

BOARD CHARTER



1 Role

- 1.1 The purpose of South32 Limited (the **Company**) 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 (together, the **Purpose**).
- 1.2 The role of the South32 Limited Board (**Board**) is to represent shareholders and to promote and protect the interests of the Company (**Role**). It does so by governing the Company and its related bodies corporate (**Group**), having regard to the interests of the Group's shareholders (as a whole), the interests of other relevant stakeholders (where appropriate) and the Group's desire to be a trusted corporate citizen.
- 1.3 This Charter includes an overview of:
 - (a) the role and responsibilities of the Board;
 - (b) the authority delegated by the Board to management and committees;
 - (c) Board composition and procedures;
 - (d) the Board's access to independent advice and information to enable it to fulfil its responsibilities; and
 - (e) training and assessment.

2 Responsibilities

The key responsibilities of the Board in fulfilling its role are as set out below.

- 2.1 Demonstrating leadership.
- 2.2 Approving the Company's Purpose, strategic direction and objectives of the Company.
- 2.3 Approving the Company's Values and the *Code of Business Conduct* to underpin the desired culture of the Group.
- 2.4 Contributing to and approving management's development of corporate strategy including overseeing management's implementation of the Company's strategic objectives and setting performance objectives for the Chief Executive Officer (**CEO**) and members of the South32 Lead Team.
- 2.5 Overseeing, at least annually, the Company's risk management framework (for both financial and non-financial risks) and satisfying itself that the Company is operating with due regard to the risk appetite set by the Board.
- 2.6 Overseeing the Company's internal controls and systems for monitoring ethical and legal compliance.
- 2.7 Approving and monitoring the progress of operating budgets, major capital expenditure, acquisitions, divestments and capital management decisions.

- 2.8 Monitoring the integrity of the Company's financial and other reporting systems, including the external audit.
- 2.9 Developing and monitoring the implementation of the Company's corporate governance principles and approving policies.
- 2.10 Promoting ethical, responsible and lawful decision making.
- 2.11 Satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board.
- 2.12 Monitoring the Company's process for making timely and balanced disclosure of all information required to be disclosed in accordance with the Company's Constitution, applicable listing rules, the *Corporations Act 2001* (Cth) and other applicable laws and regulations.
- 2.13 Considering appointments to, and the performance and succession of, the Board, CEO and members of the South32 Lead Team including:
 - (a) appointing the Managing Director and Chief Executive Officer (with references to **CEO** in this Charter being a reference to both the Managing Director role and CEO role);
 - (b) approving the appointments of members of the South32 Lead Team and the Company Secretary;
 - (c) approving the authority limits for the CEO;
 - (d) monitoring and evaluating the performance of the individual directors, the Board as a whole, the CEO and the South32 Lead Team;
 - (e) reviewing and approving the contractual arrangements, remuneration, total proposed awards under incentive plans and benefits in relation to the Non-executive Directors and the CEO and the South32 Lead Team;
 - (f) reviewing and approving the annual business scorecard;
 - (g) in respect of the short-term employee incentive scheme, at the end of each financial year, consider recommendations from the Remuneration Committee on, and approve, the outcomes for the CEO and members of the South32 Lead Team;
 - (h) approving performance hurdles or any amendments to the performance hurdles applicable to the equity-based plans;
 - (i) reviewing the size and composition of the Board; and
 - (j) succession planning for Non-executive Directors and the CEO and overseeing succession planning for the South32 Lead Team.
- 2.14 Monitoring and promoting the Company's commitment to diversity and inclusion; and approving the Company's *Inclusion and Diversity Policy*.
- 2.15 In accordance with the *Inclusion and Diversity Policy*, setting measurable objectives for achieving ethnicity and gender diversity in the composition of the Board, senior executives and workforce generally.

- 2.16 Reviewing, at least annually:
- (a) the Group's progress in achieving its measurable objectives for achieving diversity across the Group;
 - (b) the respective proportions of women and men on the Board, in senior executive positions, and across the whole workforce; and
 - (c) remuneration by gender and ethnicity.
- 2.17 Approving the Company's remuneration framework (including employee share ownership, superannuation and pension plans) and ensuring that the framework is aligned with the Company's Purpose, values, strategic objectives and risk appetite.

3 Delegation of responsibilities

- 3.1 Under the Company's Constitution, the business and affairs of the Company are to be managed by or under the direction of the Board.
- 3.2 The Board has specifically reserved some matters for its decision and delegates authority for all other matters that are necessary for the management of the Group's business to the CEO and to committees within the authority limits approved by the Board from time to time. However, ultimate responsibility for governance and strategy rests with the Board.
- 3.3 The Board retains the right to alter the matters reserved for its decision.

CEO and management

- 3.4 The Board delegates to the CEO the authority to manage the day to day affairs of the Group.
- 3.5 The CEO is responsible for developing and implementing the strategic objectives, the annual plan and budgets, as approved by the Board, and may delegate the management function within the authority limits set by the Board.
- 3.6 The CEO is accountable to the Board for all authority delegated to management and the Group's performance.
- 3.7 The Board retains ultimate authority to change, enhance or revoke its delegations to the CEO at any time.
- 3.8 All actions and decisions of the CEO will be guided by the Purpose and the Group's strategic objectives.
- 3.9 The CEO will:
- (a) keep the Board and its committees informed of matters as reasonably considered necessary or appropriate to enable them to make assessments and judgements, to conduct enquiries, and to gain assurance that the decisions and actions of the CEO and management, and the performance of the Group, are directed towards the Company's strategic objectives;
 - (b) instil in the Group a culture of: Care, Trust, Togetherness and Excellence;

- (c) assess the health, safety, environmental, reputational, legal and financial consequences of decisions and actions and the impact on the achievement of the Group's strategic objectives;
- (d) implement a system of internal controls and audits designed to identify and manage risks that are material to the achievement of the Group's strategic objectives;
- (e) assess and plan for the impact of any change in the portfolio of Group assets on the achievement of the Group's strategic objectives;
- (f) address the impact of capital and operating expenditure, or financing decisions, on the financial condition of the Group and on the achievement of the Group's strategic objectives;
- (g) implement plans and processes designed to provide for the development and succession of senior management and equal opportunities for the development of all staff;
- (h) maintain policies, standards and procedures which are designed to provide shareholders with timely and accurate information through the appropriate channels and in compliance with all regulatory requirements; and
- (i) maintain a comprehensive set of management delegations to allow management to carry on the Group's business.

3.10 The CEO will not:

- (a) engage in, cause or permit any activity or behaviour that is in violation of commonly accepted standards of business practice and ethics; or
- (b) allow a Group culture that condones dishonest conduct, or lack of integrity, respect or dignity in relationships amongst those involved in or affected by the Group's activities.

3.11 The Board will monitor the decisions and actions of the CEO and management and progress towards the Group's strategic objectives.

3.12 Throughout the annual Board cycle, the CEO will report, in a spirit of openness and trust, on the progress being made by the Group towards its strategic objectives, including material developments in the:

- development and implementation of strategy and the annual plan;
- business and financial performance of the Group and material events in markets that are critical to the achievement of the Group's strategic objectives; and
- activities covered in sections 3.8 and 3.9 above.

Committees

3.13 Under the Company's Constitution, the Board may delegate responsibility to committees to consider certain issues in further detail and then report back to and advise the Board.

3.14 The Board has established the following standing committees to assist it in discharging its responsibilities effectively and efficiently:

- (a) Risk and Audit Committee;
- (b) Remuneration Committee;

- (c) Sustainability Committee; and
 - (d) Nomination and Governance Committee.
- 3.15 The Board may establish other committees from time to time to consider other matters of special importance.
- 3.16 Committees will operate within their terms of reference. Unless the Board expressly delegates power to a committee, committees will not have decision-making power but will make recommendations to the Board for decision.
- 3.17 The principles and procedures set out in each committee's terms of reference are intended to be flexible and non-exhaustive so that each committee is able to respond to changing business circumstances, the needs of shareholders and external regulatory developments.
- 3.18 The Board will set and approve any changes to the committees' terms of reference.
- 3.19 The Board will appoint the members and the Chair of each committee taking into account the recommendations of the Nomination and Governance Committee. Membership of each standing committee will be reviewed every three years, or earlier if circumstances dictate.
- 3.20 The committee meetings will adopt the following procedures:
- (a) The Company Secretary, or a designate, will be the Secretary of each standing committee.
 - (b) Each committee is established under Rule 8.7 of the Constitution of the Company. Proceedings and meetings of each committee will be governed by the provisions of the Company's Constitution for regulating the meetings and proceedings of the Board in so far as they are applicable and not inconsistent with each committee's terms of reference.
 - (c) Each committee (other than the Nomination and Governance Committee) will meet as frequently as required but not less than four times a year. The Nomination and Governance Committee will meet as frequently as required but not less than three times a year.
 - (d) Any committee member or the Secretary may call a meeting of the committee or may request the Secretary to call a meeting.
 - (e) The Chair of each committee may invite the CEO and any other person to attend for all or part of any committee meeting as and when appropriate.
 - (f) A standing invitation will be issued to all Non-executive Directors to attend committee meetings with the consent of each committee's Chair.
 - (g) A notice of each committee meeting confirming the date, time, venue and agenda will be forwarded to each committee member (with a copy to all Board members) in the week prior to the date of the meeting. The notice for committee members will include relevant supporting papers for the agenda items to be discussed.
 - (h) For the avoidance of doubt, committees may deal with items of business by written resolution in accordance with the requirements for passing written resolutions under the Company's Constitution.
 - (i) Minutes of proceedings and resolutions of committee meetings will be kept by the Secretary. Notices, minutes, agenda and supporting papers will be made available to any Director upon request to the Secretary, provided no conflict of interest exists.
 - (j) Committee papers prepared by management are to be relevant, clear, complete and concise.

- (k) Each standing committee will note its annual forward plan.
 - (l) At the discretion of each committee Chair, separate meetings may also be held with any member of Group management.
 - (m) A quorum will comprise any two committee members. In the absence of the committee Chair or an appointed delegate, the committee members will elect one of their number as Chair for that meeting.
 - (n) Committee Chairs do not have a second or casting vote.
- 3.21 Sufficient resources will be available to each committee to enable it to run effectively, as determined by each committee, including funds to:
- (a) engage and remunerate independent advisers under paragraphs 6.1 to 6.3; and
 - (b) pay any expenses of the committee that are necessary or appropriate to assist it in carrying out its work under each committee's terms of reference.
- 3.22 Each standing committee will regularly evaluate its performance having regard to the principles and requirements of its terms of reference and the overall objective of each committee's work and report to the Board as appropriate.
- 3.23 Each committee Chair, or a delegate, will report to the Board following each meeting of the committee to:
- (a) provide the Board as a whole with insight into the key issues discussed by, and the decisions of, the committee (this may be in the form of minutes of the committee's meetings, supporting papers and written or oral reports at Board meetings);
 - (b) facilitate Board awareness;
 - (c) assist in the periodic review of the committees' performance; and
 - (d) recommend any specific decisions or actions the Board should consider, including changes to these terms of reference.

4 Composition

Membership

- 4.1 The Board will be constituted in accordance with the Company's Constitution and the Directors will rotate in accordance with the rules for appointment and retirement under the Company's Constitution.
- 4.2 It is intended that at any one time the Board will comprise a substantial majority of independent Non-executive Directors and seek to have Directors with an appropriate range of skills, expertise and experience from a diverse range of backgrounds necessary to carry out the Board's role and responsibilities.
- 4.3 The Board, together with the Nomination and Governance Committee, will review the mix of skills, experience, independence, knowledge and diversity represented by Directors on the Board and determine whether the composition and mix remain appropriate for the Company's Purpose and strategic objectives and whether they cover the skills needed to address existing and emerging business and governance issues relevant to the Company.

- 4.4 The Board will regularly review the independence of Non-executive Directors in accordance with the *Independence of Directors Policy*.
- 4.5 The Directors of the Company must possess the following qualities:
- (a) unquestioned honesty and integrity;
 - (b) a proven track record of creating value for shareholders;
 - (c) an ability to apply strategic thought to matters in issue;
 - (d) a preparedness to debate issues openly and constructively and to question, challenge and critique;
 - (e) a willingness to understand and commit to the better of those standards of corporate governance applicable to the Company which lead to the best outcome from a governance perspective for the Company's stakeholders; and
 - (f) an ability to devote sufficient time to properly carry out the role and responsibilities of the Board.
- 4.6 All Directors are expected to utilise their range of relevant skills, knowledge and experience and to apply their independent judgement to all matters discussed at Board meetings. Executive Directors will ensure that they bring to all Board debate and discussion their unique knowledge, experience, and perspective on the Group's businesses.

Chair

- 4.7 The Board will appoint one of the independent Non-executive Directors as Chair. The Board may determine the period for which the Chair is to hold office and may terminate that appointment.
- 4.8 The Chair of the Board must be an independent Non-executive Director.
- 4.9 The principal role of the Chair is to provide leadership to the Board, assist the Board to work effectively and discharge its responsibilities and encourage a culture of openness and debate to foster a high-performing and collegiate team.
- 4.10 The Chair represents the Board to the shareholders and communicates the Board's position.
- 4.11 The Chair will serve as the primary link between the Board and management.
- 4.12 The Chair will set the agenda for each Board meeting in consultation with the Chief Executive Officer (CEO) and Company Secretary.

5 Procedures

Conduct

- 5.1 Each Director will ensure that they do not make any decision or take any action that has the effect of prioritising his or her interests over the Company's interests.
- 5.2 Directors commit to the collective decision-making processes of the Board and to always respect the contributions of other Directors. Directors will debate issues openly and constructively and be free to question or challenge the opinions presented at meetings.

Meetings

- 5.3 The Company's Constitution governs the regulation of Board meetings and proceedings.
- 5.4 The Board will meet regularly, and Directors will use all reasonable endeavours to attend Board meetings in person. Directors unable to attend a meeting must advise the Chair and Company Secretary as soon as practicable.
- 5.5 Papers for Board and committee meetings will be circulated to Directors in advance of each meeting so that Directors have a reasonable opportunity to review the papers.
- 5.6 Non-executive Directors will periodically meet without Executive Directors or representatives of management present.

Company Secretary

- 5.7 The Company Secretary, through the Chair, is accountable to the Board on all matters to do with the proper functioning of the Board including the:
 - (a) effectiveness of the implementation of corporate governance processes;
 - (b) adherence to the Board's policies and procedures;
 - (c) coordination of all Board business, including agendas, board papers, minutes, communication and filings; and
 - (d) organising and facilitating the induction and professional development of Directors.
- 5.8 All Directors and each standing committee will have direct access to the Company Secretary.

6 Access to advice and information

Access to independent advice

- 6.1 Each Director, the Board and the committees may, with the consent of the Chair (or where applicable, the committee Chair), seek independent professional advice at the expense of the Group on any matter connected with the discharge of their relevant responsibilities.
- 6.2 The policy of the Board is that external advice will be made available to all Directors (and in the case of committees, to all committee members), unless the Chair (or committee Chair) agrees otherwise.
- 6.3 The Board or relevant committee will determine the compensation payable to independent advisers and the Company Secretary (or their designate) will assist the Board and committees in securing the service determined necessary.

Access to information and records

- 6.4 The Board and committees may make direct requests for information and records from the CEO, any employee of the Group, the external auditor or any third party.

- 6.5 The Chair, the Chairs of committees, the CEO and the Company Secretary will work collaboratively to ensure the production and transmission of information and reports to the Board and committees.
- 6.6 Relationships and dialogue between individual members of the Board and the CEO and South32 Lead Team that focus on gaining a better understanding of the Group's business will be encouraged but will not alter the roles, accountabilities and divisions of authority in this Charter.

7 Training and assessment

Training

- 7.1 All Directors are engaged through a letter of appointment setting out their responsibilities.
- 7.2 New Directors will be provided with a comprehensive induction program, including business briefings by management and site visits.
- 7.3 All Directors will participate in an ongoing program of training and development and each standing committee may adopt and maintain a program of induction, training and development (including site visits if considered necessary).

Review

- 7.4 The Board will regularly review the performance of the Board, the Board's standing committees, each Director and the terms of this Charter.
- 7.5 The results of the review of individual Directors will be taken into account by the Board in determining its assessment of the Directors to stand for re-election at the next Annual General Meeting.

Adopted on 14 May 2015
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