

## About us

# SOUTH32 IS A GLOBAL MINING AND METALS COMPANY

We produce bauxite, alumina, aluminium, energy and 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.

## ACKNOWLEDGEMENT

### Making a difference

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.

Find out how **we make a difference** on page 20 of our Annual Report

### Optimise, Unlock, Identify

Our purpose is underpinned by a simple **strategy** which is focused on optimising the performance of our operations, unlocking their potential and identifying new opportunities to create value for all our stakeholders.

Discover more about **Our strategy** on page 10 of our Annual Report

### Care, Trust, Togetherness and Excellence

While our strategy outlines what we do to achieve our purpose, our **values** of care, trust, togetherness and excellence guide how we do it. Every day, our values shape the way we behave and the standards we set for ourselves and others.

Discover more about **Our people** on page 27

See the documents that make up the rest of our reporting suite at <https://www.south32.net/investors-media/investor-centre/annual-reporting-suite>, including:

#### Annual Report

#### Corporate Governance Statement

Our corporate governance practices and a description of our approach to responsible and ethical behaviour.

*The photos used throughout our reporting may have been taken before the social distancing requirements in response to COVID-19.*

#### Important notices and disclaimer

This document has been prepared by South32 Limited (ABN 84 093 732 597) (South32) for inclusion on South32's website and is for informational purposes only. South32 has prepared this document based on information available to it at the time of preparation. The information contained in this document is general in nature, and does not purport to be complete. The document does not contain an offer, solicitation, invitation to apply, recommendation or advice to buy, sell or hold any securities of South32. This document should be read in conjunction with South32's other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.south32.net](http://www.south32.net).

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards (Core option), the GRI Mining and Metals Sector Supplement and the International Council on Mining and Metals (ICMM) Mining Principles. Metrics describing health, safety, environment, people and community related performance in this document apply to 'operated assets' that have been wholly owned and operated by South32, or that have been operated by South32 in a joint venture operation, from 1 July 2019 to 30 June 2020 (FY20).

We engaged an independent external assurance organisation, KPMG, to provide the directors of South32 Limited with assurance on select sustainability information, as explained in the independent assurance report on page 90.

This document may contain forward-looking statements, including statements about plans, strategies and objectives of management; and anticipated productive lives of projects, mines and facilities; and climate change, other environmental and energy transition scenarios (which are potential scenarios and not forecasts). These forward-looking statements are not guarantees or predictions of future performance.

Readers are cautioned not to put undue reliance on forward-looking statements or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption arising in connection with COVID-19. They involve known and unknown risks, uncertainties and other factors, many of which are beyond South32's control, and which may cause actual results to differ materially from those expressed in the statements contained in this document. There are also limitations with respect to scenario analysis, and it is difficult to predict which, if any, of the scenarios might eventuate. Scenario analysis relies on assumptions that may or may not be, or prove to be, correct and may or may not eventuate, and scenarios may be impacted by additional factors to the assumptions disclosed. Except as required by applicable laws or regulations, the South32 Group does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events.

Certain information contained in this document is based on information prepared by third parties (for example the Intergovernmental Panel on Climate Change). South32 has not prepared and is not responsible for this third party material and accordingly South32 does not make any representation or warranty that this third party material is accurate, complete or up to date. South32 accepts no obligation to correct or update this third party material and all persons relying on this information do so at their own risk.



We acknowledge the Indigenous Peoples and local communities of the lands on which South32 is located and where we conduct our business around the world.

We respect and acknowledge the unique cultural and spiritual relationships that Indigenous Peoples and local communities have to the land, waters and seas, and their rich contribution to society.

In the spirit of respect and reconciliation, we will continue to support initiatives that strengthen culture and ways of life to ensure their legacy continues and extends to future generations.

## Contents

### OVERVIEW

Acknowledgement	1
From the CSO	2
South32 at a glance	4
Our business model	6

### OUR SUSTAINABILITY APPROACH

Our approach	8
Governance and integrity	10
Risk management	12
Sustainability framework	13
Stakeholders and collaboration	14
Materiality	15
Performance	16
Reporting	18

### WORKING WITH INTEGRITY

Economic contribution	20
Responsible value chain	21
Respecting human rights	22

### OUR PEOPLE

Our people	27
Staying safe and well	31

### CLIMATE CHANGE

Our approach	35
Governance	36
Resilience and risk assessment	37
Metrics and targets: our performance	41
Collaboration, partnerships and industry associations	44

### ENVIRONMENTAL STEWARDSHIP

Environmental stewardship	47
Land and biodiversity	48
Water	50
Other environmental stewardship responsibilities	54

### WORKING WITH COMMUNITIES

Working with communities	56
Working with Indigenous Peoples	60

### RESPONSIBLE OPERATIONS

Tailings	64
Closure	68

### APPENDICES

Our stakeholders	69
Sustainability performance data	71
Reporting framework indices	77
GRI content index	78
Glossary	88
Independent Assurance Report	90

# DELIVERING ON OUR PURPOSE

I am pleased to present our Sustainable Development Report for FY20. At South32, sustainable development is at the heart of our purpose and forms an integral part of our strategy. We are committed to continually improving our sustainability performance and minimising the impact of our operations.

This year, we have consolidated information about our sustainability approach and performance into one Sustainable Development Report, published alongside our Annual Report. Consolidated reporting aligns the management of our environmental and social risks and opportunities with South32's System of Risk Management and enables us to report on our sustainability performance as an integral part of progress against our strategy.

Throughout this report, we have further aligned our approach with the International Council on Mining and Metals (ICMM) Mining Principles and demonstrated how it is informed by the United Nations Sustainable Development Goals and the United Nations Global Compact Ten Principles. We became a signatory to the United Nations Global Compact in FY20, and we are pleased to include in this report our first Communication on Progress.

It is devastating that this year one of our colleagues went to work and did not return home to their family. Tragically, Duncan Mankhedi Ngoato was fatally injured while working at the Ifalethu colliery in South Africa Energy Coal. Our response included providing support to Mr Ngoato's family, conducting a full investigation in conjunction with his employer Modi Mining and sharing the learnings across our business and with his employer to prevent a similar tragedy occurring again. We remain committed to everyone going home safe and well at the end of every shift - for us, nothing is more important.

Historically we have reported fatalities that occur where South32 has control of the activities or location. This year, we have also disclosed fatalities for contractor activities associated with our operations, but that take place in locations where we do not have control. Very sadly, two people from our contracting companies lost their lives in separate offsite incidents during transport of our product to their shipping ports. These incidents were associated with our Cerro Matoso and South Africa Manganese operations. We offered our support to the contractor companies and their employees and participated in the investigations for both events.

The COVID-19 pandemic has had a profound impact around the globe and on our business. In response, we have focused on keeping our people safe and well, maintaining safe and reliable operations and supporting our communities, all of which are critical to protecting the future of our business.

As we focused on responding to the unique challenges of COVID-19 in the locations where we have a footprint, it proved more challenging to progress some of our improvement activities during the second half of FY20. However, we are pleased to have achieved our goals for many of our sustainability targets and made progress on several initiatives.

Notably, our injury rates continued to reduce year-on-year and the integration of significant hazard reporting in our performance metrics led to an increase in reported hazards. This reporting enables us to eliminate hazards that have the potential for significant injury or fatality before an event can occur.

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“Regardless of the headwinds caused by COVID-19, sustainability is integral to our strategy - keeping people safe and well, maintaining safe and reliable operations, and supporting our communities has been critical during this time.”

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We made progress on our diversity commitments, with year-on-year increases in both the representation of women across our business and the representation of Black People in our South African operations. However, we have more to do and will keep working to achieve continuous improvement against our objectives.

FY20 was the fourth year of working towards our short-term target of keeping FY21 Scope 1 emissions below our FY15 baseline, and we remain on track to meet that target. At the same time, we have progressed decarbonisation studies which are key to helping us achieve our goal of net-zero emissions by 2050. To ensure our work with industry associations is consistent with our climate change objectives, we reviewed the positions of some associations in comparison to our own and will continue to engage in FY21.

Our water stewardship plans were improved this year by re-focusing our water targets and management on the direct needs of their catchments, particularly for Hillside Aluminium and Mozal Aluminium where there are droughts in the region.

Implementation of community investment plans for each operation continues, and in FY20 we developed a framework that will enhance how we measure our impact and consistently improve our approach. We also matured our human rights due diligence activities in our supply chain by improving the breadth and depth of our risk assessments.

Our commitment to the safe management of our tailings storage facilities saw assessments being completed for the majority of our facilities against the Australian National Committee on Large Dams guidelines. We also supported the Global Tailings Review which resulted in the launch of the Global Industry Standard on Tailings Management in August 2020. South32 is proud to have contributed to

this work together with our peers through the ICMM. The Standard represents a significant step forward for the mining and metals industry in safely managing tailings storage facilities. We will progressively integrate the new requirements into our standards and practices.

Looking ahead to FY21 we anticipate COVID-19 will continue to challenge us. However, we will continuously improve how we protect our people, maintain safe and reliable operations and support our communities throughout the health and economic impact of the pandemic. Regardless of the headwinds caused by COVID-19, sustainability is integral to our strategy and we will progress these critical activities to deliver strong health and safety, environment and social performance for our business and our stakeholders for years to come.

**Rowena Smith**  
Chief Sustainability Officer





## MINE

Manganese ore and metallurgical coal are essential materials to produce steel for construction of buildings and infrastructure. We are the world's largest producer of manganese ore from our operations in Australia and South Africa.

Lead, silver and zinc from our Cannington mine have a range of applications, including batteries, renewable energy generation, construction and consumer electronics.

Energy coal is used for power generation. We primarily supply coal to domestic power stations that are close to our mines in South Africa. We sell some energy coal on the seaborne market<sup>(2)</sup>.



## REFINE

Alumina is used to produce aluminium. Worsley Alumina and Brazil Alumina refine bauxite which is used to produce alumina. Approximately 50 per cent of the production from Worsley Alumina is shipped to our aluminium smelters in South Africa and Mozambique and we sell 50 per cent plus our share of production from Brazil Alumina on the seaborne market. Worsley Alumina is one of the world's largest and lowest cost alumina producers.



## SMELT

Aluminium has a range of applications including in the automotive sector where it can reduce the carbon footprint of a vehicle. Aluminium is infinitely recyclable and also used in construction and consumer goods like electronics and household items. Hillside Aluminium in South Africa is the largest aluminium smelter in the southern hemisphere.

Ferronickel is used to make stainless steel which is used to produce household items, surgical instruments and vehicle parts. Cerro Matoso mines nickel ore which is smelted in electric arc furnaces to produce ferronickel.

Manganese alloy is used in the production of steel<sup>(2)</sup>.

# 770

kilograms of metallurgical coal is used to make 1 tonne of steel

# 7%

of global lead production comes from Cannington

# 60%

of all zinc consumed goes towards protecting steel from corrosion



Approximately

# 20%

of the manganese ore seaborne market is supplied by our joint venture

Approximately

# 65%

of global lead production is used in automotive batteries

More than

# 66%

of nickel production is used to produce stainless steel

## Our strengths, capabilities and key differentiators

### We have a strong focus on safety, operational performance, capital discipline and developing future opportunities for our business.

- We focus on safety; stable and predictable performance; and cost competitiveness. We have robust systems and an integrated approach to risk management across the business;
- We are structured for agile decision-making and have an entrepreneurial mindset that allows us to respond quickly to changes in the market; and

- This combination means we are well positioned to identify and pursue future growth options for our business with a bias towards the base metals that will remain essential to people's daily lives for years to come.

### We build an inclusive workplace which enables continuous improvement.

- We have a shared purpose and work with integrity and in line with our values; and
- We trust in our teams and there is a strong dialogue with leadership, empowering decision-making at a local level.

### We aim to be trusted by our stakeholders because we deliver on our commitments.

- We aim to create value through our social and environmental performance and build relationships based on trust and transparency; and
- Our approach is to engage all stakeholders who have an interest in our business to understand their perspectives and identify ways we can work together and create long-term value.

## Performance

**We set company-wide and operational-level targets focused on our key performance areas of health, safety, environment and community. These are aligned with ICMM Mining Principles 5 (Health and Safety), 6 (Environmental Performance) and 9 (Social Performance). We track our performance against these targets using key performance indicators, which are endorsed by the Sustainability Committee and form part of our Business Scorecard each year.**

The indicators are monitored and reported to the Sustainability Committee on a quarterly basis to assess progress. The Sustainability Committee determines and reports the outcome of its evaluation of the sustainability component of the annual Business Scorecard to the Remuneration Committee. The Business Scorecard outcome, together with individual outcomes, determines the short-term incentive payment to our Chief Executive Officer and Lead Team.

We review and revise our targets and their indicators every year, informed by our continuous improvement objectives, performance in the previous year, strategic and material risk profile, regulation, ICMM Mining Principles, stakeholder expectations and benchmarking.

Our sustainability targets and performance in FY20 are listed in Table 2.2. Further detail on our remuneration approach and FY20 outcomes can be found on page 66 of our Annual Report. Our actions to maintain or improve performance in these areas is described throughout this report.

One of our FY20 targets was to complete the first draft of our social performance framework and a plan for its implementation. While we did complete the first draft of our framework and conducted a review at our Groote Eylandt Mining Company (GEMCO) operation to test and refine it, its completion and implementation was put on hold during FY20 due to COVID-19. The work will be assessed in FY21 to determine the forward plan.

**Table 2.2 Our FY20 targets and progress made during the year**

Our FY20 targets	FY20 progress
<b>Health and safety</b>	
A 15 per cent reduction in Total Recordable Injury Frequency (TRIF) compared to FY19.	<p>We are deeply saddened by the loss of one of our colleagues following an accident at South Africa Energy Coal.</p> <p>We reduced our TRIF to 4.2 during FY20, a reduction of nine per cent compared to FY19. This continues our trend of improved year-on-year TRIF performance since FY17 but it did not meet our FY20 target of a 15 per cent reduction year-on-year.</p>
A 1:3 ratio of significant hazards identified to significant events, which encourages the reporting of hazards.	In FY20, our hazard reporting improved, exceeding our target. We achieved a 1:4 ratio of significant hazards identified to significant events.
A 10 per cent reduction in potential material occupational exposures from the FY19 baseline, plus plans in place to reduce the number of workers exposed above the Occupational Exposure Limit (OEL) by a further 10 per cent in FY21.	<p>In FY20, while we achieved OEL reductions at Hillside Aluminium, our indicator of potential material exposures &gt;100 per cent of the OEL increased overall. This was due to re-baselining of potential material exposures at Khutala and Worsley Alumina following a review of hygiene management practices. Exposure reduction measures were implemented as planned at Cerro Matoso and Wessels; however, their resulting exposure reduction could not be confirmed due to COVID-19 activity restrictions.</p> <p>Plans have been developed to reduce potential exposures in FY21, with projects identified at Cerro Matoso, Hillside and Mozal.</p>
<b>People</b>	
Meet our measurable objectives to increase representation of employees and leaders who are women.	<p>Overall representation of women increased by one per cent across our business year-on-year to 19 per cent.</p> <p>Representation of women on our Board was 37.5 per cent and in our Lead Team was 44 per cent, consistent with our target.</p> <p>Representation of women in our Senior Leadership Team remained stable at 36 per cent, below our target of 40 per cent.</p> <p>Representation of women in our Operational Leadership Teams remained stable at 18 per cent, under our target of 20 per cent.</p>
Meet our measurable objectives for representation of Black People <sup>(1)</sup> in our South African workforce and leadership.	<p>Representation of Black People in our workforce and management in South Africa is 83 per cent and did not meet our target, but increased by one per cent compared to FY19.</p> <p>Overall, 92 per cent of new hires were Black People.</p>
A two per cent increase in employee engagement against the FY19 baseline.	We conducted our annual survey to measure employee engagement, however it was impacted by the COVID-19 response, and analysis of the findings was delayed and simplified. The overall results indicate that engagement has remained stable at 60 per cent, which did not meet our target of a two per cent increase against the FY19 baseline.

(1) As defined in the Broad-Based Black Economic Empowerment Amendment Act 2013 (South Africa).