

RISK MANAGEMENT FRAMEWORK

Revised on 30 April 2018

1 Risk Management Framework

This framework sets out the overall approach to risk management of South32 Limited (the **Company**) and its subsidiaries (the **Group**). It applies to all employees, directors and contractors of the Group.

This framework has been adopted by the Group in recognition that:

- the identification, evaluation and management of risk is central to achieving the Company's corporate purpose of creating long-term shareholder value;
- by understanding and managing risk, the Company provides greater certainty and confidence for all stakeholders; and
- successful risk management can be a source of competitive advantage.

Risk is inherent in our business and the effective management of risk is vital to the growth and success of the Group.

2 Approach to risk management

The Company's risks are viewed and managed on a Group-wide basis.

The key objectives of this framework are to:

- ensure the strategic direction of the Group is appropriate in light of the economic, social, political, legal and regulatory environments in which the Group's businesses operate;
- provide a means of identifying priorities (in terms of relative risk levels) and allocating resources effectively and efficiently;
- provide a means of demonstrating due diligence in discharging legal and regulatory obligations and meeting the expectations and standards of external stakeholders; and
- provide a means to maximise the value from assets, projects and other business opportunities and to assist in encouraging enterprise and innovation, with a view to enhancing the value of shareholders' investments.

In meeting the key objectives, the Company implements the following activities:

- identifying the potential for impacts on the achievement of the Group’s corporate purpose and business through risk assessments using approved materiality and tolerability criteria;
- conducting a risk assessment (risk identification, risk analysis, including the likelihood and impact assessment, and risk evaluation) for material risk issues;
- designing, implementing, operating and assessing risk controls to produce residual risks that are tolerable; and
- establishing performance standards for critical controls over material risks with supporting verification processes.

Risk issues across the Group are identified, analysed and assessed in a consistent manner.

3 Risk management responsibilities

Key responsibilities for risk management are shared across the Group.

Function	Responsibility
Board	<ul style="list-style-type: none"> • Annually reviewing and considering the Group’s risk profile to ensure it supports the achievement of the Group’s strategy, including determining the nature and extent of risks the Group is prepared to take in the pursuit of its objectives. • Reviewing, endorsing and overseeing the Group’s risk management framework at least annually and satisfying itself that it continues to be sound and that the Group is operating within the risk appetite set by the Board.
Risk and Audit Committee (RAC)	<ul style="list-style-type: none"> • Overseeing and reviewing the effectiveness of the Group’s systems of internal control and risk management and seeking to gain assurance that risks that are material to the achievement of the Group’s corporate objectives, strategy and plans have been and will continue to be identified and managed. • Reporting the results of the review of the Group’s internal controls and risk management systems to the Board and recommending any action resulting from such reviews. • Reviewing and approving statements to be included in the Annual Report concerning internal controls and risk management.

- Annually reviewing the Group's audit plan.
- Reviewing arrangements for complaints received by the Group regarding accounting or auditing matters.
- Overseeing the plans, performance, objectivity and leadership of the internal audit function and the integrity of the internal audit process and presenting to the Board a summary of its evaluations.

Sustainability Committee

- Reporting to the RAC on material HSEC risks identified through the HSEC management system and the outcomes of the HSEC management system evaluation.
- Reviewing and endorsing the annual HSEC audit plan and communicating it to the RAC.

CEO (and South32 Lead Team / nominated employees)

- Ensuring standards and procedures are implemented and observed to maintain the effectiveness of systems of risk management and internal control and that there are appropriate processes for responding to incidents, risks and hazards in a timely manner.
- Undertaking and presenting reviews of the system of internal control and risk management to the RAC.
- Reporting to the RAC and Sustainability Committee on HSEC legal and regulatory requirements and HSEC risks that are material to the Group.
- Overseeing the Group's compliance with continuous disclosure requirements.

Internal audit

- Evaluating and identifying areas where management should improve the effectiveness of its risk management, control, compliance and governance processes.
- The VP Risk and Assurance presents to the RAC periodic reviews of the standards and practices adopted by the Group in relation to, amongst other things, the internal audit program as a whole and the performance of the internal audit function.
- The VP Risk and Assurance meets with the RAC on a periodic basis without the presence of management.

All employees and contractors

- Considering all forms of risk and risk tolerance in all decision making and what is best for the Group as a whole.
 - Retaining ownership and accountability for risk and risk management in their areas of responsibility.
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- Monitoring compliance with the Group's risk management framework, policies, standards and procedures.
 - Documenting and reporting all significant risk management deficiencies.
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4 Risk management communication

The Group's key risk management documents are made available to all employees, directors and contractors on the Group's intranet.

Where appropriate or required by applicable governance standards, disclosure will be made, subject to prior Board approval, of:

- whether a review of the Group's risk management framework has taken place in relation to each reporting period, any insights gained from the review and any changes made to the risk management framework as a result;
- the structure and role of the Group's internal audit function; and
- the Group's material exposure to economic, environmental and social sustainability risks and how the Group manages or intends to manage those risks.

5 Review of Risk Management Framework

The Group's risk management framework policy (this document) is reviewed every two years.