



TAX TRANSPARENCY AND PAYMENTS TO GOVERNMENTS REPORT 2023

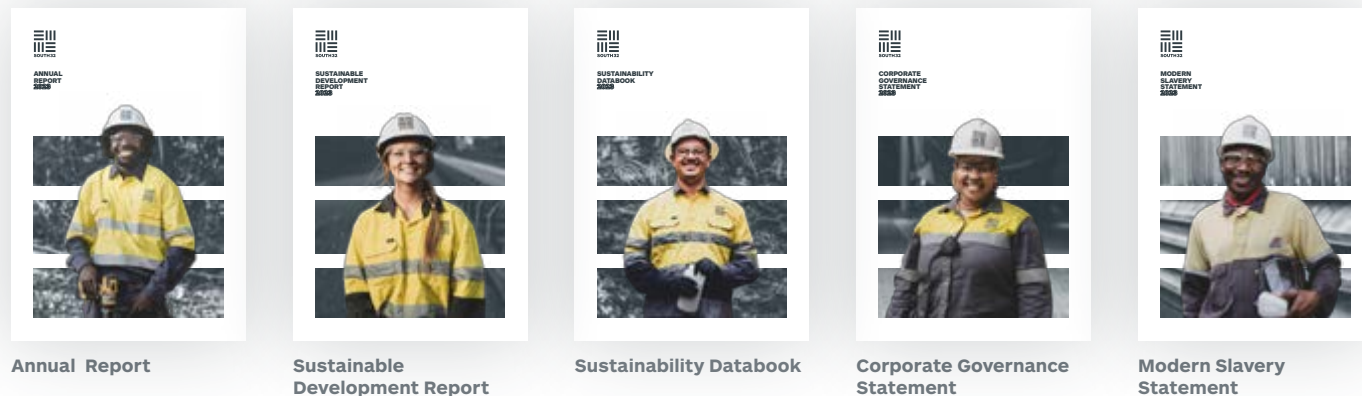


ABOUT THIS REPORT

Tax Transparency and Payments to Governments Report 2023

This report is about our approach to tax and how we conduct our tax arrangements globally and the size of tax payments and contributions to governments we made for the year ended 30 June 2023.

Our 2023 Annual Reporting Suite



+ You can view all the documents in our Annual Reporting Suite at www.south32.net

Disclaimer

This report also refers to commodities 'we produce' and commodities in 'our portfolio', which include commodities such as bauxite, alumina, aluminium and copper that may form part of, or be produced by, joint arrangements that are not operated by South32. References in this report to 'our operations', or commodities 'we produce' or in 'our portfolio', should be read in this context.

Non-IFRS

This report includes non-IFRS financial measures, including underlying measures of earnings, effective tax rate, returns on invested capital, cash flow and net cash/(debt). Non-IFRS measures should not be considered as alternatives to an IFRS measure of profitability, financial performance or liquidity. For an explanation of how South32 uses non-IFRS measures, see page 38 of Annual Report.

Cover: A geologist at Cannington in Australia.

Right: Local farmers from Maputo province in Mozambique.

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Acknowledgement

We acknowledge and pay our respects to the Indigenous, Traditional and Tribal Peoples of the lands, waters and territories 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, Traditional and Tribal Peoples have to the lands, waters and territories, 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 so that their legacy continues and extends to future generations.



SOUTH32 IS A GLOBALLY DIVERSIFIED MINING AND METALS COMPANY

We produce commodities including bauxite, alumina, aluminium, copper, silver, lead, zinc, nickel, metallurgical coal and manganese from 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.

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.

Our strategy

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



OPTIMISE



UNLOCK



IDENTIFY

+ Learn more about Our strategy in action in our Annual Report at www.south32.net.

Our values

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

CARE TRUST TOGETHERNESS EXCELLENCE

+ Learn more about our values at www.south32.net.



OPERATING TRANSPARENTLY AND ETHICALLY

We care about the communities in which we operate and seek to create shared value through the development of natural resources.

Publishing an annual Tax Transparency and Payments to Governments Report allows us to demonstrate our tax affairs are conducted in accordance with our commitment to ethical business practices.

We believe tax transparency helps build community confidence about the value created from resource development. We support initiatives that require companies to publicly share relevant data, including payments made to governments and communities. More details about our social investment program can be found in our Sustainable Development Report at www.south32.net.

In the year ended 30 June 2023 the Group had an Underlying Effective Tax Rate (ETR) of 36.1 per cent. This is in line with the corporate tax rates of the jurisdictions in which we operate.

Our Underlying earnings and Underlying ETR include our manganese operations and the Sierra Gorda copper mine's results on a proportionally consolidated basis.

The Group's statutory results report our interest in these operations as well as our non-material equity accounted investments in the Mineração Rio do Norte (MRN) bauxite mine in Brazil and Port Kembla Coal Terminal (PKCT) in New South Wales, Australia. Profit from equity accounted investments is reflected in the Group's statutory results on an after-tax basis.

The Group's statutory tax expense was higher than its statutory profit before tax. This unusual result was due to no tax benefit being recognised for a non-cash impairment of the Taylor Deposit at our Hermosa project⁽¹⁾. Details of how the tax expense and ETR have been calculated can be found on page 12.

We paid US\$1,470 million in taxes and royalties in the year ended 30 June 2023, an increase of

US\$23 million compared to the prior year. We had increased payments despite reduced profitability of the Group due to the payment of pre-acquisition Dutch taxes associated with the purchase of an interest in Sierra Gorda and the payment to extend the term of our Colombian mining agreement to 2044. Details of payments made in relation to the current and preceding year can be found on page 14.

This report outlines:

- Our globally consistent approach to tax;
- Our tax payments to governments on a country-by-country and project-by-project basis;
- An explanation of our accounting income tax expense; and
- A summary of our international related party dealings.

Our report meets the requirements of the following tax transparency measures:

- United Kingdom's (UK) Report on Payments to Governments Regulations 2014 (UK Regulations), including the tax strategy reporting requirement;
- Chapter 10 of the European Union (EU) Accounting Directive;
- Disclosure of tax information in line with the Australian Board of Taxation's Voluntary Tax Transparency Code for increased public disclosure of tax information;
- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, including GRI 207;
- Extractive Industries Transparency Initiative (EITI) reporting; and
- ICMM Social and Economic Reporting Framework and Guidance Indicator 1.

Providing information which meets the requirements of these disclosure initiatives, some of which are voluntary, demonstrates that we are providing tax transparency beyond the mandatory legislative requirements applicable to our operations.

Details on how we comply with EITI expectations and GRI 207 are provided on page 24.

We support the EITI and its objectives. We provide a financial contribution to the EITI through our membership of the ICMM. This membership supports the EITI's ongoing activities of promoting open and accountable management of mineral resource wealth. The EITI has recently confirmed South32 meets all its expectations of supporting companies.

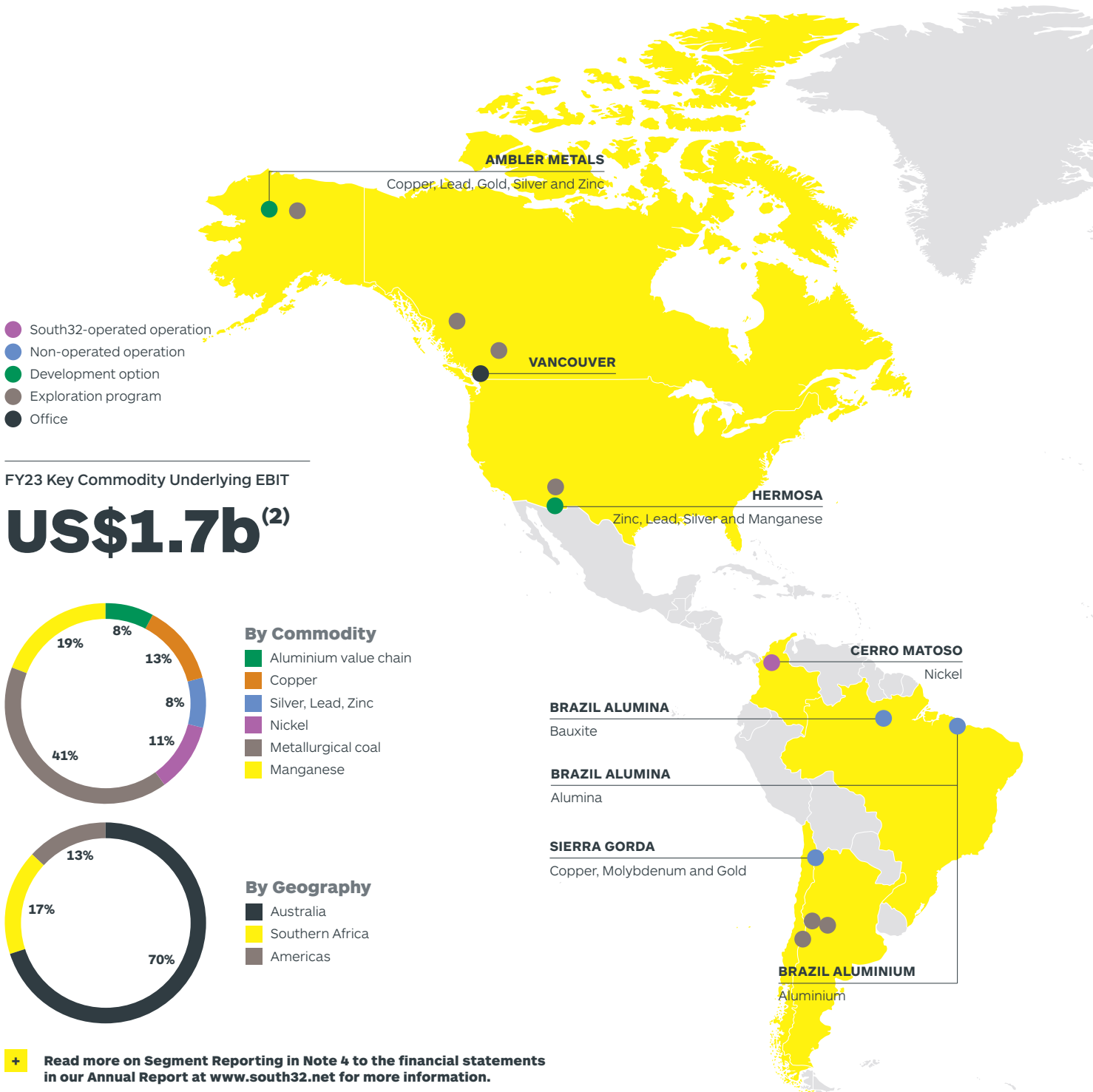
We also support the EITI's continued efforts for beneficial ownership transparency and publicly disclose contracts and licences for the exploration and development of minerals and other natural resources as outlined in the EITI standard. While most of our mineral developments are in jurisdictions where licences are issued pursuant to legislation, we have two government mineral development contracts and one non mining government contract related to the Mozal Aluminium smelter. These contracts are publicly available, and more details are provided on page 23. Our beneficial ownership is disclosed in our Sustainability Databook at www.south32.net.

A description of technical terms used in this report and information regarding the approach adopted in compiling the data presented can be found in the Basis of Preparation and the Glossary (refer to pages 25 and 26). We have also included extensive footnotes with explanations/reconciliations to help readers understand how the numbers quoted in this report reconcile to our 2023 Annual Report.

An independent audit report which provides assurance on total payments made by country and level of government and total payments to government by project has been provided by KPMG (refer to page 27).

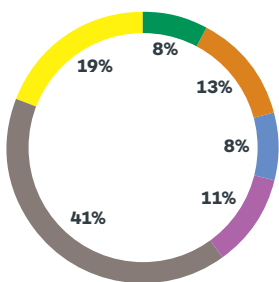
(1) Details of the Taylor Deposit non-cash impairment can be found in the 'Hermosa Project Non-Cash Impairment' exchange release and our Annual Report at www.south32.net.

A DIVERSIFIED PORTFOLIO WITH A BIAS TO BASE METALS



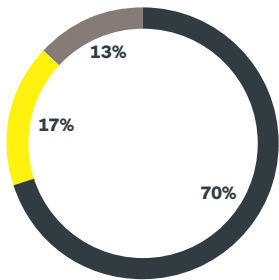
FY23 Key Commodity Underlying EBIT

US\$1.7b⁽²⁾



By Commodity

- Aluminium value chain
- Copper
- Silver, Lead, Zinc
- Nickel
- Metallurgical coal
- Manganese



By Geography

- Australia
- Southern Africa
- Americas

+ Read more on Segment Reporting in Note 4 to the financial statements in our Annual Report at www.south32.net for more information.

(2) Presented on a proportional consolidation basis and excludes manganese alloys (-US\$6 million), Hermosa (-US\$19 million), and Group and unallocated costs (-US\$50 million).

Our commodities

Aluminium value chain

Our integrated aluminium value chain consists of high-quality bauxite resources, large alumina refineries and the two largest aluminium smelters in Africa.

Copper

We have an interest in a conventional open-cut copper mine in the prolific Antofagasta region in Chile, producing a commodity critical to a low-carbon world.

Silver, Lead, Zinc

We are one of the world's largest producers of silver and lead from one of our Australian operations that also produces zinc.

Nickel

We are one of the world's largest ferronickel producers with the potential to produce intermediary nickel products for electric vehicle markets.

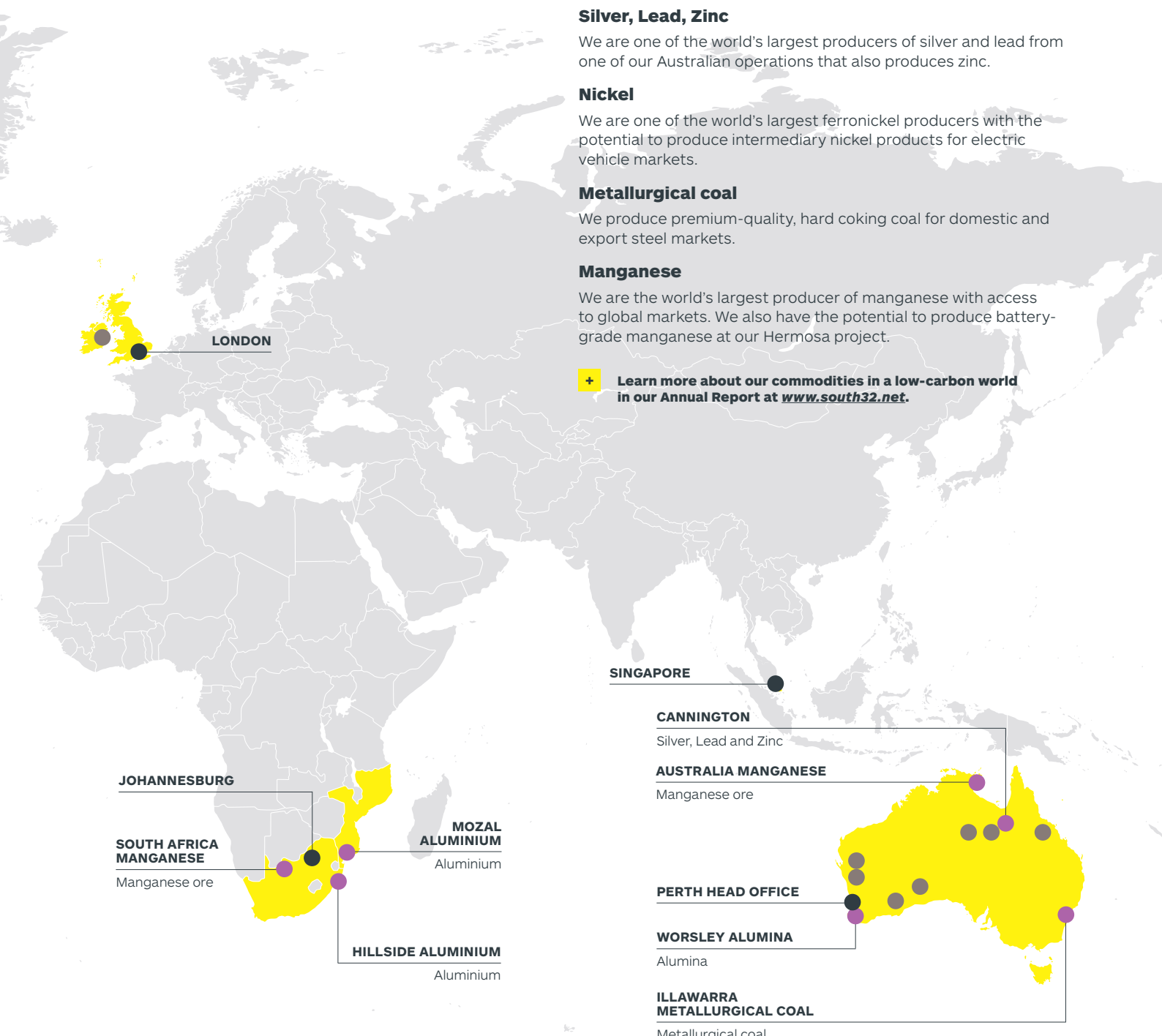
Metallurgical coal

We produce premium-quality, hard coking coal for domestic and export steel markets.

Manganese

We are the world's largest producer of manganese with access to global markets. We also have the potential to produce battery-grade manganese at our Hermosa project.

+ Learn more about our commodities in a low-carbon world in our Annual Report at www.south32.net.



MANAGING TAX IN ACCORDANCE WITH OUR PURPOSE AND VALUES

All tax-related decisions are made in accordance with our purpose and our values and are consistent across all jurisdictions.

To enable appropriate supervision of tax matters by our Board, tax is a regular agenda item for Board Risk and Audit Committee meetings.

Our Board and Chief Executive Officer (CEO), as part of an annual review of tax governance, have affirmed the following principles of our approach to tax in all jurisdictions:

- Complying with all applicable laws, regulations, disclosure requirements, the accurate payment of taxes and timely lodgement of returns;
- Building and maintaining constructive relationships with revenue authorities, government bodies and all other relevant parties;
- Taking decisions at an appropriate level, supported by comprehensive documentation;
- Confirming that technical filing positions include robust risk assessment with appropriate risk mitigation activities (for example, professional opinions, appropriate disclosure);
- Supporting tax positions taken with evidence, so they can be substantiated if reviewed by a revenue authority;
- Immediate voluntary reporting of any detected errors/omissions to all relevant revenue authorities; and
- Complying with all our Group and tax specific controls and maintaining evidence of their operation.



Tax governance

We only allow tax decisions to be made by the Board, CEO, Chief Financial Officer and Vice President Tax and Treasury. We have globally consistent authority levels required for tax decisions and approvals. These authorities are based on risk assessments which are consistent with broader business approvals and the risk tolerance levels applied to other decisions in our business.



These requirements are captured in our internal tax management framework (which is applicable to all tax employees) and our internal tax standard (which is applicable to all employees).

Tax governance and the processes and controls in place to manage our tax risks have been designed considering best practice and are in line with the Australian Taxation Office (ATO) Tax Risk Management and Governance Review Guide, UK Senior Accounting Officer guidance and the UK Regulations regarding tax strategy reporting requirements. The operation of these governance processes and controls is contemporaneously evidenced, reviewed annually by our Tax governance team and subject to independent review at least every three years. Our tax affairs are also subject to scrutiny by tax authorities and our external auditors as part of normal local compliance and reporting processes.

We employ appropriately qualified and experienced tax personnel so our tax affairs are identified, assessed, documented, controlled and reported in a timely manner, and utilise external advisors to support our team on technical filing positions or in the interpretation of specific points of law.

All employees, including members of our global Tax team receive training on our Code of Business Conduct (Code) which is based on our values and sets the standard for our behaviour. We also make available EthicsPoint, a 24/7 independent external platform for employees, contractors and the community to anonymously report concerns regarding potential breaches of our Code, including tax-related matters. A copy of our Code can be found at www.south32.net.

Dealings with tax authorities, including disputes

We are open and transparent in our dealings with tax authorities and engage in a manner which is consistent with our values and our Code.

Given the geographic scope of our operations and uncertainty regarding the application of complex tax laws, there will occasionally be disagreements with tax authorities over the amount of taxes to be paid.

When a dispute arises, we actively engage with tax authorities regarding how the law is being applied and to seek to identify and resolve any disagreements on a timely basis. At times, it will be appropriate for those matters to be resolved or clarified through legal proceedings.

For example, the Colombian National Mining Agency (ANM) and the Comptroller General's Office (Comptroller) are seeking to re-calculate Cerro Matoso's royalties and we have disputed both their claims. The disputes with ANM and the Comptroller are the subject of legal proceedings, both within Colombia and through international arbitration proceedings.

Tax Policy Consultation

We engage in local and international tax policy and reform to contribute to the development of sustainable and effective tax systems. We do this through participation in industry associations of which we are members.

Stakeholder engagement

We are committed to effective stakeholder engagement and collaboration. We participate in consultations with civil society and the EITI through the ICMM.

We engage with local tax authorities directly and through industry associations.

Further information on broader stakeholder engagement can be found in our Sustainable Development Report and Sustainability Databook at www.south32.net.

TOTAL PAYMENTS MADE BY COUNTRY AND LEVEL OF GOVERNMENT

Table 1 Total payments made by country and level of government for the year ended 30 June 2023 (by country of tax residence)

US\$M ⁽³⁾	Corporate Income tax	Royalty related tax	Royalties
Australia			
Government of Australia	392.3	-	8.9
Government of Northern Territory	-	84.5	-
State of New South Wales	-	-	113.7
State of Queensland	-	-	29.2
State of Western Australia	-	-	21.2
Townsville City Council	-	-	-
Australia: Total	392.3	84.5	173.0
Brazil			
Government of Brazil	4.4 ⁽⁶⁾	-	0.4
State of Maranhão	-	-	-
State of Para	-	-	1.2
Municipality of São Luis	-	-	-
Municipality of Oriximiná	-	-	0.7
Municipality of Terra Santa	-	-	1.6
Brazil: Total	4.4	-	3.9
Canada			
Government of Canada	-	-	-
Canada: Total	-	-	-
Chile			
Government of Chile	4.8	9.6	-
Chile: Total	4.8	9.6	-
Colombia			
Government of Colombia	249.2 ⁽⁷⁾	-	117.7
Municipality of Montelibano	-	-	-
Municipality of Planeta Rica	-	-	-
Colombia: Total	249.2	-	117.7
Ecuador			
Government of Ecuador ⁽⁹⁾	2.6	-	-
Ecuador: Total	2.6	-	-
Mozambique			
Government of Mozambique	-	-	8.7
Mozambique: Total	-	-	8.7
Netherlands			
Government of Netherlands	138.3 ⁽¹⁰⁾	-	-
Netherlands: Total	138.3	-	-
Singapore			
Government of Singapore	10.0	-	-
Singapore: Total	10.0	-	-
South Africa			
Government of South Africa	117.1 ⁽¹¹⁾	-	9.2
South Africa: Total	117.1	-	9.2
United Kingdom			
Government of United Kingdom	1.0	-	-
United Kingdom: Total	1.0	-	-
United States of America			
Government of United States of America	-	-	-
State of Arizona	-	-	-
State of Delaware	-	-	-
Santa Cruz County	-	-	-
United States of America: Total	-	-	-
Total taxes paid⁽¹²⁾	919.7	94.1	312.5

(3) Payments reported are based on the portion of the total payment that relates to South32's ownership.

(4) These taxes are deducted by the Company from employees' remuneration and remitted to revenue authorities on the employees' behalf.

(5) Net transaction taxes refunded include Goods and Services Tax (GST), Value Added Tax (VAT) and fuel tax credits. Refer to the Glossary of terms on page 24.

(6) Includes corporate income tax payable of US\$2 million offset against transaction taxes refundable paid to the Brazilian Government.

(7) Includes dividend withholding tax paid to the Colombian Government of US\$36 million.

(8) The payment was required to extend the extractive contract with the Colombian ANM from 2029 to 2044.

(9) Withholding tax deducted for royalty payments received.

(10) Includes pre-acquisition taxes of US\$97 million related to the acquisition of an interest in Sierra Gorda. This amount is being disputed with the vendor.

(11) Includes dividend withholding tax paid to the South African Government of US\$19 million in July 2022 in respect of dividends declared in June 2022.

(12) Refer to page 14 for a reconciliation of corporate income tax paid to the income tax (paid)/received shown in the Consolidated Cash Flow Statement of our 2023 Annual Report.

License fees	Payments to governments for UK Regulation purposes	Employer payroll taxes	Other taxes and payments	Total government payments borne	Employee payroll taxes (not borne) ^(a)	Net transaction taxes paid/(refunded) ^(b)
0.1	401.3	-	4.5	405.8	165.1	(132.3)
0.1	84.6	4.0	0.7	89.3	-	-
0.1	113.8	9.3	12.1	135.2	-	-
0.2	29.4	3.9	1.5	34.8	-	-
0.4	21.6	14.8	0.5	36.9	-	-
-	-	-	0.1	0.1	-	-
0.9	650.7	32.0	19.4	702.1	165.1	(132.3)
-	4.8	12.5	8.4	25.7	3.7	12.4
-	-	-	-	-	-	7.2
-	1.2	-	1.8	3.0	-	3.6
-	-	-	0.2	0.2	-	5.3
-	0.7	-	1.8	2.5	-	-
-	1.6	-	0.1	1.7	-	-
-	8.3	12.5	12.3	33.1	3.7	28.5
-	-	-	-	-	1.2	-
-	-	-	-	-	1.2	-
-	14.4	-	3.0	17.4	6.1	(56.8)
-	14.4	-	3.0	17.4	6.1	(56.8)
59.6 ^(b)	426.5	-	0.8	427.3	3.4	(2.8)
-	-	-	1.1	1.1	-	1.0
-	-	-	-	-	-	0.1
59.6	426.5	-	1.9	428.4	3.4	(1.7)
-	2.6	-	-	2.6	-	-
-	2.6	-	-	2.6	-	-
-	8.7	-	-	8.7	4.6	-
-	8.7	-	-	8.7	4.6	-
-	138.3	-	-	138.3	-	(0.1)
-	138.3	-	-	138.3	-	(0.1)
-	10.0	-	-	10.0	0.2	(0.2)
-	10.0	-	-	10.0	0.2	(0.2)
-	126.3	-	1.2	127.5	29.9	(183.7)
-	126.3	-	1.2	127.5	29.9	(183.7)
-	1.0	-	-	1.0	1.4	(0.1)
-	1.0	-	-	1.0	1.4	(0.1)
0.4	0.4	0.6	-	1.0	4.0	-
-	-	-	-	-	0.5	-
-	-	-	0.2	0.2	-	-
-	-	-	0.1	0.1	-	-
0.4	0.4	0.6	0.3	1.3	4.5	-
60.9	1,387.2	45.1	38.1	1,470.4	220.1	(346.4)

TOTAL PAYMENTS TO GOVERNMENT BY PROJECT

Table 2 Total payments to government by project for the year ended 30 June 2023

US\$M ⁽¹³⁾	Corporate Income tax	Royalty related taxes	Royalties	License fees	Payments to governments for UK Regulation purposes	Employer payroll taxes	Other taxes and payments	Total government payments borne	Employee payroll taxes (not borne) ⁽¹⁴⁾	Net transaction taxes paid/ (refunded) ⁽¹⁵⁾
Cannington - Australia	45.9	-	29.2	0.2	75.3	3.9	1.1	80.3	20.1	(10.1)
Illawarra Metallurgical Coal - Australia	245.3	-	113.7	0.1	359.1	9.3	12.1	380.5	50.6	(21.6)
Worsley Alumina - Australia	1.9	-	21.2	0.4	23.5	9.1	3.8	36.4	40.4	(77.1)
Eagle Downs Metallurgical Coal - Australia	(4.5)	-	-	-	(4.5)	-	0.6	(3.9)	0.3	(0.6)
Cerro Matoso - Colombia	249.2	-	117.7	59.6 ⁽¹⁶⁾	426.5	-	1.9	428.4	3.4	(1.7)
Hermosa - USA	-	-	-	0.4	0.4	0.6	0.3	1.3	4.5	-
Total extractive project related payments - Subsidiaries	537.8	-	281.8	60.7	880.3	22.9	19.8	923.0	119.3	(111.1)
Equity accounted investments										
Australia Manganese - Australia	67.2	84.5	8.9	0.2	160.8	4.0	1.4	166.2	21.1	(22.5)
South Africa Manganese - South Africa	23.0	-	9.2	-	32.2	-	-	32.2	8.3	(27.6)
MRN - Brazil	2.6	-	3.9	-	6.5	5.3	6.5	18.3	1.9	6.1
Sierra Gorda - Chile	4.8 ⁽¹⁷⁾	9.6	-	-	14.4	-	3.0	17.4	6.1	(56.8)
Total extractive project related payments including equity accounted investments	635.4	94.1	303.8	60.9	1094.2	32.2	30.7	1,157.1	156.7	(211.9)
Non-extractive project related payments	284.3	-	8.7	-	293.0	12.9	7.4	313.3	63.4	(134.5)
Total taxes paid⁽¹⁸⁾	919.7	94.1	312.5	60.9	1,387.2	45.1	38.1	1,470.4	220.1	(346.4)

(13) Payments reported are the portion of the total payment that relates to South32's ownership.

(14) These taxes are deducted by the Company from employees' remuneration and remitted to revenue authorities and on the employees' behalf.

(15) Net transaction taxes refunded include GST, VAT and fuel tax credits. Refer to the Glossary of terms on page 26.

(16) The payment was required to extend the extractive contract with the Colombian ANM from 2029 to 2044.

(17) Includes interest withholding tax paid to the Chilean Government of US\$0.3 million.

(18) Refer to page 14 for a reconciliation of corporate income tax paid to the income tax (paid)/received shown in the Consolidated Cash Flow Statement of our 2023 Annual Report.

OUR UNDERLYING INCOME TAX EXPENSE AND UNDERLYING EFFECTIVE TAX RATE

We use Underlying earnings as a key measure in assessing the performance of our business. Underlying earnings excludes revenue and expense items that do not reflect the performance or outcome of our operations. Underlying earnings is calculated as Underlying earnings before interest and tax (EBIT) less Underlying net financing (revenue)/costs less Underlying income tax expense. In the Group's broader Annual Reporting Suite, the Group's Underlying financial results includes our material equity accounted investments on a proportionally consolidated basis. The table below has also been prepared on this basis.

Table 3 Underlying tax expense and Underlying ETR for the year ended 30 June 2023

	South32	Australia	Brazil	Canada	Chile	Colombia	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
	US\$M	30%	34%	26%	27%	35%	12.5%	0%	25.8%	5%	27%	21.4%	20.5% ⁽¹⁹⁾	21%
Underlying EBIT (profit)/loss	(1,616)	(1,025)	174	(2)	(214)	(180)	1	(71)	-	(102)	(234)	-	-	37
Less: Underlying net financing (revenue)/costs	188	142	7	-	166	9	-	2	(149)	(10)	32	-	(12)	1
Less: Equity accounted investments profit ⁽²⁰⁾	(11)	(5)	(6)	-	-	-	-	-	-	-	-	-	-	-
Underlying (profit)/loss before tax	(1,417)	(878)	187	(2)	(48)	(171)	1	(69)	(149)	(112)	(202)	-	(12)	38
Income tax at 30 per cent	426	264	(57)	1	14	51	-	21	44	34	61	-	4	(11)
Tax rate differential on non-Australian income	(55)	-	(7)	-	(1)	9	-	(21)	(6)	(26)	(5)	-	(1)	3
Tax on sales attributable to Australia	16	16	-	-	-	-	-	-	-	-	-	-	-	-
Tax on other income attributable to Australia	6	6	-	-	-	-	-	-	-	-	-	-	-	-
Withholding tax	36	36 ⁽²¹⁾	-	-	-	-	-	-	-	-	-	-	-	-
Non-recognition of future tax benefits ⁽²²⁾	5	-	-	-	-	-	-	-	-	-	(3)	-	-	8
Prior year under/over	(8)	(5)	(2)	(1)	-	-	-	-	-	-	-	-	-	-
Non-deductible exploration expenditure	1	-	-	-	1	-	-	-	-	-	-	-	-	-
Colombian non-deductible royalty expense ⁽²³⁾	24	-	-	-	-	24	-	-	-	-	-	-	-	-
Permanent differences	6	10	2	-	(3)	(3)	-	-	-	-	(1)	-	1	-
Underlying income tax expense/ (benefit)	457	327	(64)	-	11	81	-	-	38	8	52	-	4	-
Royalty-related taxation (net of income tax benefit)	55	43	-	-	12	-	-	-	-	-	-	-	-	-
Total Underlying taxation expense	512	370	(64)	-	23	81	-	-	38	8	52	-	4	-
<i>Underlying effective tax rate including Royalty-related taxation</i>	36.1%	42%	34%	0%	48%	47%	0%	0%	26%	7%	26%	0%	33%	0%
<i>Underlying effective tax rate excluding Royalty-related taxation</i>	32.3%	37%	34%	0%	23%	47%	0%	0%	26%	7%	26%	0%	33%	0%
Underlying profit before tax	(1,417)													
Underlying income tax expense	457													
Royalty-related taxation (net of income tax benefit)	55													
Underlying profit after tax	(905)													
Add: Equity accounted investments profit	(11)													
Underlying Earnings	(916)													

As the countries we operate in have varying tax rates our Underlying ETR is largely influenced by the geographic distribution of the Group's profit. The impact of recent tax law change in Colombia, namely the increase of the dividend withholding tax rate from 10 per cent to 20 per cent and removal of an income tax deduction for royalty payments, has increased Colombia's Underlying ETR as compared to prior years.

For the year ended 30 June 2023, Mozal Aluminium paid US\$16 million of royalties and dividends to the Mozambique Government.

(19) The UK income tax rate increased from 19 per cent to 25 per cent in financial year beginning 1 April 2023. As a result, our FY23 results reflect a blended tax rate of 20.5 per cent.

(20) Refer to pages 18 to 22 for information regarding our extractive equity accounted investments.

(21) Dividend withholding tax paid to the Colombian revenue authority, borne by Australian companies.

(22) Largely relates to de-recognition of future rehabilitation deferred tax assets and exploration expenditure.

(23) Effective from 1 January 2023 due to legislative change, royalty payments in Colombia are no longer able to be deducted for income tax purposes.

OUR INCOME TAX EXPENSE AND EFFECTIVE TAX RATE

The table below presents a reconciliation of our statutory profit and income tax expense for the year ended 30 June 2023. The country ETRs are different from the country statutory tax rates due to non-deductible expenses and the impact of foreign exchange movements on tax balances. The Group's ETR and cash ETR are higher than the Underlying ETR due to no tax benefit being recognised in relation to the non-cash impairment of the Taylor deposit at our Hermosa project.

Table 4 Reconciliation of statutory profit to income tax expense and current tax payable for the year ended 30 June 2023

	South32	Australia	Brazil	Canada
	US\$M	30%	34%	26%
(Profit)/loss before tax	(213)	20 ⁽²⁵⁾	188	(2)
Less: (Profit)/loss on equity accounted investments	(246)	(124)	(6)	-
(Profit)/loss subject to tax	33	144	194	(2)
Income tax on (profit)/loss at 30 per cent	(10)	(44)	(58)	1
Tax rate differential on non-Australian income	(28)	-	(8)	-
Tax on sales income attributable to Australia	16	16	-	-
Tax on other income attributable to Australia	11	11	-	-
Withholding tax	36	36 ⁽²⁶⁾	-	-
Non-recognition of future tax benefits	55	(6)	-	-
Non-deductible impairment charge	333	315	-	-
Prior year under/over	(4)	(2)	(2)	(1)
Exchange variations and other translation adjustments	(4)	(7)	(15)	-
Colombian non-deductible royalty expense ⁽²⁹⁾	24	-	-	-
Sierra Gorda acquisition adjustments ⁽³⁰⁾	(31)	(14)	-	-
Permanent differences	(12)	(3)	2	-
Income tax expense/(benefit)	386	302	(81)	-
<i>Temporary differences</i>				
Depreciation	2	(41)	19	-
Closure and rehabilitation	34	25	6	-
Non-tax-depreciable fair value adjustments, revaluations & mineral rights	-	(1)	-	-
Finance leases	(1)	(1)	-	-
Income tax losses	57	-	47	-
Brazil tax deferral Incentives	(6)	-	(6)	-
Provisions	-	-	-	-
Other ⁽³¹⁾	4	9	13	-
Temporary differences movement	90	(9)	79	-
Current income tax payable	476	293	(2)	-
Effective tax rate	-1,169% ⁽³²⁾	-209%	42%	0%
Cash effective tax rate	-1,442%	-203% ⁽³⁵⁾	1% ⁽³⁶⁾	0%

(24) The UK income tax rate increased from 19 per cent to 25 per cent in financial year beginning 1 April 2023. As a result, our FY23 results reflect a blended tax rate of 20.5 per cent.

(25) Includes an impairment loss (US\$1,049 million) on the acquired mineral right relating to the Taylor deposit at our Hermosa project, attributed to the Hermosa project's Australian holding company.

(26) Dividend withholding tax paid to the Colombian government, borne by Australian companies.

(27) Includes US\$53 million of unrecognised deferred tax assets arising from the impairment of non-financial assets at the Taylor Deposit at Hermosa.

(28) This relates to a reduction in the pre-acquisition taxes for the Sierra Gorda acquisition.

(29) Effective from 1 January 2023 due to legislative change, royalty payments in Colombia are no longer able to be deducted for income tax purposes.

(30) The Australian amount relates to non-assessable indemnity receivable recorded. The Dutch amount relates to a pre-acquisition tax adjustment.

(31) Australia movements relate to unrealised foreign exchange gains/losses and prepayments. Brazil movements relate to the unwinding of temporary differences recognised on indirect tax assets from prior years. South Africa movements relate to the unwinding of timing differences on accrued expense recognised in prior years.

(32) The Group's ETR is high due to no tax benefit being recognised in relation to the non-cash impairment of the Taylor deposit at our Hermosa project.

(33) Colombia ETR and cash ETR is higher than the country statutory rate as, effective from 1 January 2023 due to legislative change, royalty payments in Colombia are no longer able to be deducted for income tax purposes.

(34) Ireland and United States ETRs and cash ETRs are nil as all companies in these countries have incurred income tax losses which are not recognised as future tax benefits.

(35) Australia ETR and cash ETR is lower than the country statutory rate due to the non-deductible impairment charge on the acquired mineral right relating to the Taylor deposit at our Hermosa project, attributed to the Hermosa project's Australian holding company.

(36) Brazil cash ETR is lower than the country statutory rate due to tax losses and foreign exchange.

(37) South Africa cash ETR is higher than the country statutory due to the impact of foreign exchange rate movements on tax balances.

Chile	Colombia	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
27%	35%	12.50%	0%	25.80%	5%	27%	21.40%	20.5% ⁽²⁴⁾	21%
(68)	(171)	1	(70)	(79)	(111)	(197)	-	(13)	289
(71)	-	-	-	-	(9)	(36)	-	-	-
3	(171)	1	(70)	(79)	(102)	(161)	-	(13)	289
(1)	51	-	21	24	30	48	-	4	(86)
-	9	-	(21)	(3)	(24)	(5)	-	(1)	25
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	(1)	-	-	61 ⁽²⁷⁾
-	-	-	-	18	-	-	-	-	-
-	-	-	-	-	-	1	-	-	-
-	7	-	-	(14) ⁽²⁸⁾	-	25	-	-	-
-	24	-	-	-	-	-	-	-	-
-	-	-	-	(17)	-	-	-	-	-
-	(3)	-	-	(7)	-	(2)	-	1	-
-	88	-	-	1	6	66	-	4	-
-	14	-	-	-	-	10	-	-	-
-	3	-	-	-	-	-	-	-	-
-	1	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	10	-	-	-
-	-	-	-	-	-	-	-	-	-
-	1	-	-	-	-	(1)	-	-	-
-	(3)	-	-	-	(1)	(14)	-	-	-
-	16	-	-	-	(1)	5	-	-	-
-	104	-	-	1	5	71	-	4	-
0%	51% ⁽³³⁾	0% ⁽³⁴⁾	0%	1%	6%	41%	0%	31%	0%
0%	61%	0%	0%	1%	5%	44% ⁽³⁷⁾	0%	31%	0%

OUR INCOME TAX PAYABLE AND DEFERRED TAX MOVEMENTS

The current tax balances in the Consolidated Financial Statements of our 2023 Annual Report are presented in the table below.

Table 5 Reconciliation of current tax balances for the year ended 30 June 2023

	South32	Australia	Brazil	Canada	Chile	Colombia	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
	US\$M	30%	34%	26%	27%	35%	12.5%	0%	25.8%	5%	27%	21.4%	20.5%	21%
Net opening current tax payable/ (receivable)	304	63	4	-	-	71	-	-	139	9	(3)	-	21	-
Current income tax payable/ (receivable)	476	293	(2)	-	-	104	-	-	1	5	71	-	4	-
Payments relating to current income year	(607)	(281)	-	-	-	(209)	-	-	(41)	-	(72)	-	(4)	-
Payments relating to prior income year	(211)	(83)	(2)	-	-	-	-	-	(97)	(9)	(1)	-	(19)	-
Other movements ⁽³⁸⁾	(6)	(4)	-	-	-	-	-	-	-	-	-	-	(2)	-
Net closing current income tax payable/ (receivable)	(44)	(12)	-	-	-	(34)	-	-	2	5	(5)	-	-	-

A reconciliation of income tax paid in Table 5 to Table 1 and Table 2, is set out in the table below.

Table 6 Reconciliation of income tax paid for the year ended 30 June 2023

	US\$M ⁽³⁹⁾
Income tax paid per 2023 Annual Report and Table 5 of this report⁽⁴⁰⁾	(818)
Include: Our share of payments related to Manganese equity accounted investments	(94)
Include: Our share of payments related to Sierra Gorda equity accounted investments	(5)
Include: Our share of payments related to MRN equity accounted investments	(3)
Corporate Income Taxes paid per Table 1 and Table 2 of this report⁽⁴¹⁾	(920)

Table 7 Deferred tax movements for the year ended 30 June 2023

	South32	Australia	Brazil	Canada	Chile	Colombia	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
	US\$M	30%	34%	26%	27%	35%	12.5%	0%	25.8%	5%	27%	21.4%	20.5%	21%
Opening deferred tax asset/ (liability)	87	375	(143)	-	-	(44)	-	-	-	1	(102)	-	-	-
Movements through income statement	90	(9)	79	-	-	16	-	-	-	(1)	5	-	-	-
Other movements ⁽⁴²⁾	3	1	1	-	-	-	-	-	-	-	(1)	-	2	-
Closing deferred tax asset/ (liability)	180	367	(63)	-	-	(28)	-	-	-	-	(98)	-	2	-

(38) Other Movements in Australia relate to employee share scheme movements through equity accounts.

(39) Numbers are rounded to whole millions consistent with the presentation of numbers in the 2023 Annual Report.

(40) Refer to the Consolidated Cash Flow Statement in the 2023 Annual Report. Total income tax payments for the year of US\$818 million (rounded) is calculated as payments relating to current income year (US\$607 million) plus payments relating to prior income years (US\$218 million), and refunds relating to prior income years (US\$7 million).

(41) Refer to pages 8 to 10.

(42) Other movements relate to financial assets fair value adjustments and employee entitlement movements through equity accounts.

2023 COUNTRY BY COUNTRY INFORMATION

The table below includes additional country by country information, based on the tax residency requirements of GRI 207.

Table 8 Country by country report for the year ended 30 June 2023

	South32	Australia	Brazil	Canada	Chile	Colombia	Ecuador	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
Unrelated party revenues ⁽⁴³⁾	7,849	1,043	188	-	-	7	-	-	94	1	5,996	514	-	6	-
Related party revenues	7,607	2,759	389	7	-	679	-	-	790	149	1,502	1,290	-	42	-
(Profit)/loss before tax	(213)	20	188	(2)	(68)	(171)	-	1	(70)	(79)	(111)	(197)	-	(13)	289
(Profit)/loss subject to tax	33	144	194	(2)	3	(171)	-	1	(70)	(79)	(102)	(161)	-	(13)	289
Income tax paid during the period	818	324	2	-	-	249	3 ⁽⁴⁴⁾	-	-	138	9	92	-	1	-
Income tax accrued in the period	476	293	(2)	-	-	104	-	-	-	1	5	71	-	4	-
Tangible assets ⁽⁴⁵⁾	9,234	5,187	739	1	1	456	-	-	650	-	132	874	-	1	1,193
Number of employees (unrounded) ⁽⁴⁶⁾	9,616	4,855	24	20	13	972	-	-	1,026	-	82	2,477	-	13	134

Our subsidiaries

A full list of our subsidiaries, their country of incorporation, tax residency, principal activity and our ownership interest can be found in our 2023 Sustainability Databook at www.south32.net. The table below summarises the country of incorporation and tax residence for all Group companies at 30 June 2023.

The total number of subsidiaries has decreased from 65 last year to 63 in the current year due to the deregistration of subsidiaries in the Netherlands and South Africa.

Table 9 Country of incorporation and tax residence of our subsidiaries

Country	Number of Subsidiaries	Tax Resident of Subsidiaries
Australia ⁽⁴⁶⁾⁽⁴⁷⁾⁽⁴⁸⁾	24	29
Brazil	1	1
British Virgin Islands ⁽⁴⁷⁾	4	-
Canada	2	2
Chile	3	3
Colombia	4	4
Ireland	1	1
Jersey ⁽⁴⁸⁾	1	-
Mozambique	1	1
Netherlands	3	3
Singapore ⁽⁴⁹⁾	2	1
South Africa	12	12
Sweden	1	1
United Kingdom ⁽⁴⁶⁾	1	2
United States	3	3
Total	63	63

(43) Comprising Group production revenue (US\$6,795 million), Third party product and services revenue (US\$634 million), Other income (US\$345 million) and Finance income (US\$222 million), excluding the Sierra Gorda shareholder loan interest income (US\$147 million). Refer to our Consolidated Income Statement in our 2023 Annual Report for further details regarding the nature of each type of income.

(44) Royalty withholding tax that is paid to the Ecuadorian Government.

(45) Comprising Inventories - Current assets (US\$1,102 million), Inventories - Non Current assets (US\$82 million), and Property, plant & equipment (US\$8,050 million). Refer to the Consolidated balance sheet section in our 2023 Annual Report for more detail.

(46) More detail about employees can be found in the Our People section of our 2023 Sustainability Databook at www.south32.net.

(47) Three subsidiaries incorporated in the British Virgin Islands are residents of Australia for tax purposes. The remaining subsidiary is a resident of the UK for tax purposes.

(48) The subsidiary incorporated in Jersey is a resident of Australia for tax purposes.

(49) One subsidiary incorporated in Singapore is a resident of Australia for tax purposes.

INTERNATIONAL RELATED PARTY DEALINGS

As a globally diversified mining and metals company, we have operations and support functions located in many countries. This operating model results in cross border intra-group transactions including dividends, sales and purchases of commodities, and financing and service arrangements. We prepare significant documentation to support the understanding and pricing of these transactions, provide this documentation to tax authorities and have independent expert advice confirming the transactions are completed on an arm's length basis.

We have non-operating offshore companies incorporated in the British Virgin Islands and Jersey. These entities only hold investments, they do not trade, or make any trading profit. These entities provide no tax benefit to us as they are Australian or UK tax residents. This means any taxable income of the companies is subject to tax in accordance with the tax legislation of Australia or the UK. We will continue to hold non-operating offshore companies while the tax or commercial costs required to rationalise these entities is excessive.

Sales and purchases of commodities by our Singapore marketing subsidiary

We conduct our sales and purchasing activities, including marketing, logistics (shipping and freight movement) and customer credit risk management from Singapore. As a commercial hub with proximity to the markets that we trade with, Singapore is well suited to be the location for these activities. Our Singapore marketing headquarters is supported by staff in our London office.

All sales and purchase transactions between our operations and marketing office are priced in accordance with the Organisation for Economic Cooperation and Development (OECD) guidelines and local laws.

Our Singaporean marketing activities are taxed at five per cent under an incentive granted by the Singapore government. This tax incentive will expire on 30 June 2026 and is one of a range of incentives which is legislated and open to all taxpayers in Singapore that can demonstrate significant contributions to the economy and meet the ongoing quantitative and qualitative criteria. Trading profits from our Singapore marketing activities relating to Australian sourced commodities are also included in full in our Australian income tax return and subject to tax in Australia.

Table 10 South32 Singapore marketing income statement for the year ended 30 June 2023

US\$M	Group product sold to unrelated parties	Group product and raw materials sold to related parties	Third party product sold to unrelated parties	Freight services to unrelated parties	Freight services to related parties	Others	South32 Marketing
Revenue ⁽⁵⁰⁾⁽⁵¹⁾	5,360	1,494	400	230	20	-	7,504
Equity accounted investments profit	-	-	-	-	-	9	9
Services revenue ⁽⁵²⁾	-	-	-	-	-	6	6
Purchases ⁽⁵³⁾⁽⁵⁴⁾	(5,171)	(1,385)	(366)	-	-	-	(6,922)
Freight	(107)	(89)	(12)	(231)	(17)	-	(456)
Service expense	-	-	-	-	-	(8)	(8)
Interest Income	-	-	-	-	-	8	8
Office related costs	-	-	-	-	-	(30)	(30)
Profit/(loss)	82	20	22	(1)	3	(15)	111

(50) Group product and third-party product revenue includes recoupment of freight costs, at cost.

(51) Group product sold to related parties of US\$1,494 million is comprised of alumina sales to Hillside Aluminium (US\$500 million) and Mozal Aluminium (US\$228 million) and raw materials sales to Worsley Alumina (US\$234 million), Brazil Alumina (US\$7 million), Hillside Aluminium (US\$344 million) and Mozal Aluminium (US\$181 million).

(52) Services income relates to services provided to our Singaporean Manganese marketing company.

(53) Group product sold to unrelated parties is purchased from related parties in Australia (US\$2,074 million), Brazil (US\$389 million), Colombia (US\$678 million), Mozambique (US\$790 million), South Africa (US\$1,264 million) and stock adjustment from Worsley Alumina (US\$6 million), Hillside Aluminium (US\$6 million), Mozal Aluminium (US\$12 million), totalling US\$5,171 million.

(54) Group product sold to related parties purchases is comprised of alumina purchases from Worsley Alumina (US\$675 million) and Brazil Alumina (US\$7 million), and raw materials purchased from unrelated parties (US\$703 million), totalling purchases of US\$1,385 million.

Intra-group cross border charges

We charge service fees for Group management activities and other intra-group services. These services are provided on an arm's length basis.

Additionally, our Singaporean insurance company provides insurance options to assist the Group to manage business risks. The company is incorporated in Singapore and tax resident in Australia. Tax is paid in both countries.

Table 11 Intra-group cross border charges by country for the year ended 30 June 2023

US\$M	Service provider					Service recipient
	Australia	Canada	Singapore	South Africa	United Kingdom	Expenses
Australia	-	7	1	9	1	(18)
Colombia	12	-	-	2	-	(14)
Mozambique	3	-	-	8	-	(11)
Singapore	4	-	-	-	4	(8)
South Africa	17	-	-	-	3	(20)
United States	3	-	-	1	-	(4)
Service provider revenue	39	7	1	20	8	(75)

Intra-group cross border financing

Our companies, located in various countries, place funds on deposit with one of our UK companies. These financing arrangements are provided at relevant market rates and the interest income is assessed and associated tax paid in the jurisdiction of the lending company.

Table 12 Intra-group cross border interest charges by country for the year ended 30 June 2023

	US\$M
Australia	30
Brazil	2
Netherland	(2)
Singapore	(8)
South Africa	(6)
Interest income	16

We inherited the capital structure comprising both common equity and shareholder loans as part of our acquisition of Sierra Gorda. In the year ended 30 June 2023, our two Dutch subsidiaries accrued interest income of US\$147 million relating to funding provided to Sierra Gorda. This interest income has been subject to tax in the Netherlands at the rate of 25.8 per cent and is also included in full in our Australian income tax return and subject to tax in Australia.

OUR EQUITY ACCOUNTED INVESTMENTS

Our 2023 Group Underlying earnings includes our manganese operations and Sierra Gorda on a proportionally consolidated basis. Our 2023 Group statutory results reflect our manganese operations, Sierra Gorda, MRN and PKCT as equity accounted investments. This means the post-tax (profit)/loss from each operation is recorded in the Group's overall (profit)/loss before tax. The value of the equity accounted investments in each operation is held as an asset on the balance sheet.

Table 13 Equity accounted investment companies

	Country of incorporation	Country of tax residency	Principal Activity	Ownership interest %
Groote Eylandt Mining Company Pty Ltd	Australia	Australia	Manganese mine	60.0
Hotazel Manganese Mines Proprietary Limited	South Africa	South Africa	Manganese mine	54.6
Samancor Holdings Proprietary Limited	South Africa	South Africa	Holding company	60.0
Samancor Manganese Proprietary Limited	South Africa	South Africa	Holding company	60.0
Samancor Marketing Pte. Ltd.	Singapore	Singapore	Sales, Marketing and Distribution of manganese	60.0
Terra Nominees Proprietary Limited	South Africa	South Africa	Holding company	60.0
Sierra Gorda Sociedad Contractual Minera (SCM)	Chile	Chile	Copper mine	45.0
Port Kembla Coal Terminal Limited	Australia	Australia	Coal export handling	16.7
Mineração Rio do Norte S.A.	Brazil	Brazil	Bauxite mine	33.0

Manganese

We have a 60 per cent ownership interest in all our equity accounted manganese operations, except South Africa Manganese Ore in which we hold a 54.6 per cent effective interest. The manganese tax balances included in the tables below are presented on a 100 per cent ownership basis.

Our Singaporean manganese activities are taxed at 10 per cent under an incentive granted by the Singapore government. This tax incentive will expire on 30 June 2024 and is one of a range of incentives which is legislated and open to all taxpayers in Singapore that can demonstrate significant contributions to the economy and meet the ongoing quantitative and qualitative criteria.

Income tax expense

Table 14 Reconciliation of manganese statutory profit to income tax expense and current income tax payable for the year ended 30 June 2023

	Manganese	Australia	Singapore	South Africa
	US\$M	30%	10%	27%
Profit subject to tax	(533)	(398)	(25)	(110)
Income tax on profit at 30 per cent	160	119	8	33
Tax rate differential on non-Australian income	(9)	-	(6)	(3)
Exchange variations and other translation adjustments	12	4	-	8
Non-recognition of future tax benefits	6	8	-	(2)
Prior year under/over	(4)	(4)	-	-
Permanent differences	2	-	-	2
Income tax expense	167	127	2	38
Royalty related tax	72	72	-	-
Total tax expense	239	199	2	38
Temporary differences				
Depreciation	(8)	(1)	-	(7)
Closure and rehabilitation	6	5	-	1
Royalty tax	(1)	(1)	-	-
Other	(5)	(3)	-	(2)
Income tax and royalty tax payable	231	199	2	30
Effective tax rate excluding royalties⁽⁵⁵⁾	31%	32%	10%	34%
Cash effective tax rate excluding royalties⁽⁵⁶⁾	30%	32%	10%	27%

(55) Total tax expenses less royalty related tax divided by (profit)/loss subject to tax.

(56) Current income tax payable less royalty related taxes divided by (profit)/loss subject to tax.

Income tax payable and deferred tax movements

Table 15 Reconciliation of manganese current tax balances for the year ended 30 June 2023

	Manganese	Australia	Singapore	South Africa
	US\$M	30%	10%	27%
Income Tax				
Opening current tax payable	31	21	2	8
Current income tax payable	131	99	2	30
Payments relating to current and prior income years	(160)	(112)	(2)	(46)
Closing income tax payable/(receivable)	2	8	2	(8)
Royalty Related Income Tax				
Opening royalty tax payable	86	86	-	-
Current royalty tax payable	100	100	-	-
Payments relating to current and prior income years	(141)	(141)	-	-
Closing royalty tax payable	45	45	-	-

Table 16 Deferred tax movements for the year ended 30 June 2023

	Manganese	Australia	Singapore	South Africa
	US\$M	30%	10%	27%
Opening deferred tax liability	(10)	(7)	-	(3)
Movements through income statement	(8)	-	-	(8)
Other movements	(1)	-	-	(1)
Closing deferred tax liability	(19)	(7)	-	(12)

Sales and purchases of manganese

Our manganese operations conduct sales and purchasing activities, including marketing, logistics (shipping and freight movement) and customer credit risk management from Singapore. Being a commercial hub with proximity to the markets that we trade with, Singapore is well suited as the location for these activities.

All sales and purchase transactions between our manganese operations and marketing office are priced in accordance with the OECD guidelines and local laws.

Table 17 Manganese Singapore Marketing income statement for the year ended 30 June 2023

US\$M	Group product sold to unrelated parties	Other	Manganese Marketing
Revenue	1,706	-	1,706
Purchases ⁽⁵⁷⁾	(1,470)	-	(1,470)
Freight purchases	(206)	-	(206)
Service expense	-	(6)	(6)
Interest income	-	4	4
Office related costs	-	(3)	(3)
Profit	30	(5)	25

(57) Purchases of US\$1,470 million are from related parties in Australia (US\$977 million), South Africa (US\$493 million).

OUR EQUITY ACCOUNTED INVESTMENTS CONTINUED

Intra-group cross border charges

Our manganese operations are charged service fees for the Group management activities and other intra-group services. These services are subject to tax in both the service provider's and the service recipient's tax jurisdictions.

Table 18 Manganese intra-group cross border charges by country for the year ended 30 June 2023

Service recipient	US\$M	Service provider			Service recipient
		Australia	South Africa	United Kingdom	Expenses
Australia – Manganese		-	1	-	(1)
Singapore – Manganese		-	-	-	-
South Africa – Manganese		15	-	-	(15)
Service Provider Revenue		15	1	-	(16)

Intra-group cross border financing

Our manganese companies, located in various countries, placed funds on deposit with one of our UK companies. These financing arrangements are provided at relevant market rates and the interest income is assessed and associated tax paid in the jurisdiction of the lending company.

Table 19 Manganese intra-group cross border interest charges by country for the year ended 30 June 2023

	US\$M
South Africa - Manganese	5
Singapore - Manganese	4
Interest income	9

Sierra Gorda

We have a 45 per cent interest in Sierra Gorda. The Sierra Gorda tax balances included in the tables below are presented on a 100 per cent ownership basis.

Income tax expenses

Table 20 Reconciliation of Sierra Gorda statutory profit to income tax expense and current income tax payable for the year ended 30 June 2023

	Chile
	US\$M ⁽⁵⁸⁾
Profit subject to tax	(107)
Income tax on profit at 30 per cent	32
Tax rate differential on non-Australian income	(3)
Permanent differences	(5)
Income tax expense	24
Royalty related tax and other taxes	27
Total tax expense	51
<i>Temporary Differences</i>	
Income tax losses recouped	(24)
Current income tax/royalty related tax payable	27
Effective tax rate excluding royalties⁽⁵⁹⁾	22.4%
Cash effective tax rate excluding royalties⁽⁶⁰⁾	0%⁽⁶¹⁾

Income tax payable and deferred tax movements

Table 21 Reconciliation of Sierra Gorda current tax balances for the year ended 30 June 2023

	Chile
	US\$M
Income Tax	
Opening current tax payable	
Current income tax payable	-
Payments relating to current and prior income years	-
Closing income tax payable	-
Royalty Related Income Tax	
Opening royalty tax payable	20
Current royalty tax payable	27
Payments relating to current and prior income years	(26)
Closing royalty tax payable	21

Table 22 Deferred tax movements for the year ended 30 June 2023

	Chile
	US\$M
Opening deferred tax asset	1,090
Movements through income statement	(24)
Closing deferred tax asset	1,066

Sierra Gorda did not make sales to or purchases from South32's subsidiaries, other than a US\$5 million payment made to South32 Limited in relation to a parent company guarantee. There are no service fee charges for Group management activities or other intra-group services charged to Sierra Gorda in the year ended 30 June 2023.

Sierra Gorda currently has a tax stability agreement with the Chilean Government until December 2028. The new Mining Tax law enacted in August 2023 will not apply to Sierra Gorda until 1 January 2029.

Sierra Gorda receives funding from our Dutch subsidiaries as outlined on page 17.

(58) The numbers in this table are the balances in Sierra Gorda SCM's statutory accounts.

(59) Total tax expense less royalty related tax divided by (profit)/loss subject to tax.

(60) Current tax payable less royalty related taxes dividend by (profit)/loss subject to tax.

(61) Sierra Gorda cash ETR is lower than the country statutory tax rate due to the utilisation of prior year losses.

OUR EQUITY ACCOUNTED INVESTMENTS CONTINUED

MRN

We have a 33 per cent interest in MRN. The MRN tax balances included in the table below are presented on a 100 per cent ownership basis.

Income tax expenses

Table 23 Reconciliation of MRN statutory profit to income tax expense and current income tax payable for the year ended 30 June 2023

	Brazil
	US\$M
Profit subject to tax	(27)
Income tax on profit at 30 per cent	8
Tax rate differential on non-Australian income	1
Permanent differences	(8)
Income tax expense	1
Temporary differences movement	9
Current income tax receivable	10
Effective tax rate	4%⁽⁶²⁾
Cash effective tax rate	37%

Income tax payable and deferred tax movements

Table 24 Reconciliation of MRN current tax balances for the year ended 30 June 2023

	Brazil
	US\$M
Income Tax	
Opening current tax payable	-
Current income tax payable	10
Payments relating to current and prior income years	(8)
Other movements	(3)
Closing income tax payable	(1)

Table 25 Deferred tax movements for the year ended 30 June 2023

	Brazil
	US\$M
Opening deferred tax asset	37
Movements through income statement	9
Other movements	3
Closing deferred tax asset	49

The bauxite we acquire from MRN is used in our Brazil Alumina refinery. The alumina produced from the refinery is exported through the Alumar port and supplied to the co-located Brazil Aluminium smelter.

There are no service fee charges for Group management activities or other intra-group services charged to MRN in the year ended 30 June 2023.

(62) MRN ETR is lower than the country statutory tax rate due to the SUDAM tax incentive.

MINERAL DEVELOPMENT CONTRACTS

We support governments publicly disclosing contracts and licences for the exploration and development of minerals and other natural resources as outlined in the EITI standard. While all our exploration and most of our mineral developments are in jurisdictions that issue licences pursuant to public legislation, including Sierra Gorda and MRN, we do have two mineral development contracts with governments. These are publicly available, and details of the contracts are below, including links to the documents.

Table 26 Mineral Development Contracts

South32 project	Contract name	South32 entities	South32 ownership interest in project	Host Government	Contract term	Link to publicly available document
Cerro Matoso – Nickel Project	Contract 051-96	Cerro Matoso S.A.	99.9%	Colombia	To 2044	Yes - Contract 51⁽⁶³⁾
Worsley Alumina Refinery (including Boddington Bauxite Mine)	Alumina Refinery (Worsley) Agreement Act 1973	South32 Aluminium (Worsley) Pty Ltd South32 Aluminium (RAA) Pty Ltd	86%	State of Western Australia	To 2046	Yes - Worsley contract

Our non-extractive aluminium operation in Mozambique (Mozal Aluminium) operates under an investment project agreement (IPA) with the Republic of Mozambique. The contract is not for mineral development and is not publicly available. The Decree that approves the project and IPA is publicly available and can be found [here](#).

(63) Link works when accessed from Colombia.

EITI SUPPORTER EXPECTATIONS AND GRI 207 COMPLIANCE

The table below demonstrate South32's compliance with EITI's expectations, and GRI 207.

EITI expectations	South32
Publish support for the EITI and its objectives of the EITI Association.	Refer to page 3
Make comprehensive disclosures in accordance with the EITI Standard in all EITI implementing countries where the company or its controlled subsidiaries operate. Publicly disclose a list of controlled subsidiaries operating in the oil, gas or mining sectors in EITI implementing countries.	We disclose information in all jurisdictions where we operate. We publish our controlled subsidiaries list in our Sustainability Data 2023 on our website
Publicly disclose taxes and payments to governments at a project-level in line with the EITI Standard in all non-EITI implementing countries where the company operates unless disclosure is not feasible.	Refer to Table 1 & 2 on pages 8 to 10
Disclose volumes received and payments made if buying oil, gas and minerals from governments.	No such purchases are made
Publicly disclose audited financial statements, or the main items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available.	Audited financial statements are included in our Annual Report 2023
Publicly declare and publish support for beneficial ownership transparency and publicly disclose beneficial owners in line with the EITI Standard, recognising that listed companies will disclose the name of the stock exchange(s), include a link(s) to stock exchange filings where they are listed.	Refer to page 5 and all our stock exchange releases are available in the investor centre on our website
Engage in rigorous due diligence processes and publish an anti-corruption policy setting out how the company manages corruption risk.	Our Anti-Bribery and Corruption Policy and Program details are available in our Sustainable Development Report 2023. We seek to obtain the beneficial ownership data when we engage with third parties.
Publicly declare and publish support for governments' efforts to publicly disclose contracts and licenses that govern the exploration and exploitation of oil, gas and minerals in line with the EITI Standard, and contribute to public disclosure of contracts and licenses in EITI implementing countries consistent with government procedures.	Refer to page 23
Publish a commitment and/or policy on gender diversity in the oil, gas or mining sectors and support reporting by EITI implementing countries under the EITI Standard by disclosing employment in the sectors disaggregated by gender.	Our inclusion and diversity details are available in our Sustainable Development Report and Sustainability Databook 2023
GRI 207: Tax	South32
207-1: Approach to tax	Refer to page 6
207-2: Tax governance, control and risk management	Refer to page 7
207-3: Stakeholder engagement and management concerns related to tax	Refer to page 7
207-4: Country-by-country reporting requires reporting of financial, economic and tax-related information for each jurisdiction in which the organisation operates	Refer to Table 8 on page 15

BASIS OF PREPARATION FOR THE YEAR ENDED 30 JUNE 2023

Our report discloses information that satisfies the requirements of the following transparency initiatives:

- United Kingdom's (UK) Report on Payments to Governments Regulations 2014 (UK Regulations), including the tax strategy reporting requirement;
- Chapter 10 of the European Union (EU) Accounting Directive;
- Disclosure of tax information in line with the Australian Board of Taxation's Voluntary Tax Transparency Code for increased public disclosure of tax information;
- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, including GRI 207;
- Extractive Industries Transparency Initiative reporting; and
- ICMC Social and Economic Reporting Framework and Guidance Indicator 1.

Our report includes payments to governments made by South32 Limited and its subsidiaries for the period they form part of the South32 Limited accounting consolidated group. We have also included payments to governments made by our extractive equity accounted investments and joint ventures. We include payments to governments made by extractive equity accounted investments and joint venture operations using South32's ownership proportions.

Payments have been disclosed in US dollars in line with the South32 functional currency for consolidated accounting purposes and where relevant, payments have been translated from the applicable local currency to US dollars at the exchange rate on the date of the payment. Payments are not reported where the aggregate taxes paid to a level of government or government body do not exceed US\$0.1 million.

In accordance with requirements of UK Reports on Payments to Governments Regulations 2014 and the EU Accounting Directive, Table 2: Total payments to government by project provides an analysis of our taxes paid split by project relating to extractive operations. We have also included all payments relating to non-extractive projects to reconcile the table to other disclosures in this report. Our non-extractive projects include Hillside Aluminium (South Africa), Brazil Aluminium, Mozal Aluminium (Mozambique), our equity accounted South Africa manganese alloy smelter and companies which provide services (management, marketing or financing) or are limited to holding investments.

GLOSSARY OF TERMS

Cash Effective Tax Rate

Current tax payable/refundable divided by profit/loss subject to tax.

Corporate Income Taxes

Payments to governments (net of refunds) based on taxable profits, including withholding taxes paid on dividends, interest, royalties or other distributions of profits. Generally, these taxes are reflected in the corporate income tax returns made to government and included as income taxes in the Consolidated Income Statement.

Effective Tax Rate

Income tax expense/benefit divided by profit/loss subject to tax.

Employer Payroll Taxes

Payments to governments in relation to South32's capacity as an employer. These taxes are calculated as a percentage of salary, wages and on-costs and are generally paid monthly.

Extractive

Any activity involving the exploration, prospecting, discovery, development, and extraction of minerals, oil, natural gas or other materials. South32's extractive operations include Cannington (Australia), Illawarra Metallurgical Coal (Australia), Worsley Alumina (Australia), Eagle Downs Metallurgical Coal (Australia), Cerro Matoso (Colombia), Hermosa (USA), equity accounted Australia Manganese Ore, equity accounted South Africa Manganese Ore, equity accounted Sierra Gorda (Chile) and equity accounted MRN (Brazil).

Fees

Payments to governments where no specific service is attached but rather levied on the initial or ongoing right to use an area for extractive activities.

Government

Any national, regional or local authority of a country and includes any department, agency or undertaking controlled by such an authority.

IFRS (International Financial Reporting Standards)

Accounting standards as issued by the International Accounting Standards Board (IASB).

Net Transaction Taxes Paid/(Refunded)

South32 claims refunds of transactional taxes, for example, Goods and Services Tax (GST), Value Added Tax (VAT) and Fuel Tax paid to suppliers for in-country purchases of goods, services and fuel. South32 also collects GST/VAT in respect of certain sales.

Non-Extractive

Any activity which does not involve the exploration, prospecting, discovery, development, and extraction of minerals, oil, natural gas or other materials. South32's non-extractive operations include Hillside Aluminium (South Africa), Brazil Aluminium, Mozal Aluminium (Mozambique), equity accounted South Africa Manganese Alloy (in care and maintenance) and any companies that provide services (management, marketing or financing) or are limited to holding investments.

Other Taxes and Payments

Payments to governments under other legislated rules where no specific service is attached, including fringe benefits tax, property tax, stamp duty, environmental tax, wealth tax and other levies/charges.

Payment

An amount paid whether in money or in kind.

Permanent Differences

Differences between taxable income/loss and pre-tax statutory profit/loss. These differences arise because of certain expense or revenue items which under income tax legislation will never be included in the determination of taxable income/loss although they are recognised in the Consolidated Income Statement.

Project

Operational activities that are governed by a single contract, licence, lease, concession or similar legal agreement and form the basis for payment of liabilities to a government. Where multiple such agreements are substantially interconnected, this is considered a single project.

Royalties

Payment to governments in respect of revenue or production related to extraction of minerals or metals.

Royalty Related Taxes

Payments to governments in respect of profits from the extraction of natural resources. Royalty related taxes are presented as income tax in the Consolidated Income Statement. Both our Australia Manganese and Sierra Gorda operations have royalty related taxes.

Shared Value

The identification of opportunities that create economic value while also advancing the environmental and social outcomes of the communities and regions in which we operate.

Statutory Profit/(Loss)

The profit/loss calculated in accordance with IFRS and presented in the Consolidated Income Statement in the South32 2023 Annual Report.

Subsidiaries

Subsidiaries are entities controlled by the parent entity.

Sustainable

Our approach to sustainability aims to balance environmental, social and economic considerations in a way that creates enduring value for our stakeholders. We recognise that in many cases these considerations will be interdependent or may compete or conflict with each other. In delivering our strategy we aim to understand and balance the environmental, social and economic impacts of our business in a way that seeks to create value overall. References to sustainability (including sustainable and sustainably) in the suite or other disclosures do not mean that there will be no adverse impact, or an absolute outcome, in any one area.

South32, South32 Group or Group

South32 Limited and its controlled entities and joint arrangements, unless otherwise stated.

Temporary Differences

Differences between taxable income/loss and the pre-tax statutory profit/loss. These differences arise because certain revenue or expense items are included in determination of the taxable income/loss, which does not coincide with the period in which they are recognised in the Consolidated Income Statement.

Underlying Earnings

Underlying earnings is profit after tax and earnings adjustment items. Earnings adjustments represent items that don't reflect our underlying operations, including:

- Exchange rate gains/losses on restatement of monetary items;
- Impairment losses/reversals;
- Net Gains/losses on disposal and consolidation of interests in businesses;
- Gains/losses on non-trading derivative instruments, contingent consideration and other investments measured at fair value through profit or loss;
- Major corporate restructures;
- Joint venture adjustments;
- Exchange rate variations on net debt;
- Tax effect of earnings adjustments; and
- Exchange rate variations on tax balances.

A reconciliation of our Underlying earnings to our Statutory earnings can be found in our segment information section within the 2023 Annual Report.

Underlying EBIT

Underlying EBIT is profit before net finance costs, tax and after any earnings adjustment items, impacting profit. The underlying information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis.

Underlying Effective Tax Rate

Underlying income tax expense/benefit divided by Underlying profit/loss subject to tax.

Underlying Income Tax Expense

Corporate income tax incurred during the period on items included in Underlying earnings before tax. A reconciliation of our Underlying income tax expense to our statutory tax expense can be found in our 2023 Annual Report.



INDEPENDENT AUDITOR'S REPORT

To the shareholders of South32 Limited

Opinion

We have audited the Financial Information of the South32 Limited Group.

In our opinion, the accompanying Financial Information is prepared, in all material respects, in accordance with the basis of preparation described on page 25 of the Financial Information.

The Financial information comprises Table 1 – Total Payments Made by Country by Level of Government and Table 2 – Total Payments to Government by Project, collectively the “Tables” on pages 8 to 10 of the South32 Tax Transparency and Payments to Governments Report 2023 (the “Report”).

The Group consists South32 Limited and the entities it controlled at the year ended 30 June 2023.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Information section of our report.

We are independent of the Group in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Information in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to page 25 of the Financial Information, which describes the basis of preparation.

The Financial Information has been prepared to assist the Directors of South32 Limited for the purpose of South32's Tax Transparency and Payments to Governments Report 2023.

As a result, the Financial Information and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of South32 Limited. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Information to which it relates, to any person other than Directors of South32 Limited or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in the Report which is provided in addition to the Financial Information and the Auditor's Report. Management are responsible for the Other Information.

Our opinion on the Financial Information does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Information, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.



Responsibilities of Management for the Financial Information

Management are responsible for:

- The preparation of the Financial Information and have determined that the basis of preparation described on page 25 of the Report is appropriate to meet the needs of the Directors for the purpose of South32's Tax Transparency and Payments to Governments Report 2023; and
- Implementing necessary internal control to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Information

Our objective is:

- To obtain reasonable assurance about whether the Financial Information as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Information.

As part of an audit in accordance with the *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of the basis of preparation described on page 25 of the Report and related disclosures made by management;
- Evaluate the overall presentation, structure and content of the Financial Information, including the disclosures; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the group Financial Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

KPMG

Perth

7 September 2023

