



HOW WE WORK

When we started our journey as South32 we knew that if done well and sustainably, developing natural resources can change people's lives for the better.

We are working together to create an inclusive workplace where we hold ourselves and each other to account by living our values of care, trust, togetherness and excellence. Our values govern how we act, work, speak to each other and how we evaluate our behaviour. They guide us and are part of every decision we make.



OUR PURPOSE

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.



THE VALUES THAT GUIDE US

CARE

We care about people, the communities we're part of and the world we depend on.

TOGETHERNESS

We value difference, listen and share, knowing that together we are better.

TRUST

We deliver on our commitments and rely on each other to do the right thing.

EXCELLENCE

We are courageous and challenge ourselves everyday to be the best in what matters.



THE WAY WE WORK

Together we will create an inclusive workplace where we hold ourselves and each other to account to demonstrate our values.

We ensure all work is well designed and reliably delivers safe outcomes, with a focus on continuously improving and learning.



HOW WE MAKE A DIFFERENCE



We all guarantee everyone goes home safe and well



We are meaningfully connected and believe in our purpose



Our operations run to their full potential and maximise return on investment



Our functions are lean and enable our operations to deliver their full potential



Technology and innovation is radically lifting our performance



We create value through our environmental and social leadership



We have optimised our portfolio and have multiple growth options with a bias to base metals

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South32 aligns to the International Council on Mining and Metals (ICMM) Sustainable Development Framework and we report our sustainability information in accordance with the Global Reporting Initiative (GRI) G4 'Core', including the GRI Mining and Metals Sector Disclosures. The GRI Navigator and Sustainability data tables are available on the South32 website at www.south32.net. KPMG has provided independent assurance on South32's sustainability information, as presented on South32's [website](http://www.south32.net).

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OUR BREAKTHROUGHS

This year we have introduced seven breakthroughs, which describe how we make a difference.

Our breakthroughs are our new business strategy, and enable us to focus on what is important, balance our priorities and ensure we are all aligned to deliver on our purpose. Our breakthroughs form the foundation of how we plan our business. While no breakthrough has more importance than another, safety sits at the top of the list of seven as it is at the forefront of everything we do. Our breakthroughs bring us together as one South32 to create long-term value for all.

Breakthrough



We all guarantee everyone goes home safe and well



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Our operations run to their full potential and maximise return on investment



Our functions are lean and enable our operations to deliver their full potential

Breakthrough



Technology and innovation is radically shifting our performance



We create value through our environmental and social leadership



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PEOPLE

Our people are the foundation of our success and the key to ensuring our ongoing sustainability and productivity.

Together we will create an inclusive workplace where we hold ourselves and each other to account to demonstrate our values. We ensure all work is well designed and reliably delivers safe outcomes, with a focus on continuously improving and learning.

By making sure we have the right people in the right roles, and ensuring people are engaged, empowered and rewarded for behaviour that reflects our values and contributes to our success, we will create a workplace where all our people can perform to their full potential every day, to deliver exceptional business performance and sustainable outcomes.

Our policies and procedures guide how we attract, engage and develop talented people. They include our:

- Diversity and Inclusion Policy, which outlines our vision and commitment to ensure that our people reflect the communities where we work and that everyone has an equal opportunity for growth, development and job fulfilment
- Reward framework, which describes how we apply remuneration and benefits at all job levels across the business, ensuring consistency, transparency, recognition of diversity and alignment to the way we work
- Family care procedure, which provides industry-leading paid parental leave and a flexible transition to work
- Code of Business Conduct, which is founded on our values and defines the behaviours we expect from our people

SUSTAINABLE DEVELOPMENT GOALS



Our People programs support the Sustainable Development Goals

South32 supports the United Nations (UN) Sustainable Development Goals (SDGs). The United Nations 2030 Agenda for Sustainable Development defined 17 SDGs in September 2015 seeking to address the world's greatest challenges. The SDGs build on the work undertaken through the Millennium Development Goals, but have a greater focus on the involvement of the private sector. South32 plans align with achieving the SDGs. The key to a successful result is working together with our stakeholders to develop and implement actions that contribute to sustainable development.

OUR PEOPLE

EMPLOYMENT

We attract, retain and develop people from diverse backgrounds who share our values and want to make a difference through the work they do. Our recruitment processes focus on attracting diverse and talented people from the local communities where we work.

We are targeting gender balanced recruitment and increased recruitment of Black People⁽¹⁾ in South Africa. This year we had good results, particularly in entry level recruitment where women represented 46 per cent of our intake globally and Black People represented 93 per cent of our intake in South Africa. We are doing our part to create a talent-pipeline for women in Science, Technology, Engineering and Mathematics (STEM) roles through our Work Inspirations Program and support of CoderDojo workshops (see the *Innovative solutions for future work* case study on page 6).

(1) Black People refers to Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent (as more fully defined in the Broad-Based Black Economic Empowerment Amendment Act 2013 (South Africa)).



REMUNERATION AND BENEFITS

Investing in our people is important to us, as we recognise that work is a significant part of their lives. Our permanent employees receive benefits designed to encourage productivity, high performance and teamwork. These include:

- Salaries that are commensurate with the skills and experience required for each role
- Short-term incentive or bonus payments, paid in addition to base salary, in recognition of both Company performance and individual contribution
- Employee share plans which provide the opportunity for all our people to benefit from South32's success
- Flexible work arrangements

EMPLOYEE ENGAGEMENT

To measure employee engagement, we conduct regular surveys that provide feedback from our people on a range of topics deemed to be important to our performance and culture. Our topics in FY18 focused on safety and risk management, change management and diversity and inclusion.

The survey feedback shows that our people agree that safety and security are considered a high priority at South32. We also saw significant improvement in the engagement results for our people in Southern Africa. Our people told us that our leaders are doing well to address inappropriate behaviour in the workplace. However, we still have work to do in communicating our reasons for change within the business.

CASE STUDY



DIVERSITY IN ACTION

As part of our diversity initiative, we introduced a pilot Refugee Talent Program. In conjunction with Refugee Talent, a refugee recruitment agency, we have employed skilled refugees in areas where we have a short-term skills shortage.

The program focuses on recruiting talented people with diverse skills and experience, on their own merit, to fill business needs. At the same time, it can assist refugees to gain valuable local work experience and develop local relationships and networks, which are considered key barriers to employment.

The program aims to reframe the conversation around refugees from one of burden to opportunity, reducing inequalities.



As part of our pilot program, in FY18, two refugees (from Syria and Iran, respectively) commenced short-term contracts as analysts at South32.

DIVERSITY AND INCLUSION

We believe that a diverse and inclusive workplace will deliver benefits for our people and for our business.

INCLUSION

An inclusive workplace is where everyone feels comfortable to bring their whole self to work and where each person's unique differences are recognised, valued and celebrated. This approach helps us attract, develop and retain talent and ensure our people are engaged and empowered at work.

We have diversity targets that focus on gender and ethnicity. Introduced in 2015, the targets considered our starting point and the emerging trends in the jurisdictions where we have a presence. We exceeded our target for Board diversity in FY18 and have met our Lead Team target in early FY19. Progress against the remainder of our targets has been mostly positive as we continue to focus on these areas moving forward. The Board has direct oversight of our diversity targets and review these annually.

More information on our measurable objectives is available in the Diversity and Inclusion section of the Corporate Governance Statement available on our website at www.south32.net.

In addition to our targets, we have taken steps to address both the diversity and equity of our workforce. These include the redesign of work across our operations, encouraging female participation in STEM careers and training for our leaders in unconscious bias.

We also continue to promote the success of women in our workforce and maintain a focus on pay equity.

TRANSFORMATION

Transformation is central to our efforts to make a meaningful contribution to social and economic development in South Africa. As part of our commitment to ensuring that South32, at a minimum, meets the requirements of the Mining Charter, we have set measurable diversity targets and have committed to the following:

- Increasing the representation of Black People in the workforce and management roles
- Increasing the representation of women in management roles
- Upskilling our workforce in line with our skills plans
- Prioritising the recruitment of Black People within our local communities for learnership⁽²⁾ programs

(2) Learnership is a work-based learning program that leads to a National Quality Framework (NQF) registered qualification in South Africa.

PAY EQUITY

Our Board and our leaders take gender pay equity seriously. In August 2017, we became a Workplace Gender Equality Agency (WGEA) Pay Equity Ambassador, in recognition of our commitment to gender pay equity. Our ongoing initiatives in this area, including our annual review of pay equity, have resulted in significant progress towards closing the gap, with improvements across job categories where an imbalance has been identified.

CASE STUDY

WOMEN AT WORK

As part of the #beboldforchange campaign in 2017, we conducted a Women at Work Survey for our employees in Southern Africa. The aim of the survey was to determine a baseline for various issues deemed important by our female employees, or that caused stress in the workplace, and to provide a deeper level of insight into the barriers that our female employees encounter.

The survey focused on various subjects including perceived equality, sexual harassment, role models/mentors and pay equity. The results highlighted sexual harassment, safety and security and personal protective equipment as areas warranting intervention, particularly in our operations.

One of the most important findings was that a small percentage of respondents indicated that they had been subjected to sexual harassment at some point in

their career, with only half reporting the incident to the company to which they were employed. Of the women that reported this sexual harassment, less than half felt that they were adequately supported. These results are not acceptable.

Each operation's results have been provided to their management team and action plans have been created to address the key issues identified. Some of the immediate outcomes have been the development and introduction of a new Sexual Harassment procedure, identifying over 100 female role models at various levels within our African businesses, and the completion of a pay parity project specifically for our Southern African businesses. Further initiatives will continue to be developed and implemented, to ensure we continue to create a safe and inclusive workplace for all.



DEVELOPING OUR PEOPLE

The growth and development of our people is key to our future success. With the increasing pace of change in the workplace, we need to be agile and ensure our people are appropriately skilled to contribute to our future.

LEADERSHIP DEVELOPMENT

In FY18, our focus was on developing the capability of our leaders across the business. Our Leadership Capability Program sets the direction for leadership and development and aims to ensure our people in management and supervisory positions have the skills required to make a positive impact every day.

As part of the Program we have commenced leadership capability assessments to understand our leadership strengths and gaps. These assessments deliver individual development plans, focusing on the skills required to deliver our strategic goals.

PERFORMANCE AND DEVELOPMENT INITIATIVES

Our performance and development process is designed to enable each of us to fulfil our potential, learn, grow and to strive to be a little better each day. Our people receive coaching from their line manager through regular check-ins and can source feedback from their peers across the business.

Developing our talent pipeline remains a key priority for us. With a focus on entry level recruitment, we have the following programs and initiatives to support our people in the early stage of their careers:

- Graduate program, which focuses on building capability across a range of disciplines, ensuring participants achieve the technical, professional and personal competencies required to help them develop their career
- Traineeships, that provide local people with an opportunity to learn operational/technical skills through an accredited training program within our operations
- Mentor program, which leverages the knowledge, skills and experience of our leaders at all levels, building capability and deep functional expertise across the business

Our people are encouraged to develop their careers and seek both professional and personal growth opportunities. We support the continual development of our people and encourage membership of professional associations and further education.

We are currently developing a range of training programs tailored for our people which focus on safety and risk leadership, communications and engagement, coaching and leadership, diversity and inclusion, change management and individual and team effectiveness. Implementation is scheduled for FY19.





CASE STUDY



INNOVATIVE SOLUTIONS FOR FUTURE WORK

Technology is driving quantum change in the workplace that will increase automation and require new skills. To ensure that we have a workforce that is appropriately skilled in the future, we are preparing our business and recognise that we need to:

- Accelerate the reskilling of our own people
- Redesign our work to unlock human potential
- Strengthen the talent pipeline in relation to skills needed for the 'future of work', including working with primary, secondary and tertiary educational institutions
- Look for innovative and creative ways to fill skills gaps in our organisation and secure the best and brightest talent

To achieve this, some of the programs we have initiated are:

- Creating a training curriculum focused on upskilling our people in both agile and design-thinking work practices
- Developing digital solutions to improve our operational processes using people with a true understanding of our operations and the challenges faced daily

For example, at Worsley Alumina we developed a mobile app that provides employees with safety information, work orders, permits, and the ability to search and order parts whilst in the field.

Following the success of this pilot project, we will be implementing this app across the rest of our operations.

Our Technology function have also been working closely with our kiln operators and supervisors at Cerro Matoso to create a system which improves the operation of the kilns through predictive analytics. Kiln operators were trained and upskilled to use data analytics, draw insights and make data-driven decisions, resulting in a marked improvement in kiln efficiencies.

- Building the talent pipeline by developing skills needed for the 'future of work', such as partnering with CoderDojo in the Collie and Bunbury regions in Western Australia, to develop digital skills in the local communities close to our Worsley Alumina operations.

A CoderDojo is a community coding club that builds the digital literacy skills of young people, giving them time to explore, design and create in a digital landscape. The clubs also engage youth in STEM, ensuring that the next generation is equipped to take a leading role in the digital economy.

Following the success of the partnership, we have introduced 'Dojos' in our Perth and Johannesburg offices.

- Piloting an innovative approach to sourcing diverse talent to fill skills gaps in our organisation through our Refugee Talent Program (refer to the Diversity in action case study on page 3).

For further examples of how we are using technology to improve safety and performance, refer to the Health, Safety and Environment reports on our website at www.south32.net.



EMPLOYEE RELATIONS

All countries where we have a presence are members of the International Labour Organisation and promote the 'Declaration of Fundamental Principles and Rights at Work'. We have processes to assist compliance with all country-specific, labour-related legislation, including local legislation relating to notification of significant operational change that may affect our people. Where collective agreements specify further consultation obligations, these commitments are fulfilled.

We respect our employees' right to freedom of association, representation and to collectively bargain. Employee relations matters are managed by our leaders with support from Human Resources. Our engagement with employees and their representatives is in accordance with local legislation and consistent with our values and Code of Business Conduct.

WORKPLACE AGREEMENTS

Fifty-one per cent of our employees are engaged under collective bargaining agreements. The increase in percentage from previous years is due to a correction in employee data. During FY18, collective agreement negotiations were conducted at South Africa Energy Coal, Metalloys manganese smelter, Hillside aluminium smelter, Cannington and Illawarra Metallurgical Coal. Our negotiations are compliant with relevant legislation and aim to focus on outcomes which balance both business and employee interests.

The negotiations at our Hillside aluminium smelter reached deadlock during the year, resulting in 89 per cent of employees in the bargaining unit participating in a protected strike. The strike lasted 13 days, after which an agreement was reached.

Port Kembla Coal Terminal, which is managed by South32 on behalf of a consortium of equal shareholders, experienced protected industrial action during the year as a part of enterprise agreement re-negotiations. Following an application, the Fair Work Commission decided to terminate the agreement, which will take effect in FY19. At this stage, no agreement has been reached and negotiations continue.

THE WAY WE WORK

Aligned with our focus on a diverse and inclusive workplace, we hold ourselves and each other to account to demonstrate our values of care, trust, togetherness and excellence. We expect our people to treat others fairly, with respect and dignity and without discrimination. We are committed to providing a work environment free from harassment or any form of discrimination.

We encourage open communication on workplace issues through both direct internal and confidential reporting systems. When a breach of our Code of Business Conduct occurs, disciplinary and corrective actions are taken. For privacy reasons, we do not disclose specific information on these incidents. The effectiveness of our approach is monitored through employee-employer engagement and feedback. The Board also has oversight regarding breaches of our Code of Business Conduct.

We continually review and improve our investigation processes. We are committed to ongoing intervention to align employee behaviour to our values and the way we work.

CASE STUDY

ACCEPTABLE WORKPLACE BEHAVIOUR

We are committed to establishing a safe and inclusive work environment for everyone, free from inappropriate behaviour. We continue to build an inclusive workplace where we hold ourselves and each other to account and where our people are encouraged to speak up about issues or conduct that concerns them.

This year, we stood firm on this belief and gained media attention when the Fair Work Commission ruled that we were harsh when we dismissed an employee for what we considered to be inappropriate behaviour for our workplace.

Our Chief Executive Officer (CEO), Graham Kerr, took the opportunity to speak, via video, about the way we work

at South32. The video addressing all employees, was posted on our internal website and social media platforms. The message from our CEO was clear, "we will not tolerate any form of harassment or bullying. Our values support a culture where we treat people fairly and respectfully. We are working hard to create an inclusive workplace where everyone feels comfortable and safe at work, and can speak up without fear."

Our Code of Business Conduct (Code) sets out the behaviours that we expect from our people and from those working on behalf of South32. A copy of the Code can be found in the Corporate Governance section of our website at www.south32.net.



