

REMUNERATION COMMITTEE

TERMS OF REFERENCE

Revised on 30 April 2018

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 in accordance with the 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;
 - (c) to apply demanding performance measures, including key financial and non-financial measures of performance;
 - (d) to link a significant component of pay to the Company's performance and the creation of value for the Company's shareholders from relative performance;
 - (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
 - (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 remuneration framework (including incentive plans) and its specific application to Non-executive Directors, the CEO and the South32 Lead Team and its general application to all employees;
- (b) oversee the preparation of the Remuneration Report to be included in the Company's Annual Report; and
- (c) oversee communications to shareholders, consider the requirements for shareholder approval and review the results of shareholder voting on the Company's remuneration framework (including remuneration policy, reports and any proposed changes to the remuneration policy and the Committee's work on behalf of the Board).

2.2 The Committee will oversee any major changes in employee benefits structures that will have a material cost or risk implication to the business.

2.3 The Committee will periodically review remuneration by gender and report to the Board on the results of the review.

2.4 The Committee may determine a minimum shareholding requirement for Non-executive Directors and South32 Lead Team members.

Chair and Non-executive Director remuneration

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

CEO and South32 Lead Team Member remuneration

- 2.6 The following matters will be the subject of recommendations to the Board to the extent that they relate to the CEO, and will be noted by the Board to the extent that they relate to the South32 Lead Team:
- (a) the remuneration for the CEO and members of the South32 Lead Team on appointment;
 - (b) any change to the remuneration of the CEO and members of the South32 Lead Team;
 - (c) at the end of each financial year, its assessment of the CEO's and members of the South32 Lead Team's performance against the key performance indicators and targets set under paragraph 2.7(a), taking guidance from other Board Committees where applicable;
 - (d) the policy for authorising claims for expenses of the CEO;
 - (e) the policy for, and scope of, retirement and insured benefit arrangements for the CEO and members of the South32 Lead Team;
 - (f) 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
 - (g) 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.

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) at the beginning of each financial year, in relation to the South32 short term incentive scheme:
 - (i) determine the business performance indicators and targets that will apply;
 - (ii) recommend to the Board the personal performance indicators and targets for the CEO;
 - (iii) approve the personal performance indicators and targets for members of the South32 Lead Team (which will then be noted by the Board)
- taking guidance from other Board Committees where applicable;

- (b) review and recommend the rules of, and any amendments to:
 - (i) executive cash-based incentive plans; and
 - (ii) executive and employee equity-based plans;
- (c) review the cost of the incentive plan and annual salary review for participants below South32 Lead Team level;
- (d) review and approve performance hurdles or any amendments to the performance hurdles applicable to the equity-based plans;
- (e) determine each year whether awards will be made under the equity-based plans and whether circumstances exist under which it would be appropriate for the Board to exercise any discretion reserved to it under the rules of the plans and:
 - (i) recommend to the Board the total proposed awards under the plans and on an individual basis for Non-executive Directors and 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;
- (f) 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
- (g) 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.

- 3.2 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 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*.

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.