

REMUNERATION COMMITTEE TERMS OF REFERENCE



1 Role

- 1.1 The role of the Remuneration Committee (**Committee**) is to assist the Board of South32 Limited (**Board**) in exercising its authority in relation to the matters set out in these terms of reference. The Committee is accountable to the Board for its performance.
- 1.2 In discharging its responsibilities under these terms of reference, the Committee will have regard to the following policy objectives:
- (a) to support the execution of the Company's business strategy and objectives in accordance with the risk management framework and risk appetite set by the Board;
 - (b) to provide competitive rewards to attract, motivate and retain highly skilled executives willing to work around the world and encourage them to pursue the growth and success of the Company;
 - (c) to apply demanding performance measures, including key financial and non-financial measures of performance, which promote behaviour in line with the Company's purpose, values, strategic objectives and risk appetite;
 - (d) to link a significant component of pay to the Company's performance and the sustainable creation of value with our stakeholders;
 - (e) to put in place remuneration arrangements that are designed to be equitable and facilitate the deployment of people to all Company locations;
 - (f) to reward employees fairly and responsibly having regard to the Company's results, individual performance and general remuneration conditions and allowing for adjustments to be made, including where risk and compliance failures occur; and
 - (g) to limit severance payments on termination to pre-established contractual arrangements that do not commit the Company to making unjustified payments.
- 1.3 In making decisions and recommendations, the Committee may take into account:
- (a) these terms of reference;
 - (b) the requirements of rule 8.3 of the Company's Constitution;
 - (c) legal requirements, including the provisions and recommendations in applicable listing rules and standards of corporate governance applicable in each of the jurisdictions in which the Company is listed;
 - (d) key market trends and the broader external environment, in particular the existing and developing corporate governance and regulatory environment; and
 - (e) any other factors it deems relevant.

2 Responsibilities

General

- 2.1 The Committee will:
- (a) review the Company's reward framework (including incentive plans) and its application to Non-executive Directors, Chief Executive Officer (**CEO**), members of the South32 Lead Team, senior leadership team and employees as a whole;
 - (b) review the remuneration outcomes annually for all South32 employees as a whole;
 - (c) oversee the preparation of the Remuneration Report and recommend it for inclusion in the Company's Annual Report; and
 - (d) oversee remuneration-related communications to shareholders, consider the remuneration-related resolutions for shareholder approval and review the impacts of shareholder voting on the Company's remuneration framework.
- 2.2 The Committee will recommend for Board approval the Global Benefits Strategy and Philosophy for all South32 employees and will oversee any major changes in global employee benefits structures that will have a material cost or risk implication to the business.
- 2.3 The Committee will periodically review and determine a minimum shareholding requirement for Non-executive Directors, the CEO and members of the South32 Lead Team, and monitor equity holding forecasts in respect of the requirement.

Chair and Non-executive Director remuneration

- 2.4 The Committee will consider and recommend to the Board the remuneration arrangements for the Chair and Non-executive Directors of the Board, including fees, travel expenses and allowances and other benefits, and the policy for authorising claims for expenses incurred by Directors.

CEO and South32 Lead Team Member remuneration

- 2.5 The following matters will be the subject of recommendations by the Committee to the Board to the extent that they relate to the CEO, and will be approved by the Committee and provided to the Board for noting to the extent that they relate to the members of the South32 Lead Team:
- (a) the remuneration for the CEO and members of the South32 Lead Team on appointment;
 - (b) any changes to the remuneration of the CEO and members of the South32 Lead Team;
 - (c) the policy for authorising claims for expenses of the CEO;
 - (d) any changes to retirement and insured benefit arrangements for the CEO and members of the South32 Lead Team;
 - (e) prior to implementation, changes to the contract terms of the CEO or members of the South32 Lead Team or to any aspect of their remuneration not specifically addressed elsewhere in these terms of reference; and

- (f) termination arrangements for the CEO and members of the South32 Lead Team, including confirming that termination payments are consistent with the rules of any incentive scheme and the remuneration policy.

2.6 In relation to the Company's short-term incentive scheme:

- (a) review and recommend to the Board the annual business scorecard taking into consideration any recommendations from the Sustainability Committee, the Risk and Audit Committee and any other Committee where applicable; and
- (b) at the end of each financial year, make recommendations to the Board on the outcomes for the CEO and members of the South32 Lead Team, including the application of modifiers or adjustments. In forming its recommendation, the Committee will consider recommendations from the CEO (to the extent that they relate to the members of the South32 Lead Team), the Sustainability Committee, the Risk and Audit Committee and any other Committee where applicable.

Incentive and equity-based plans

2.7 In relation to the Company's employee incentive and equity-based plans in place from time to time, the Committee will:

- (a) review and recommend to the Board the rules of, and any amendments to:
 - (i) executive cash-based incentive plans; and
 - (ii) executive and employee equity-based plans;
- (b) review the cost of the incentive plan and annual salary review for participants below South32 Lead Team level;
- (c) review and recommend to the Board for approval performance hurdles or any amendments to the performance hurdles applicable to the equity-based plans;
- (d) determine each year whether awards will be made under the equity-based plans and:
 - (i) recommend to the Board the total proposed awards under the plans and on an individual basis for the CEO;
 - (ii) review and approve total proposed awards under the plans and on an individual basis for the South32 Lead Team; and
 - (iii) review and approve total proposed awards under the plans for employees below the South32 Lead Team;
- (e) consider whether circumstances exist under which it would be appropriate for the Board to exercise discretion reserved to it (including the application of adjustments, malus and clawback under the rules of the plans as it relates to the CEO and members of the Lead Team) based on performance against the applicable performance targets and any other factors that the Committee considers to be relevant, and make relevant recommendations to the Board;
- (f) ensure that behaviours and outcomes achieved, and any other relevant factors are reflected in the executive remuneration outcomes;

- (g) review and approve the terms of any trust deed applying to the equity-based plans, and any amendment to any such trust deed (including authorising the execution of any such trust deed or amending deed on behalf of the Group); and
- (h) oversee the operation and administration of all Company equity-based plans, including delegation of powers to management as appropriate.

3 Composition

- 3.1 The Committee will consist of:
- (a) only Non-executive Directors;
 - (b) a minimum of three members;
 - (c) a majority of independent Directors; and
 - (d) an independent director as Chair.

4 Procedures

- 4.1 No individual director or executive will be involved in any decisions as to their own remuneration. For the avoidance of doubt, this rule applies to the members of the Committee, executives that receive standing invites to attend the Committee's meetings and any director or executive that may be invited to attend the Committee's meetings from time to time.
- 4.2 The policies governing meeting procedures are set out in paragraph 3.19 of the *Board Charter*.
- 4.3 A standing invitation to attend meetings of the Committee will be issued to all Non-executive Directors in accordance with the *Board Charter* and to the:
- (a) VP Reward and Benefits;
 - (b) Chief People and Legal Officer; and
 - (c) CEO.
- 4.4 The Committee Chair will provide a brief oral report to the Board as to any material matters arising out of Committee meetings.
- 4.5 A copy of the minutes of the Committee will also be provided to all Directors.
- 4.6 The Committee will also consider if any material matters arising out of the Committee meeting should be advised to any other Committee and, if so, ensure that this occurs.

5 Resourcing

- 5.1 The Committee's work is supported by the CEO, Chief People and Legal Officer, and the VP Reward and Benefits.
- 5.2 The Committee will approve the appointment of remuneration consultants for the purposes of the *Corporations Act 2001* (Cth).

- 5.3 The Committee will assist the Board in its assessment of whether a remuneration recommendation made by a remuneration consultant was made free from undue influence by the member(s) of the key management personnel to whom the recommendation relates.

6 Review of Terms of Reference

- 6.1 The Board will review the Terms of Reference of the Committee periodically and the Committee may make recommendations to the Board in relation to any changes to the Committee's responsibilities.

Adopted on 7 May 2015
Revised on 6 February 2020