



# 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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# 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



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

## Breakthrough



Technology and innovation is radically shifting 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





# COMMUNITIES AND SOCIETY

Our purpose is to make a difference by developing natural resources, improving people's lives now and for generations to come.

We acknowledge the importance of our social licence to operate, that it is earned and maintained on an ongoing basis and that trust in us is an outcome of the quality of our relationships with many stakeholders.

Each of our operations exist in a unique social context which has its own belief systems and communication norms. Navigating these unique and complex social systems can be challenging and requires a commitment to regular, open and honest dialogue and the ability to identify and work towards shared objectives.

We work with our communities and, where possible, in partnerships with regional government and local community organisations.

Our approach to working with our host communities is outlined in our internal standards, our Sustainability Policy and Code of Business Conduct. This includes our commitment to adhere to the United Nations Global Compact principles.

## SUSTAINABLE DEVELOPMENT GOALS



### Our work with Communities and Society contributes to 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 that seek 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. Our work and approach aligns with achieving the SDGs. In all areas where we operate, the key to a successful result is working together with other stakeholders to develop and implement actions that contribute to sustainable development.



# LOCAL COMMUNITIES

Due to the scale and nature of our business, we have a significant presence in the communities where we operate. This can provide benefits such as local employment and business development, infrastructure and facilities, but also potential impacts, including dust and noise. It is essential that we understand the socio-economic context in which we operate and work with our local communities to understand and manage the influence of our operations on them.

**Diagram 1 The cycle of building mutually beneficial relationships in communities**



## CASE STUDY



## TRANSFORMING LIVES AT MOZAL ALUMINIUM

At our Mozal Aluminium smelter in Mozambique, we have initiated a partnership which aims to challenge society's views on gender diversity in our industry, and help to increase representation of women in industrial roles which have traditionally been occupied by men.

We partnered with the Institute for Vocational Training, the International Youth Foundation (IYF) and Soico Television (Stv), a local television station, to equip 38 women, in 12 teams, with self-employment kits. The teams went on to form 12 small trade businesses that previously, women have not typically worked in Mozambique. Trades included plumbing, civil construction, refrigeration, carpentry, civil and mechanical metal working, amongst others.

As a key partner, Stv told the stories to the wider community, of the females who had participated in the program. Several South32 female employees participated as role models to encourage and inspire the candidates and community.

The second phase of the program involved granting bursaries to 20 women to undertake further study in engineering, 10 of whom were selected through the IYF from communities surrounding our Mozal Aluminium smelter. By creating a culture of diversity and inclusion we are aiming to provide opportunities for women to apply for work in industry or engineering jobs as a way of encouraging diversity and supporting the future of the local community.





# STAKEHOLDER ENGAGEMENT

We define stakeholders as people or groups who are potentially affected by our operations or who have an interest in, or influence on, what we do.

We have a stakeholder identification and analysis process which includes ongoing consultation mechanisms for engagement. We communicate and engage with our stakeholders openly, and have mechanisms in place to monitor where there may be changing societal expectations.

At a global level, we engage with our stakeholders during the year through our materiality process<sup>(1)</sup>, at investor meetings and at our Annual General Meeting. We publish information about our operations and planned activities on our website, as well as through our Annual Report, market announcements and conference speeches. Our detailed Stakeholder Engagement Plan can be found at Appendix 1.

(1) The materiality process refers to the identification and prioritisation of the sustainability issues that are most relevant to our organisation and making decisions on how to address them. A description of the full process in addition to results from the FY18 process can be found at [www.south32.net](http://www.south32.net).

## CASE STUDY



## COMMUNITY CONSULTATION AT CERRO MATOSO

At our Cerro Matoso operation in Colombia, our community team started engaging with the local community during the early stages of planning for the Planeta Rica Exploration Project.

Four small villages of approximately 1,000 people were identified as key stakeholders within the exploration area. Early, consistent and clear communication through presentations and project updates to local communities has been key to creating a foundation for a trusting relationship. Our community complaints process was presented to the local communities and, to date, no complaints relating to the project have been received.

Seven community-based organisations have visited the exploration site including local teachers and government, resulting in the implementation of a highly localised employment strategy. Of the 193 people currently working on the project, 127 are from the local community. Several community initiatives have also been undertaken in the area including the supply of materials for construction at the local school and improved infrastructure for water delivery. We will continue to work closely with the local communities at Planeta Rica, recognising the importance of their involvement in this project.



# INVESTING IN THE SUSTAINABILITY OF OUR COMMUNITIES

Our operations produce commodities that are used to make products that contribute to nearly every aspect of our daily lives.

Through our operations, we also contribute to local employment and procurement opportunities, as well as other community led initiatives.

We are committed to transparent reporting regarding the tax that we pay. In FY18, we paid US\$847.6 million in taxes, royalties and other payments, as reported in our FY18 Tax Transparency and Payments to Governments report available at [www.south32.net](http://www.south32.net).

We recognise that developing a clear understanding of the local community contexts in which we invest is not only common sense, but sound business sense. When the community projects we invest in perform well, our host communities prosper and this helps to promote stable and safe operating environments.

In FY18, we reviewed and updated our community investment framework. At a corporate level, the framework enables the creation of value for our business and society through a long-term outlook on strategic project development. Our operations will develop and maintain this long-term investment objective and, through engagement with the local community and understanding of the local operating context, identify further opportunities for investment.



## COMMUNITY INVESTMENT

During FY18 we invested US\$20.4 million<sup>(2)</sup> in host community initiatives and activities aligning to the UN Sustainable Development Goals of:



End poverty in all its forms everywhere



Ensure healthy lives and promote wellbeing for people of all ages



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Achieve gender equality and empower all women and girls



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

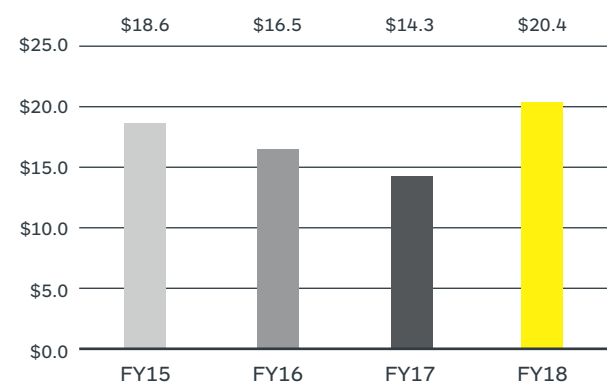


Make cities and human settlements inclusive, safe, resilient and sustainable.



Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss.

**Diagram 2 Community investment (US\$M)<sup>(2)</sup>**



Our community-related data and management approach is subject to both internal and external assurance processes. These processes assist us to evaluate the efficiency of our management approach and we use the findings to further improve existing systems. The Chief Financial Officer has accountability for Community including governance, with the Sustainability Committee of our Board providing oversight.

<sup>(2)</sup> Community investment consists of cash, in-kind support and administrative costs and includes donations and investment of funds in the broader community where the target beneficiaries are external to the Company. The amount accounts for actual expenditures in the reporting period, not commitments, prepared on an accruals basis and representing South32's equity share.



## CASE STUDY

## JUNIOR LANDCARE

We have partnered with Landcare Australia to engage community youth through hands-on, outdoor learning, helping to promote greater environmental awareness and responsibility. The South32 Junior Landcare Enhancing Habitat Grants Program was established in FY17 and executed in FY18 throughout schools in the Illawarra, Collie and Boddington areas. The program supports habitat restoration for Australia's native flora and fauna within school grounds or areas of ecological

interest relevant to the school or local context. Projects from 12 schools have included planning, constructing and installing nest boxes for threatened species, planting native species and bush tucker gardens, eradicating weeds and germinating and planting seedlings. Grants of up to AUD\$5,000 were awarded per school to provide equipment and resources and, in some instances, Landcare assisted in coordinating projects.



## SOCIAL LABOUR PLANS (SLPs)

In South Africa, our mining operations are required to have SLPs, and these form an important component of our community investments. Our SLPs include comprehensive human resource development programs, community development plans, housing and living condition plans and employment equity plans. The aim of the SLPs is to improve the social and economic circumstances of our local communities. SLPs are a prerequisite to securing and maintaining a mining right and we report on our progress annually.

## MATCHED GIVING AND EMPLOYEE VOLUNTEERING

The Australia Employee Matched Giving program continued to expand last year, partnering with Good2Give, a non-profit organisation. In FY18, employees contributed AUD\$118,006 which was matched by South32.

## CASE STUDY

## MOVING FORWARD IN SOUTH AFRICA

In South Africa, the unemployment rate is high and, combined with limited levels of local government service delivery, can lead to a feeling of disconnection between communities and operations.

The existing SLPs at South Africa Energy Coal (SAEC) provided an opportunity to deliver socio-economic improvement initiatives with a focus on improving local procurement.

A cross functional approach saw operation teams collaborate to increase procurement opportunities for local companies operated by Black People<sup>(3)</sup>.

This has resulted in the construction of housing for 250 families in the Phola and Rockdale townships. Working with the local business community and the local municipalities of Steve Tshwete and Emalahleni, we directly and indirectly, engaged with 12 contracting companies creating local employment and increased demand for goods and services from local suppliers.

<sup>(3)</sup> 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)).



## CASE STUDY



## FUTURE PLANNING AT GEMCO

Our Groote Eylandt Mining Company (GEMCO), is a manganese mining operation on Groote Eylandt, an island approximately 50 kilometres from the Northern Territory coastline in Australia. It is a joint venture which is operated by South32. Our GEMCO team is actively engaging with a broad range of stakeholders including the Anindilyakwa Land Council (ALC), local residents and representatives from State and Federal Government, to develop a shared vision for the long-term future of Groote Eylandt.

In FY18, an update to GEMCO's social baseline survey was undertaken to better understand the current socio-economic profile of Groote Eylandt's communities and GEMCO's contribution to it.

The joint Economic Development Committee (EDC) is a body formed between GEMCO and the ALC which fosters economic development opportunities on the

island. A study is being undertaken by the EDC to identify the necessary skills, training and employment opportunities associated with essential service provision and economic diversification on Groote Eylandt. The plan focuses on creating positive economic, social, cultural and community outcomes.

In addition, in FY18, GEMCO undertook a survey of its workforce to better understand what influences a worker's decision to remain residential or opt to fly in, fly out. The survey also looked at the contribution that residential families make more broadly to Groote Eylandt. This knowledge will help to inform GEMCO's future planning for the economic sustainability of the island and the service provision required based on the expected residential footprint.





# COMMUNITY COMPLAINTS AND GRIEVANCES

To address individual concerns, we have a complaints and grievance procedure at every operation.

This allows community members and other interested stakeholders to raise issues directly with our operations, including anonymously if they prefer. We respond to all complaints and grievances and aim to resolve any issue as soon as possible. We report all our recorded complaints and grievances.

We received 115 complaints in FY18, a two per cent reduction on the previous year. In FY17, most community complaints received across our operations were related to noise, and in FY18 this remained the same. We did however, experience a 44 per cent decrease in the total number of noise-related complaints that we received. Worsley Alumina had a 54 per cent decrease in noise-related complaints from 39 to 18, largely due to activity from our operations moving to more sparsely populated areas. Illawarra Metallurgical Coal received the greatest number of complaints primarily due to traffic management issues associated with the construction of a gas pipeline for our Appin mine. Complaints significantly decreased following completion of the project.

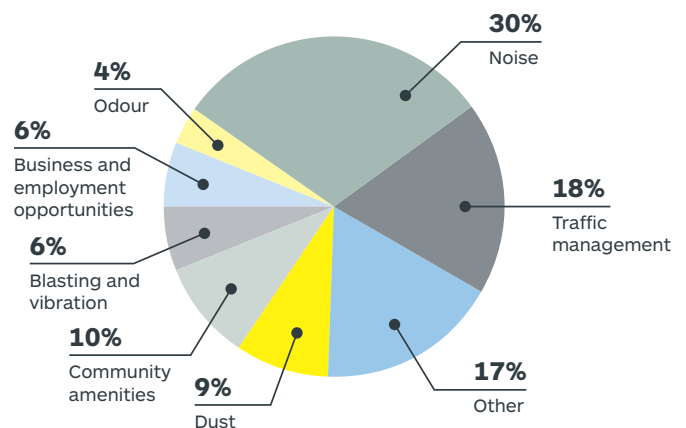
In FY18, we reviewed the complaints processes at our operations which identified some gaps between the approach to the complaints process and the accepted principles for an effective process.

To address these gaps, we developed internal guidelines to more fully align the local complaints processes with the Guiding Principles on Business and Human Rights, implementing the United Nations' Protect, Respect and Remedy Framework, specifically:

- Acknowledge, investigate and document all complaints
- Complete appropriate remedial action
- Communicate transparently with complainant
- Be readily accessible to all members of host communities

In FY18, we commenced implementing the guidelines and we will continue to assess their effectiveness.

**Diagram 3 Community complaints**



## SUPPORTING HEALTHY COMMUNITIES

We provide support and contributions to address health issues where they are prevalent in our wider community across our global operations.

For example, we are committed to helping reduce the occurrence of communicable diseases such as HIV/AIDS, TB and malaria in our local communities, as well as providing support for the treatment of other diseases such as Machado-Joseph Disease. Our operations collaborate with relevant government, non-government and community-based organisations to promote practices to help reduce disease.

We also implement programs that aim to mitigate any potential health impacts, which include managing dust, noise and waste.



## MANAGING COMMUNITY HEALTH AND THE ENVIRONMENT AT CERRO MATOSO

Throughout our operations globally, we remain committed to sustainability and responsible conduct. These are underpinned by our internal standards and our commitment to local law and regulations, as well as international guidelines and principles. We will always maintain a constructive dialogue with stakeholders and our partners to resolve issues.

As a company, we are committed to respecting human rights and ensure that our policies are aligned with key international frameworks such as those outlined on page 12 of this report. This includes conducting externally validated human rights impact assessments for operations where human rights risk is assessed as medium or higher.

### Community engagement

While the most recent human rights impact assessment at Cerro Matoso did not raise any concerns, it did identify opportunities for improvement that we are addressing. These include improvements to policies and standards relating to pregnant women and people with disabilities, improving community perception of health and environment activities and strengthening our grievance mechanisms.

We have also been implementing a social dialogue process with local communities, which is a key tool in helping us to understand the social, economic, cultural and political context of the operation.

We formally meet with community members at least once a month and regularly participate in the committees created by the communities. Every four months we meet at a Follow Up Committee with participation by officers of the Colombian Government, including representatives from the Health, Environment, Mines, Interior and Justice Ministries, Colombian Control Agencies, National Mining Agency, Ombudsman Office and the United Nations Human Rights Commission. This process has helped us to establish constructive long-term relationships with our stakeholders, using dialogue as a mechanism to resolve any differences.

### Legal issues

In 2013, indigenous communities filed four proceedings alleging health and environmental impacts as a result of Cerro Matoso's operations. These proceedings were ruled in favour of Cerro Matoso, including one case ruled by the Supreme Court of Colombia.

As part of an agreement reached in 2013 with the Colombian government and local communities, Cerro Matoso was to commission a comprehensive health and environment study. Regretfully, this study has not yet commenced as the engagement terms of reference have not been agreed upon.

In 2014, the Constitutional Court of Colombia (the Court) selected two of the previous lower court rulings for review. In December 2015, Cerro Matoso requested that the Court conduct an expert independent study to determine whether or not there was a direct causal relationship between the impacts alleged by the communities and our operations. The independent study showed that the incidence of health issues in the communities surrounding Cerro Matoso were consistent with that of the general population throughout the North Coast region of Colombia. The independent study was non-conclusive and could not establish a direct causal relationship.

Notwithstanding the independent study, in April 2018, we were notified of the Court decision which found in favour of the claimants and imposed certain orders on Cerro Matoso.

While respectful of the Colombian authorities, we disagree with the Court decision and are appealing the orders imposed on Cerro Matoso. Our appeal does not suspend the requirement to comply with the orders and consultation with local communities has commenced as we seek to reliably quantify the potential impact of the orders.

In FY18, Cerro Matoso was fined US\$398,474 by the Regional Environmental Authority (CVS) for alleged air pollution and related health impacts which occurred in August 2013. While we are required to pay the fine to the CVS, we have applied to the courts to have the fine annulled. Cerro Matoso operates in accordance with legislated air emissions requirements and our air quality monitoring systems are subject to periodic reviews to ensure that they remain fit for purpose and effective.

### Our aim

Our prime aim is to ensure the compliance of our operations with all relevant laws and standards, together with the health, safety and well-being of our employees and the communities where we operate.

We want our operations to make a positive, sustainable contribution to the social and economic development of countries and communities where we work.

# INDIGENOUS PEOPLES

**We recognise the traditional rights and values of Indigenous Peoples and respect their cultural heritage.**

We have implemented engagement programs consistent with the International Council on Mining and Metals (ICMM) Position Statement on Indigenous Peoples and Mining, which commits us to respecting rights, having appropriate and meaningful engagement, and working to obtain free, prior and informed consent. Our internal standards mandate that our operations have a process which, in line with legal and regulatory requirements, supports the preservation of cultural heritage. Some of our activities are located on or near the lands traditionally occupied by Indigenous Peoples and we provide cultural awareness and competency training for relevant employees.

## RECONCILIATION IN AUSTRALIA

We are committed to reconciliation as it applies in the Australian context for Aboriginal and Torres Strait Islander Peoples and non-Indigenous Australians. In FY18, we developed a formal Reconciliation Action Plan (RAP) with the intent to cultivate meaningful and sustainable relationships with, and opportunities for, Aboriginal and Torres Strait Islander peoples. Our RAP has been formally endorsed by Reconciliation Australia. We believe that recognition and celebration of Aboriginal and Torres Strait Islander culture and achievement can contribute to the development of these relationships. The RAP includes steps to identify and remove any barriers to Aboriginal and Torres Strait Islander employment and business engagement. This signifies a meaningful and strategic step forward in our approach to working within communities in Australia.



# HUMAN RIGHTS

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## RESPECTING HUMAN RIGHTS

We work to create positive social impacts by mitigating human rights related risks, leading improvements and promoting respect for human rights across our operations and beyond.

Our policies are guided by international human rights principles set out in the Universal Declaration of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the 10 United Nations Global Compact principles, the United Nations Guiding Principles on Business and Human Rights, the United Nations Voluntary Principles on Security and Human Rights (VPSHR) and ICM's Sustainable Development Framework.

We clearly define our commitment to conduct business in a manner consistent with these human rights principles within our company-wide Sustainability Policy, Code of Business Conduct, Sustainability and Business Conduct Requirements for Suppliers and our internal standards.

We put these policies into practice through an integrated set of activities. We set appropriate labour conditions in our workplace in line with national laws and appropriate ILO conventions, and manage the activities of our security teams in line with the VPSHR. Our internal standards state our commitment regarding community resettlement which must be undertaken in accordance with the International Finance Corporation Performance Standard 5: Land Acquisition and Involuntary Resettlement. We conduct human rights impact assessments and supply chain due diligence programs.

In addition to complaints and grievances mechanisms at every operation, we make available EthicsPoint, an independent external platform for employees, contractors and the community to anonymously report concerns regarding potential breaches of our Code of Business Conduct, including concerns related to modern slavery. Further information on grievance mechanisms is in our Modern Slavery Statement, which can be found at [www.south32.net](http://www.south32.net).

In FY18, we formally recognised the human right to access water (more information can be found in our Environment report at [www.south32.net](http://www.south32.net)) and piloted our first Refugee Talent Program (more information can be found in our People report at [www.south32.net](http://www.south32.net)).

## ASSESSING OUR HUMAN RIGHTS IMPACTS

In line with the United Nations Guiding Principles on Business and Human Rights, our internal standards require our operations to conduct human rights impact assessments. We do this so that we appropriately identify, prevent and mitigate potential adverse human rights impacts from our operations.

We use a tool to define the human rights risks for each of our operations, based on country location. At our South Africa, Mozambique and Colombia operations, human rights risk is assessed as medium or higher, and we complete a human rights impact assessment at these locations which is reviewed annually and externally validated every three years by an independent provider. At our Australian operations, human rights risk is assessed as lower, and our internal standards require us to complete, review and update a human rights self-assessment annually.

These assessments include internal and external stakeholder assessments of our human rights practices and the extent to which our company policies, procedures and practices respond to international human rights governance standards. Should impacts be identified, we develop and implement appropriate remedial actions and controls.



## HUMAN RIGHTS IN OUR SUPPLY CHAIN

Modern slavery is fundamentally unacceptable within our company and supply chain, and combatting it is an important element of our overall approach to business and human rights. With an estimated 40 million men, women and children living in modern slavery today, it affects almost every sector, region and company and it is difficult to determine if any supply chain is slavery free<sup>(4)</sup>.

In FY18, South32 made payments to more than 5,600 active, first tier suppliers headquartered in over 40 countries. As a values-driven company that respects fundamental human rights, we recognise the important role we can play in addressing modern slavery within our sphere of influence. In FY16, we voluntarily published our first Modern Slavery Statement under section 54 of the United Kingdom (UK) Modern Slavery Act 2015. Our subsequent statements have built on the depth of our previous modern slavery work and can be found at [www.south32.net](http://www.south32.net).

In FY18, we partnered with our suppliers to conduct our first independent, in-person supplier audits, specifically targeting potential modern slavery. This advanced due diligence led to increased transparency in our shared supply chains and we continue to work in partnership

### WHAT IS MODERN SLAVERY?

'Freedom from slavery' is one of the 30 basic rights and freedoms that the United Nations Declaration of Human Rights defines as applying to everyone. Modern slavery refers to situations where one person takes away another person's freedom so that they can be exploited. We use the UK Modern Slavery Act 2015's definition of 'modern slavery' which is an umbrella term, encompassing the offences of slavery, servitude, forced or compulsory labour, and human trafficking.

with our suppliers to build capacity around modern slavery risks. We also actively participated in consultations on the establishment of a Modern Slavery Act in Australia.

We will continue to test the effectiveness of our approach, enhancing our actions and responses as we work towards best practice and helping to drive meaningful change for the individuals most affected by the practices of modern slavery.

(4) Global Estimates of Modern Slavery: International Labour Office and Walk Free Foundation, Geneva 2017.



# TRANSFORMATION IN SOUTH AFRICA

In South Africa, we have embarked on a transformation<sup>(5)</sup> journey that is guided by the legislated Broad-Based Black Economic Empowerment (B-BBEE) measurement framework.

The transformation imperative is fully aligned to our company purpose; to make a difference by developing natural resources, improving people's lives now and for generations to come.

We continue to seek opportunities we can leverage to build a transformed business. We focus on local procurement that creates competitiveness and transformation, captures economic value and presents opportunities to expand economic growth. It allows for creation of jobs and widens our scope for market access to South African capital goods and services. In FY18, in support of our transformation initiatives, we spent over US\$11.2 million on the development of suppliers through our enterprise and supplier development programs.

We believe our workplaces should reflect the communities in which they are located. We have targets for year-on-year improvements in demographic representation across all levels of management in our operations in South Africa. The representation of Black employees across our South Africa operations is 72 per cent of our junior management, 59 per cent of middle management and 52 per cent of senior management. We are working to further improve representation across all levels.

During FY18 in South Africa, on average across our operations, we invested 4.46 per cent of our annual South Africa payroll in essential skills development

activities. We have spent over US\$15 million on mine community development projects across all our mines and operations in South Africa.

## SOUTH AFRICA ENERGY COAL

In South Africa, our transformation goals align with our commitment to the National Transformation Agenda.

In November 2017, we announced our intention to manage SAEC as a stand-alone business in order to improve the operation's competitiveness and ensure its ongoing sustainability. We are well advanced in our implementation of this important strategic initiative, having appointed a separate leadership team with its own governance framework. We also approved a 4.3 billion South African rand<sup>(6)</sup> investment to extend the life of the Klipspruit colliery by at least 20 years and have commenced a process to broaden SAEC's ownership, consistent with our commitments to further transform the operation. This will present further opportunities for B-BBEE entities, employees and communities.

## THE MINING CHARTER

In South Africa, changes to the Mining Charter remain in progress. As direction becomes clearer under South African leadership, and the Mining Charter is finalised, we will be in a better position to communicate further to stakeholders regarding any potential impacts that a new Mining Charter will have to our business.

(5) Transformation in South Africa refers to change that allows Black people as defined to participate meaningfully into the main streams of the economy, by ways of owning, managing and controlling productive assets.

(6) Refer to the market announcement "South32 approves Klipspruit Life Extension Project" dated 27 November 2017.

### CASE STUDY

## CREATING OPPORTUNITY IN SOUTH AFRICA

In FY18, we awarded two, 100 per cent Black female-owned suppliers, three-year contracts to undertake regular maintenance work on our conveyor belt at our Wolvekrans Middelburg Complex. More than 85 per cent of existing employees transitioned from the previous contractor to the new suppliers in support of job preservation and to sustain business continuity.

As part of our onboarding process, we provided several supplier development initiatives for the businesses including:

- Business, legal and technical assessments (including business and technical mentorship to address identified gaps)
- Human resources and legal compliance workshops and support
- Sponsorship of health, safety and risk training
- Financing support through grant funding for employee transportation to/from and on site

We continue to seek out transformation opportunities which support local, community-based business and the safe delivery of services at our operations.



# SECURITY PRACTICES

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The nature of our operations means that we have equipment and supplies which can be a target for criminal activity.

In FY18, crime has had an impact at some of our operations including the theft of copper cables at our Worsley Alumina refinery.

To protect our people and assets, we engage dedicated and professionally trained security teams. Our Africa based private security providers must meet the requirements of the International Code of Conduct for Private Security Providers. Globally, all our private security providers must operate consistently with the Voluntary Principles on Security and Human Rights (VPSHR), to which we adhere. Security service provider VPSHR training is a contractual requirement and we verify training through our internal governance processes to ensure that it is effective. Our Crisis Emergency Management procedure includes a requirement to document the communication of our VPSHR commitment to local police or relevant authorities prior to any community unrest events which may occur.

In FY18, we developed new asset protection management standards for our Africa based operations. These new internal standards acknowledge the importance of developing and maintaining good community relations as a part of successful security risk management through cross functional collaboration. Since the introduction of these internal standards, we have seen a 65 per cent reduction in crime incidents across our African operations.

# TRANSPARENCY

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We support and are committed to the transparent disclosure of taxes, royalties and fees so that people can understand how our company contributes to the economies in which we operate. We go beyond compliance and voluntarily report via several frameworks as part of this commitment. We comply with all transparency requirements relating to our operations, which currently includes Chapter 10 of the European Union Accounting Directive as well as the Australian Voluntary Tax Transparency Code and the Global Reporting Initiative (GRI) requirements. We also support the Extractive Industries Transparency Initiative (EITI) and provide financial contribution to the EITI through our membership of the ICMM. We include all payments to governments in our Tax Transparency report, which is published on our website. A full list of South32 subsidiaries, including their country of tax residency can be found in note 28 to the financial statements on page 146 of the 2018 Annual Report.





# APPENDIX 1: OUR STAKEHOLDER ENGAGEMENT PLAN

Stakeholder	Why we engage	How we engage
<b>Business partners</b> Joint venture partners.	We engage our joint venture partners to ensure risks are being adequately managed, appropriate governance mechanisms are in place and that value is delivered for shareholders.	Joint Venture Boards and Committee meetings, Joint Venture operational review calls and assurance audits.
<b>Community-based organisations</b> Not-for-profit organisations at the community level.	We maintain regular contact with local environmental groups and community-benefit organisations and charities to understand their interests or concerns about our current operations and planned activities, so we can work to solve these together.	Group meetings and briefings, one-on-one meetings, newsletters, phone calls and general correspondence.
<b>Customers</b> Companies that buy our products.	We are committed to reliable product supply including volume, quality, cost and delivery. Our commodity memberships allow us to be a part of lifecycle assessments.	We closely engage with our customers on all issues, including ensuring that our products are used in the most efficient way. We also participate in a number of product stewardship initiatives.
<b>Employees and contractors</b> People that work for us.	We recognise the value of our people and the importance of timely, topical and regular engagement. With a well-informed and engaged workforce, the business is best placed to achieve its strategy.	Our preference is for face-to-face engagement with our people. This is not always possible, so we use a number of communications channels. This includes meetings, videos, toolbox talks, newsletters, forums, presentations, and web-based forums including SharePoint and Yammer.
<b>Governments and regulators</b> At local, national and international levels.	We rely on a high level of public policy certainty to make commercial and operational decisions, in order to develop mineral resources with a minimum of risk. We build and maintain positive relationships to ensure governments and regulators understand policy and regulatory impacts on the business.	Engagement with government and regulators is wide-ranging, depending on the local context and issue. We engage through face-to-face dialogue, emails, submissions, telephone calls and mail correspondence.
<b>Industry peers and associations</b> Associations of shared interest groups.	Membership of key industry associations supports South32 in continuous improvement. Shared knowledge with a diverse range of parties works to increase our performance.	Through participation in meetings, working groups, committees and policy feedback processes. We are also a member of the International Council on Mining and Metals to develop guidelines, standards and programs to share best practice within the mining sector.
<b>Investment community</b> Including Environment, Social and Governance (ESG) analysts, shareholders, debt and equity analysts.	Our Lead Team present our performance, strategy, operations and prospects to shareholders and potential investors, in accordance with securities law, to achieve fair valuation of South32 securities in the equity markets.	We present on matters, including performance metrics, in a timely manner.  We answer shareholder and investor requests (phone, email and face-to-face discussions).  We engage with the investor community annually through engagements such as roadshows or conference calls, including Key Management Personnel or Board members, as required.
<b>Labour unions</b> Employees and contractors are represented by unions at many of our operations.	We engage with labour unions to discuss various aspects of workers' rights and interests.	We connect with employee representatives and representative groups via telephone conversations, face-to-face meetings, negotiations, letters and emails.
<b>Local and Indigenous communities</b> Local communities, including indigenous groups, that have interests and concerns in relation to our operations.	We recognise our operations can have both a positive and negative impact on our communities.  We support employment and community practices that empower people to make choices and have control over their process of development as it affects their lives, beliefs, institutions, well-being and the lands they occupy or otherwise use.	Our engagements vary depending on the location of the operation and the stakeholder, in accordance with the Stakeholder Engagement Plan. Engagements typically include face-to-face meetings, community consultative committees and forums, operational open days, newsletters, web-based information, telephone conversations and site visits. We also take part in community activities and engage through various community initiatives.
<b>Media</b> Print, online, broadcast and social media.	We acknowledge the role the media plays as a source of information about our operations and planned activities. We engage regularly with print, online, broadcast and social media to ensure our information is offered in balance to other information.	Engagement with media is carried out via telephone discussions, face-to-face meetings, news releases, briefings, presentations, site visits, web-based information and web-broadcasts.
<b>Non-government organisations (NGOs)</b> Organisations that hold specific interests in environmental, social and human rights issues.	NGOs are interested in specific issues relevant to their group, such as human rights (including health and safety), environmental issues or transparency.	We monitor NGO campaigns and seek to engage with groups at local, national and international level, where relevant.
<b>Society partners</b> Public or private organisations that we partner with on specific projects that have a societal benefit.	To ensure that we and our partners operate in a way consistent with values and performance.	We engage with potential partners through the project process and through regular project updates.
<b>Suppliers</b> Large and small business that we procure items from.	We require surety in supply of the various products we purchase, as well as understanding the supply chain we are purchasing from.	The various responsible entities for procurement will engage suppliers regularly through contractual agreements and performance reviews, and according to our internal standards and ongoing updates.

