

## 1. RISK MANAGEMENT POLICY

- 1.1 This Policy sets out the overall approach to risk management of South32 Limited (the **Company**) and its subsidiaries (the **Group**). It applies to all directors, employees and contractors of the Group.
- 1.2 This Policy has been adopted by the Group in recognition that:
- (a) the identification, evaluation and management of risk is fundamental to maximising the value of our business and informing its strategic direction;
  - (b) by understanding and managing risk, the Company provides greater certainty and confidence for all stakeholders; and
  - (c) successful risk management can be a source of competitive advantage.
- 1.3 Risk is inherent in our business and the effective management of risk is vital to the growth and success of the Group.
- 1.4 The key objectives of this Policy are to:
- (a) ensure the strategic direction of the Group is appropriate in light of the economic, social, political, legal and regulatory environments in which the Group's businesses operate;
  - (b) provide a means of identifying priorities (in terms of relative risk levels) and allocating resources effectively and efficiently;
  - (c) provide a means of demonstrating due diligence in discharging legal and regulatory obligations and meeting the expectations and standards of external stakeholders; and
  - (d) provide a means to maximise the value from assets, projects and other business opportunities and to assist in encouraging enterprise and innovation, with a view to enhancing the value of shareholders' investments.

## 2. APPROACH TO RISK MANAGEMENT

- 2.1 The Company's risks are viewed and managed on a Group-wide basis.
- 2.2 In meeting the key objectives, the Company implements our risk management framework, which is aligned to the principles of the International Standard for Risk Management AS/NZS ISO 31000:2018.
- 2.3 Our **risk management framework**, which is delivered through our system of risk management, incorporates the following activities:
- (a) identifying the potential for impacts on the achievement of the Group's purpose and business plans through risk assessments using approved materiality and tolerability criteria;
  - (b) conducting a risk assessment (risk identification, risk analysis, including the likelihood and impact assessment, and risk evaluation) for material risk issues;
  - (c) designing, implementing, operating and assessing risk controls to produce residual risks that are tolerable; and
  - (d) establishing performance standards for critical controls over material risks with supporting verification processes.
- 2.4 Risk issues across the Group are identified, analysed and assessed in a consistent manner.

## 3. RISK MANAGEMENT RESPONSIBILITIES

- 3.1 The Company applies the Three Lines operating model in relation to management of risk:
- (a) **First Line** is responsible for designing, implementing and executing processes and controls in order to manage risk;
  - (b) **Second Line** assists the first line in managing risk by monitoring and reporting on the conformance with the Group's requirements, and advising and guiding the development and improvement of fundamentals; and
  - (c) **Third Line**, the Company's internal Group Assurance function, provides independent and objective assurance over the Group's system of risk management and control.

3.2 Key responsibilities for risk management are shared across the Group:

| Function  | Responsibility   |
|---|--|
| Board   | <ul style="list-style-type: none"> <li>Reviewing, at least annually, the adequacy of the Group's risk management framework to gain assurance that it continues to be sound and that the Group is operating with due regard to the risk appetite developed by management and approved by the Board.</li> </ul>  |
| Risk and Audit Committee (RAC)                    | <ul style="list-style-type: none"> <li>Overseeing management's implementation of the risk management framework.</li> <li>Reviewing the effectiveness of the Group's systems of internal control and risk management to gain assurance that risks that are material to the achievement of the Group's corporate objectives, strategy and plans have been and will continue to be identified and managed.</li> <li>Reviewing any significant changes to material and strategic risks identified and managed by management (including new and emerging risks) and considering whether they remain within the risk appetite.</li> <li>Making recommendations to the Board in relation to statements to be included in corporate reporting concerning internal controls and risk management.</li> <li>Overseeing the effectiveness, independence and objectivity of the internal audit function, including approving the annual internal audit plan.</li> </ul> |
| Sustainability Committee                          | <ul style="list-style-type: none"> <li>Advising the RAC on material sustainability-related risks identified and managed in accordance with the system of risk management, and the outcomes of the evaluation of those risks.</li> <li>Reviewing and endorsing the sustainability section of the annual internal audit plan to the RAC.</li> <li>Reviewing and endorsing the scope of the external assurance for sustainability reporting to the RAC in accordance with the Group's Provision of Non-Audit Services Policy.</li> </ul>  |
| CEO (and South32 Lead Team / nominated employees) | <ul style="list-style-type: none"> <li>Implementing a system of internal controls and audits designed to identify and manage risks that are material to the achievement of the Group's strategy.</li> <li>Reviewing and managing the Company's material risks, including reputational issues.</li> <li>Ensuring standards and procedures are implemented and observed to maintain the effectiveness of systems of risk management and internal control and that there are appropriate processes for responding to incidents, risks and hazards in a timely manner.</li> <li>Reporting to the RAC and Sustainability Committee on health, safety, environment and community legal and regulatory requirements and risks that are material to the Group.</li> <li>Overseeing the Group's compliance with continuous disclosure requirements.</li> </ul>  |
| Group Risk and Assurance                          | <ul style="list-style-type: none"> <li>Collectively, designing and providing assurance of the South32 risk management framework: <ul style="list-style-type: none"> <li>Group Risk: designing and improving the effectiveness of the system of risk management; and</li> <li>Group Assurance: evaluating and identifying areas where management should improve the effectiveness of its risk management, control, compliance and governance processes.</li> </ul> </li> <li>The VP Group Risk &amp; Assurance presents to the RAC periodic reviews of the standards and practices adopted by the Group in relation to, amongst other things, the system of risk management, the internal audit program as a whole and the performance of the internal audit function.</li> <li>The VP Group Risk &amp; Assurance meets with the RAC on a periodic basis without the presence of management.</li> </ul>   |
| All employees and contractors                     | <ul style="list-style-type: none"> <li>Considering all forms of risk and risk tolerance in all decision making and what is best for the Group as a whole.</li> <li>Retaining ownership and responsibility for risk and risk management in their areas of accountability.</li> <li>Complying with the Group's risk management policies, standards and procedures.</li> <li>Documenting and reporting risk management deficiencies.</li> </ul>   |

## **4. RISK MANAGEMENT COMMUNICATION**

- 4.1 The Group's key risk management documents are made available to all employees and contractors on the Group's intranet.
- 4.2 Where appropriate or required by applicable governance standards, disclosure will be made, subject to prior Board approval, of:
- (a) strategic and material risks, including environmental and other sustainability risks, that could affect the Group's financial prospects for future years and, where such a risk relates to factors within management's control, how these factors will be managed;
  - (b) whether a review of the Group's risk management framework has taken place in relation to each reporting period, any insights gained from the review and any changes made as a result;
  - (c) the structure and role of the Group's internal audit function; and
  - (d) the Group's material exposure to environmental or social risks and how the Group manages or intends to manage those risks.

## **5. REVIEW OF RISK MANAGEMENT POLICY**

- 5.1 This Policy will be reviewed every two years, and revised and re-published where necessary, to ensure that it remains relevant and appropriate.