

# OUR CLIMATE CHANGE APPROACH

Our **Climate Change Action Plan** sets out our approach and the actions we are taking to address the risks and opportunities that climate change presents. We committed to supporting the goals of the Paris Agreement within 12 months of being established in 2015. A summary of our actions on climate change are shown below. This document is a high-level overview only and should be read in conjunction with our full Climate Change Action Plan.<sup>(1)</sup>

## Our approach to climate change is aligned to our purpose and integrated with our strategy

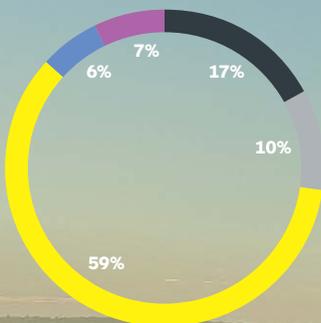


- Reshaping our portfolio to the commodities that are critical in the transition to a low-carbon<sup>(2)</sup> world;
- Decarbonising our operations, with a focus on the four operations within our portfolio which account for the majority of our operational greenhouse gas emissions profile;
- Understanding and responding to the potential physical impacts of climate change on our business to build operational resilience; and
- Working with others to innovate and address shared challenges across industry, and to decarbonise the value chain.

## Greenhouse gas emissions reduction



- Our long-term goal<sup>(3)</sup> is to achieve net zero Scope 1, 2 and 3 greenhouse gas (GHG) emissions by 2050
- In 2021, we set our medium-term target<sup>(4)</sup> to halve our operational, that is Scope 1 and Scope 2, GHG emissions by 2035 compared to our FY21 baseline
- Four of our operations contributed 92 per cent of our reported operational emissions in FY22
- Our decarbonisation approach is focused on energy efficiency initiatives in the near term, transition to lower-carbon energy sources (with a particular focus on Hillside Aluminium and Worsley Alumina) in the medium-term, and utilising technology solutions in the longer-term
- Our decarbonisation planning also encompasses our development options, such as the Hermosa project, where our focus is on the application of low-carbon design principles
- To reduce our operational GHG emissions we prioritise avoidance and reduction projects, in accordance with the mitigation hierarchy<sup>(5)</sup>, using carbon offsets only when these options have been fully explored
- We continue to partner with other organisations to support the innovations that will help to achieve our long-term goal.



## Just transition<sup>(6)</sup>



- A well-planned and just transition to low-carbon economies can bring new and enduring opportunities for our people, local communities and broader regions
- We are working with governments, communities and other stakeholders to determine the best pathway towards a low-carbon future for our relevant operations and regions
- Our decarbonisation plans may impact some of the communities and regions where we operate. Supporting a just transition at Hillside Aluminium and Worsley Alumina is a key focus for South32 as these facilities, their workforce and broader regions transition away from their reliance on thermal coal.

## Reshaping our portfolio



- Our strategy includes identifying opportunities to sustainably reshape our business for the future, increasing our exposure to commodities that are critical in the transition to a low-carbon world
- For example, in FY22 we added copper to our portfolio and invested to double our share of low-carbon aluminium production
- We are progressing studies at our Hermosa project which contains zinc, silver and lead and where we have confirmed the potential for battery-grade manganese
- In FY23 we made a commitment not to develop or invest in greenfield metallurgical coal projects
- We continue to invest to discover our next generation of mines, and currently have more than 25 active exploration programs around the world.

## Scope 3



- We have a critical role to play in contributing to the decarbonisation of the value chain
- In 2022, we set a new goal of net zero Scope 3 GHG emissions by 2050
- In partnership with our customers and suppliers, we are progressing near-term actions to support and co-design emissions reduction programs, contribute to industry decarbonisation initiatives, and support the development of innovative technology solutions
- We have set a goal of entering into four partnerships with key customers to collaborate on emissions reduction initiatives by FY25.

## Assessing our portfolio resilience to climate change



- We use climate change scenarios and carbon prices to assess the resilience of our business and our strategy against a spectrum of possible global temperature change outcomes, (including a 1.5°C scenario) including changes to policy and technology necessary to achieve the Paris Agreement objectives
- We use internal carbon pricing to inform our strategic business decisions, including short-, medium- and long-term pricing
- In FY22 our long-term base case global carbon price assumption increased from US\$40 to US\$60 per tonne.

## Assessing our vulnerability to weather, climate variability and climate change



- We use climate data projections to assess the potential vulnerabilities of our operations to physical climate risks which are those risks driven or intensified by weather, climate variability or climate change
- While physical climate risks may impact on our business directly, there are also broader environmental and socioeconomic impacts on key stakeholders including local communities
- Our approach also recognises potential vulnerabilities of surrounding communities, ecosystems, key suppliers and customers, and we will continue to work to assess opportunities to improve resilience.

## Governance



- We intend to put our Climate Change Action Plan to a non-binding shareholder advisory vote every three years with the first vote at our 2022 Annual General Meeting
- We will continue to report annually on our performance in our Sustainable Development Report
- Long-term incentives which are part of the remuneration packages for our executives are linked to performance against a set of climate change measures and the transition of our portfolio towards base metals required for a low-carbon world.

- (1) Our full Climate Change Action Plan is set out in our Sustainable Development Report, which includes important information on forward-looking statements on the inside front cover and page 69. The Sustainable Development Report is available at [www.south32.net](http://www.south32.net).
- (2) 'Low-carbon' refers to lower levels of GHG emissions when compared to the current state. Where used in relation to South32's products or portfolio, it refers to enhancement of existing methods, practices and technologies to substantially lower the level of embodied GHG emissions as compared to the current state.
- (3) 'Goal' is defined as an ambition to seek an outcome for which there is no current pathway(s), but for which efforts will be pursued towards addressing that challenge, subject to certain assumptions or conditions.
- (4) 'Target' is defined as an intended outcome in relation to which we have identified one or more pathways for delivery of that outcome, subject to certain assumptions or conditions.
- (5) Applying the mitigation hierarchy means we prioritise avoidance of GHG emissions and, where avoidance is not possible, we mitigate GHG emissions through efficiency, initiatives or transition to low-carbon energy. We intend only to use voluntary carbon offsets after these options have been fully explored. Carbon credits may be used to comply with regulatory requirements in South Africa and Australia.
- (6) Just transition is the fair, equitable and inclusive social transition towards a low-carbon global economy.