commodity prices and exchange rates, to develop long-term views for our portfolio commodities and foreign exchange rates for the jurisdictions where we operate;
- We apply a standardised valuation methodology with consistent key macroeconomic assumptions;
- We have a mature and independent peer review process, which we rigorously follow to inform key investment decisions; and
- We actively manage portfolio change with dedicated specialists to deliver integration and separation benefits.

### **Global economic uncertainty and liquidity**

**Strategic Risk:** Our aim is to manage uncertainty related to changing macroeconomic conditions. We do the same when it comes to the volatility in commodity, currency and capital markets, given the impact they can have on our earnings, balance sheet and ability to pursue our strategy.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Sustainably reshape our business for the future
- Create enduring social, environmental and economic value

**Opportunities:** We prioritise an investment grade credit rating and a disciplined approach to allocating capital, which keeps our balance sheet strong, providing us with financial flexibility regardless of market conditions. By creating competition for capital and investing selectively in our existing operations and growth options, external opportunities, or by making returns to shareholders, we aim to maximise total shareholder returns over time.

**Threats:** A significant or sharp deterioration in economic conditions can adversely impact market demand, commodity prices, and/or exchange rates which has the potential to significantly reduce profitability, cash flow and returns to shareholders. A reduction in liquidity available in capital markets has the potential to impact our balance sheet and ability to pursue our strategy.

#### **Our response:**

- We have a diverse portfolio of operations, commodities and end markets which strengthens our resilience to the disruption of any one commodity, geography or operation;
- We prioritise a strong balance sheet and an investment grade credit rating, so that we remain in control through economic cycles;
- We test our financial strength across a range of scenarios, including a depressed demand and pricing environment. We also maintain a minimum liquidity buffer;
- We adjust our capital allocation plans according to market conditions;
- We maintain strong relationships with high-quality customers and suppliers from all around the world;
- We mostly sell our products with reference to floating, market- based prices, which are broadly correlated with floating global currency markets and the input costs we're exposed to; and
- We carry out an annual review of commodity prices and exchange rates, which we use to inform our operational plans. This process is supplemented by tri-annual updates.

### **Major events or natural catastrophes**

**Strategic Risk:** Our operations and logistics networks can be disrupted by events such as pandemics, natural disasters, extreme weather events and major process or infrastructure failures.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Working safely
- Stable and predictable performance while minimising impact

**Opportunities:** Achieving stable and predictable performance enhances the value proposition to our shareholders, other stakeholders and the communities in which we operate. The better we prepare for and learn from events, the better we are placed to respond and reduce the impact of future events – strengthening our organisational resilience.

**Threats:** Failure to manage major events or natural catastrophes could result in a significant event or other long-term damage that could harm the company's financial performance and licence to operate. The role of climate change in increasing the frequency and severity of natural catastrophes is addressed under 'Climate change' on page 25.

**Our response:**

- When facing potential catastrophes, we put safety and wellbeing at the heart of everything we do;
- We use a system of risk management in design, construction and operation phases, to analyse risks, and design and implement plans that prevent or limit business impacts;
- We utilise climate modelling data to inform our long-term plans and project pipelines, and conduct risk assessments of the physical impacts of climate change for our assets;
- We have business continuity and disaster response plans in place with trigger action response scenarios. We've tested these to make sure we can respond rapidly to major events and safely restore our operations, protecting the health and safety of people and the communities in which we operate;
- We have assurance functions independent of our operating activities, in line with the three lines model, that provide assurance against our own comprehensive internal standards including equipment integrity, tailings dam management and technical stewardship. Where relevant, we work with external experts, relevant industry bodies and technology suppliers, to provide additional assurance and input; and
- We purchase insurance coverage against many, but not all, potential losses or liabilities arising from major events or natural catastrophes. This coverage has a deductible cost to the company and limits that mean full financial coverage cannot be achieved.

**Predictable operational performance**

**Strategic Risk:** Loss of predictable operational performance will prevent us from reliably delivering on our strategic objectives. We build resilience and predictability into our business by sustaining our ability to keep our people safe and well, meeting our regulatory and social obligations, managing cost inflation and consistently providing quality products to our customers.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Working safely
- Stable and predictable performance while minimising impact

**Opportunities:** We mature our Operating System to control and continuously improve our operations and processes, delivering stable and predictable performance and unlocking the full value of our business. We invest in our operations to sustain and improve production capacity that generates reliable cash flow to deliver on our strategic objectives.

**Threats:** If we can't safely and consistently achieve our production, cash flow or profitability targets, it could negatively impact our ability to deliver on our strategic objectives and negatively impact shareholder returns.

**Our response:**

- We have embedded, and continuously verify and improve our safety and risk management systems across our business (including our pandemic response);
- We have an effective Asset Management system in place at each operation and review our asset health, asset integrity and capital investments on a regular basis;
- We actively verify, and improve, the effectiveness of our Operating System by embedding best operating practices including operational planning, work design and standards, process control and improvement practices;
- We actively manage risks to our resource and reserve, mine and operational planning including reconciliation of Mineral Resources and Ore Reserves to production, plan and spatial compliance and management of geotechnical risks;
- We manage an integrated system of long- and short- term planning and scheduling processes that considers environmental, social and governance (ESG) themes and optimises the value from our resources;
- We actively manage product delivery and supply chain risks including effective sales and operational planning processes, monitoring of raw material supply, and management of target inventory operating windows; and
- We carry out rigorous quality assurance programs over our products and operations.

## **Shaping our culture and managing diverse talent**

**Strategic Risk:** To deliver our strategic objectives, we must actively shape our culture to attract, leverage and retain our diverse talent. Culture and talent are fundamental aspects of an empowered workforce that delivers predictable operational performance and continuous improvement.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Our people are connected and engaged

**Opportunities:** By fostering an environment that is conducive to our aspired culture, we will have even higher levels of employee engagement and teams that are empowered to innovate and drive performance.

By having an inclusive and diverse workplace, in every aspect, we can improve our ability to attract and retain talent, and better deliver safety and operational performance, together.

Our flexible work practices and global operating model provides greater access to talent which can be positioned across the company to better meet business challenges and capture opportunities.

**Threats:** If we are unable to embed our preferred culture, we will likely have lower levels of engagement, disconnected teams that lack diversity and operate in silos, and relationship rather than performance-based decision making. Over time, this would likely constrain innovative thinking and may lead to significant shareholder value erosion and reputational damage.

A stimulus related recovery in commodity markets has seen competition for talent rise and voluntary turnover rates increase, whilst COVID-19 has restricted travel and limited face-to-face interaction between our key leaders and geographically disperse talent pool.

### **Our response:**

- Our Board and Lead Team actively measure and discuss culture using a Culture Tensions framing model. This process acts as a health check and allows us to assess positive or negative change, and test whether we are making progress towards our preferred culture that better balances relationships with performance, and systems and processes with innovation and empowerment. This process is supplemented by periodic employee 'pulse' surveys that measure employee engagement and test whether our culture is enabling the delivery of our strategic objectives;
- We have an Inclusion and Diversity Policy and Framework which sets out our commitments, strategy, measurable objectives and approach to performance reporting;
- We have a Code of Business Conduct which sets out our expected standards of conduct, with formal training and assessment routines in place. Anyone can report a business conduct concern, anonymously if preferred, or by using our confidential and independently administered EthicsPoint reporting hotline;
- We have a new leadership model which strengthens alignment to our preferred culture and behaviours, and is integrated across our people systems and processes;
- We design our reward elements to position ourselves relative to the market, enabling us to attract appropriate skills and experience, engage employees and drive performance;
- We have a Performance and Goals Process which supports our reward philosophy and ensures that aligned leadership behaviours and performance are recognised and rewarded;
- We routinely review our talent, creating individualised plans to further their development;
- We support employees who undertake further education and training related to their current or future career with South32;
- We utilise secondments to support the delivery of business objectives while also providing employees with development opportunities and exposure to other roles or areas of the business; and
- We have an internal Flexible Work Standard which empowers our leaders to engage with their teams to determine the ways of working that balance individual, team and business requirements.

## **Maintain competitiveness through innovation and technology**

**Strategic Risk:** Technology and innovation are advancing at a rapid pace. Companies which are unable to effectively leverage technology and innovation will find themselves failing to deliver against shareholder expectations on returns, unable to attract and retain talent, or in the example of decarbonisation, failing to maintain a licence to operate.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Technology and innovation deliver value
- Create enduring social, environmental and economic value

**Opportunities:** To stay competitive, we position our organisation to effectively identify, develop and adopt sustainable business models for technology and innovation in our operations and projects. Priority innovation opportunities for South32 are identified and delivered through Innovate32, our strategy-aligned, value-focused, innovation portfolio. This approach will enable us to deliver on shareholder return expectations and position us for future business opportunities.

**Threats:** Failure to keep pace with, and leverage advances in technology and innovation could result in reduced shareholder returns and impact our licence to operate.

Cyber security incidents could pose multiple risks including disruption to new projects and operations, theft, disclosure or corruption of information.

Failure to adopt automation, electrification and digital systems could result in deteriorating performance across safety, productivity, returns and carbon emissions.

**Our response:**

- We have a clearly defined approach to innovation, improvement and technology;
- We have organised to deliver specific programs focused on adoption and improvement of critical technology capabilities across multiple time horizons including cyber security, connectivity, underground mine automation and decarbonisation;
- We have a value-based 'portfolio' approach to testing and scaling up innovation across the company;
- We have rigorous internal technology standards and processes (technology 'ways of working');
- We benchmark our digital technology performance against industry best practice and have organised the coordination and integration of technology advances into South32's growth portfolio;
- We actively manage cyber security and data centre risks through a system of risk management and have increased our cyber security controls in response to COVID-19 and an increase in remote working; and
- We monitor internal customer satisfaction and manage customer support.

**Security of supply of logistics chains, and critical goods and services**

**Strategic Risk:** Together with our customers and suppliers we manage our inbound and outbound supply chains. Critical goods and services include raw materials, energy, water, gas, heavy mobile equipment, tyres, technology, corporate services and logistics (which includes road, rail, air and shipping).

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Stable and predictable performance while minimising impact
- Create enduring social, environmental and economic value

**Opportunities:** Optimal and sustainable management of supply chain risk positions our business to operate safely and reliably, at the lowest possible cost and in a manner that meets or exceeds societal expectations.

**Threats:** The disruption of our supply chains could materially impact our operations by affecting production, operating costs and damaging our reputation.

The impact of a global pandemic and geopolitical tension are more difficult to manage and have the potential to significantly disrupt trade flows.

Failure to meet minimum ethical supply chain standards has the potential to damage our social licence to operate (this is further addressed under 'Evolving societal expectations' on page 33).

Climate change has the potential to increase the frequency and severity of extreme weather events which may threaten our supply chains, particularly logistics and the availability of critical goods and services (this is addressed under 'Climate change' on page 25).

**Our response:**

- We understand, assess and continually monitor the risks in our supply chains through embedded routines and processes. This extends to the risks associated with the supply of critical goods and services; materials



with potential shortage risk; critical suppliers and categories; vendor liquidity; and outbound logistics providers. Internal and external data is integrated so we have an accurate understanding of existing and emerging risks;

- We use this understanding of risk to deploy controls to support predictable operations. This includes working closely with our vendors and operations to better match availability with demand; developing alternative sources of supply; optimising inventory levels; flexing commercial terms and adjusting our business continuity plans;
- We build strong strategic partnerships with key in and outbound supply chain partners on a long-term, mutually beneficial basis;
- We have a clearly defined transformation strategy and enterprise and supplier development programs in South Africa aimed at building and growing small and medium enterprises;
- We have Reconciliation Action Plan targets to develop and support Aboriginal and Torres Strait Islander enterprises in Australia;
- We have local procurement initiatives designed to increase opportunities for local suppliers;
- We actively review and manage payment terms to support small and local businesses in all jurisdictions in which we operate; and
- We understand the risk of modern slavery in our supply chains and have processes in place to manage this risk

### **Maintain, realise or enhance the value of our Mineral Resources and Ore Reserves**

**Strategic Risk:** We intend to realise the potential of the resources and reserves we are entrusted to develop. We work to continually optimise our operations through sound technical and economic understanding of our resources and reserves.

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Stable and predictable performance while minimising impact
- World class project execution
- Create enduring social, environmental and economic value

**Opportunities:** We continue to enhance our understanding of our resources and reserves. We leverage this enhanced understanding through the annual planning cycle to define and assess additional opportunities to add value to our business.

**Threats:** If we fail to continually optimise our operations and projects, it will have a significant impact on shareholder returns, the benefits our stakeholders receive and ultimately, the sustainability of the company.

#### **Our response:**

- We report Mineral Resources and Ore Reserves (including Coal Resources and Coal Reserves) in accordance with the JORC Code as required in Chapter 5 of the ASX Listing Rules;
- We apply an annual planning process, that considers the impact of climate change on our Ore Reserves, structured to maximise value throughout the life of our operations;
- We have capital prioritisation, capital allocation and planning processes which prioritise the highest-value options across our portfolio;
- We apply a rigorous project development process that includes independent peer review of project risks and approval tollgates; and
- We have an internal closure standard which requires that our full- life of operations value incorporates closure and rehabilitation liabilities.

### **Evolving societal expectations**

**Strategic Risk:** The expectations of resource companies by employees, government, investors, lenders, host communities, non-governmental organisations (NGOs) and broader society continue to evolve. Our stakeholders may have divergent views and wants.

We actively engage our stakeholders to understand and respond to their views and identify ways we can create enduring social, environmental and economic value.

We aim to effectively manage this through regular stakeholder engagement and external monitoring on a wide range of financial and ESG issues (including climate change).

**Mapping to strategic objectives** (As referenced in the Progress against our strategy section on pages 14 to 19)

- Stable and predictable performance while minimising impact
- Create enduring social, environmental and economic value

**Opportunities:** Proactive, collaborative and transparent engagement with our stakeholders builds relationships based on trust and shared understanding. Our ongoing licence to operate is built on our contribution to our stakeholders and broader society.

**Threats:** Failure to meet evolving societal expectations for ESG performance could damage our reputation and negatively impact our licence to operate, limiting our ability to access capital, retain and attract employees and grow our business in existing and new jurisdictions.

**Our response:**

- Our purpose and strategy expressly balance economic outcomes with social and environmental outcomes, now and into the future. In the decisions we take, we look to minimise impact, respect human rights and create enduring social, environmental and economic value for all our stakeholders;
- We undertake internal and external stakeholder analysis and engagement on a wide range of financial and ESG issues, including an annual materiality analysis to understand our material ESG issues. Our approach is aligned with the International Council on Mining and Metals (ICMM) Mining Principles, The United Nations Global Compact Ten Principles and Global Reporting Initiative Sustainability Reporting Standards;
- We work to build strong, positive and meaningful relationships with local communities, and we listen to their views. We regularly complete and review community perception surveys, human rights impact assessments, social baseline studies and impact and opportunity assessments;
- We review and amend our community investment program annually to align with community and stakeholder priorities. We measure the outputs and outcomes of our community investments to ensure they are having the desired impact;
- We engage with Indigenous and Tribal Peoples across our operations to ensure we understand our commitments to manage cultural areas of significance. Our engagement with Indigenous and Tribal Peoples throughout the life of our operations is sensitive to and respects cultural protocols;
- We participate in sustainability reporting transparency initiatives and ESG rating agencies reviews that assess and score our performance; and
- We transparently report on our risks, opportunities, regulatory obligations, commitments and areas where we're working that are relevant to our stakeholders.

## 2. Related party transactions

**Extract from Note 28 'Key management personnel', page 142 of the 2021 Annual Report**

### **Key management personnel compensation**

<b>US\$'000</b>	<b>FY21</b>	<b>FY20</b>
Short-term employee benefits	<b>6,942</b>	5,759
Post-employment benefits	<b>182</b>	192
Other long-term benefits	<b>286</b>	268
Termination benefits	-	316
Share-based payments	<b>4,611</b>	6,664
<b>Total</b>	<b>12,021</b>	13,199

### **Transactions with key management personnel**

There were no transactions with key management personnel during the year ended 30 June 2021 (FY20: US\$nil).

### **Loans to key management personnel**

On 22 June 2021, the Group made an interest free loan of US\$620 thousand to Mike Fraser in relation to his South African income tax payable on his Group remuneration. As at 30 June 2021, the full loan remains outstanding and there is no maturity date for this loan. There are no other loans with any key management personnel (FY20: US\$nil). Further information can be found within the Remuneration Report, page 93 of the 2021 Annual Report, available at the National Storage Mechanism here - <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

### Transactions with key management personnel related entities

There were no transactions with entities controlled or jointly controlled by key management personnel and there were no outstanding amounts with those entities as at 30 June 2021 (FY20: US\$nil).

### Extract from Note 29 'Related party transactions', page 143 of the 2021 Annual Report

#### Transactions with related parties

US\$'000	Joint ventures		Associates	
	FY21	FY20	FY21	FY20
Sales of goods and services	239,670	205,880	4,148	3,126
Purchases of goods and services	2	-	51,489	80,887
Interest income	4,912	7,814	-	197
Dividend income	197,164	348,664	-	-
Interest expense	1,816	7,593	-	-
Increase/(decrease) in short-term financing arrangements with related parties	1,000	(14,855)	-	-
Increase/(decrease) in loans with related parties	10,800	35,965	(5,759)	(15,864)

#### Outstanding balances with related parties

US\$'000	Joint ventures		Associates	
	FY21	FY20	FY21	FY20
Trade amounts owing to related parties	206	549	176	161
Other amounts owing to related parties <sup>(1)</sup>	285,000	284,000	-	-
Trade amounts owing from related parties	31,539	57,901	318	422
Loan amounts owing from related parties <sup>(2)(3)</sup>	130,800	120,000	66,656	72,415

- (1) Other amounts owing to joint ventures relate to short-term deposits and cash managed by the Group on behalf of its equity accounted investments. Interest is paid based on the three month London Inter-Bank Offer Rate less a margin of 0.125 per cent and the one month Johannesburg Inter-Bank Agreed Rate.
- (2) Loan amounts owing from joint ventures include an interest bearing loan to GEMCO which is repayable by 2 January 2024. Interest is paid based on the three month London Inter-Bank Offer Rate plus a margin of 3 per cent.
- (3) Loan amounts owing from associates include an interest free loan to Port Kembla Coal Terminal Ltd which is repayable by 30 June 2030.

### Terms and conditions

Sales to, and purchases from, related parties are transactions at market prices and on commercial terms.

Outstanding balances at year end are unsecured and settlement mostly occurs in cash.

No guarantees are provided or received for any related party receivables or payables.

No expense has been recognised in respect of expected credit losses from related parties in FY21.

### 3. Directors' Responsibility Statement

The following statement was prepared for the purposes of the South32 Group's 2021 Annual Report and is repeated here for the purposes of complying with DTR 6.3.5. It relates to, and is extracted from, the South32 Group's 2021 Annual Report and is not connected to the extracted and summarised information presented in this announcement.

"The Directors state that to the best of their knowledge:

- The consolidated financial statements and notes on pages 95 to 146 were prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This Directors' report and Responsibility statement is made in accordance with a resolution of the Board."

Karen Wood, Chair and Graham Kerr, Chief Executive Officer and Managing Director.

### 4. No Change Statement and Notice of Annual General Meeting

Shareholders are advised that the financial statements in the 2021 Annual Report do not contain any material changes to the South32's Financial Results and Outlook for the year ended 30 June 2021 announcement issued on 19 August 2021 on RNS and SENS.

Notice is hereby given that the Company's Annual General Meeting will be held at 12.00pm (AWST) on Thursday 28 October 2021 as a hybrid meeting, to transact the business as set out in the 2021 Notice of Annual General Meeting which will be available no later than 29 September 2021.

Entitlement for shareholders on the JSE to vote at the Meeting will be based on shareholders who appear in the Register of Members at 4.00pm (AWST) on Tuesday 26 October 2021. To be entitled to vote, the last day to trade is Thursday, 21 October 2021.

## About us

South32 is a globally diversified mining and metals company. Our purpose is to make a difference by developing natural resources, improving people's lives now and for generations to come. We are trusted by our owners and partners to realise the potential of their resources. We produce bauxite, alumina, aluminium, metallurgical coal, manganese, nickel, silver, lead and zinc at our operations in Australia, Southern Africa and South America. With a focus on growing our base metals exposure, we also have two development options in North America and several partnerships with junior explorers around the world.

### Investor Relations

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Further information on South32 can be found at [www.south32.net](http://www.south32.net).

Approved for release by Graham Kerr, Chief Executive Officer  
JSE Sponsor: UBS South Africa (Pty) Ltd  
3 September 2021