

South32 Limited  
(Incorporated in Australia under the Corporations Act 2001)  
(ACN 093 732 597)  
ASX / LSE / JSE Share Code: S32 ADR: SOUHY  
ISIN: AU000000S320  
south32.net

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## **SOUTH32 PAYMENTS TO GOVERNMENTS REPORT 2017**

### **Introduction**

South32 cares about the communities in which it operates and delivers on its commitments. Publishing annual Tax payments made by country and level of government allows us to demonstrate that our tax affairs are conducted in accordance with our corporate values and commitment to ethical business practices.

We believe that tax transparency helps build community confidence about the value created from resource development. We support initiatives that require companies to publicly share their data, including payments made to governments and communities.

In the year ended 30 June 2017, we paid US\$515.2M in taxes, royalties and other payments. This US\$188.9M increase on the payments made in the prior year is a reflection of increased profitability. Our underlying effective tax rate was 30.7% and once royalties of \$175.5M are included, the rate increases to 39.6%.

This report outlines our approach to tax governance, details our tax payments to governments on a country by country and project by project basis, explains our accounting income tax expense and provides a summary of our international related party dealings.

Our report meets the requirements of the following tax transparency measures:

- United Kingdom's (UK) Report on Payments to Governments Regulations 2014 (UK Regulations), including the tax Strategy reporting requirement
- Chapter 10 of the European Union (EU) Accounting Directive
- Global Reporting Initiative Sustainability Reporting Guidelines

More disclosures, consistent with the Australia Board of Tax Voluntary Tax Transparency Code, are published in the Tax Transparency and Payments to Government Report on the South32 website:  
<https://www.south32.net/investors-media/annual-report-suite>

Providing information which meets the requirements of these disclosure initiatives, some of which are voluntary, ensures that we are providing tax transparency beyond the mandatory legislative requirements applicable to our operations.

We support the Extractive Industries Transparency Initiative (EITI) and provide a financial contribution to the EITI through our membership of the International Council on Mining and Metals (ICMM). This membership supports the EITI's ongoing activities of promoting open and accountable management of mineral resource wealth.

A description of technical terms used in this report and information regarding the approach adopted in compiling the data presented can be found in the Basis of Preparation and the Glossary.

## TOTAL PAYMENTS MADE BY COUNTRY AND LEVEL OF GOVERNMENT

Table 1 Total payments made by country and level of government for year ended 30 June 2017

US\$M <sup>1</sup>	Corporate income tax	Royalty related taxes	Royalties	License fees	Payments to governments for UK Regulations purposes	Employer payroll taxes	Other taxes and payments	Total government payments borne	Employee payroll taxes (not borne) <sup>2</sup>	Net taxes refunded
<b>Australia</b>										
Government of Australia	81.0	-	6.7	0.1	87.8	-	6.7	94.5	156.6	(85.5)
Government of Northern Territory	-	22.3	-	-	22.3	2.9	-	25.2	-	-
Municipality of George Town	-	-	-	-	-	-	0.1	0.1	-	-
State of New South Wales	-	-	69.8	-	69.8	9.8	4.4	84.0	-	-
State of Queensland	-	-	35.1	-	35.1	3.1	0.6	38.8	-	-
State of Tasmania	-	-	-	-	-	0.8	-	0.8	-	-
State of Western Australia	-	-	18.8	-	18.8	15.2	1.3	35.3	-	-
Townsville City Council	-	-	-	-	-	-	0.1	0.1	-	-
<b>Australia: Total</b>	<b>81.0</b>	<b>22.3</b>	<b>130.4</b>	<b>0.1</b>	<b>233.8</b>	<b>31.8</b>	<b>13.2</b>	<b>278.8</b>	<b>156.6</b>	<b>(85.5)</b>
<b>Brazil</b>										
Government of Brazil <sup>3</sup>	33.4	-	-	-	33.4	-	0.8	34.2	0.5	(29.9)
<b>Brazil: Total</b>	<b>33.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33.4</b>	<b>-</b>	<b>0.8</b>	<b>34.2</b>	<b>0.5</b>	<b>(29.9)</b>
<b>Colombia</b>										
Government of Colombia	5.1	-	25.4	1.0	31.5	-	4.3	35.8	4.5	0.7
Municipality of Montelibano	-	-	-	-	-	-	0.8	0.8	-	0.3
<b>Colombia: Total</b>	<b>5.1</b>	<b>-</b>	<b>25.4</b>	<b>1.0</b>	<b>31.5</b>	<b>-</b>	<b>5.1</b>	<b>36.6</b>	<b>4.5</b>	<b>1.0</b>
<b>Mozambique</b>										
Government of Mozambique	-	-	4.3	-	4.3	-	-	4.3	1.9	(0.7)
<b>Mozambique: Total</b>	<b>-</b>	<b>-</b>	<b>4.3</b>	<b>-</b>	<b>4.3</b>	<b>-</b>	<b>-</b>	<b>4.3</b>	<b>1.9</b>	<b>(0.7)</b>
<b>South Africa</b>										
Government of South Africa	119.8	-	36.4	-	156.2	-	0.2	156.4	91.6	(129.8)
<b>South Africa: Total</b>	<b>119.8</b>	<b>-</b>	<b>36.4</b>	<b>-</b>	<b>156.2</b>	<b>-</b>	<b>0.2</b>	<b>156.4</b>	<b>91.6</b>	<b>(129.8)</b>
<b>Singapore</b>										
Government of Singapore	3.4	-	-	-	3.4	-	-	3.4	1.1	-
<b>Switzerland: Total</b>	<b>3.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.4</b>	<b>-</b>	<b>-</b>	<b>3.4</b>	<b>1.1</b>	<b>-</b>
<b>Switzerland</b>										
Government of Switzerland <sup>4</sup>	1.4	-	-	-	1.4	-	-	1.4	-	-
<b>Switzerland: Total</b>	<b>1.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.4</b>	<b>-</b>	<b>-</b>	<b>1.4</b>	<b>-</b>	<b>-</b>
<b>United Kingdom</b>										
Government of United Kingdom	-	-	-	-	-	-	0.1	0.1	2.4	(0.8)
<b>United Kingdom: Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.1</b>	<b>0.1</b>	<b>2.4</b>	<b>(0.8)</b>
<b>Total taxes paid<sup>5</sup></b>	<b>244.1</b>	<b>22.3</b>	<b>196.5</b>	<b>1.1</b>	<b>464.0</b>	<b>31.8</b>	<b>19.4</b>	<b>515.2</b>	<b>258.6</b>	<b>(245.7)</b>

<sup>1</sup> Payments reported are the portion of the total payment that relates to South32's ownership.

<sup>2</sup> These taxes are deducted by the company from employee's remuneration and remitted to the revenue authorities on the employee's behalf.

<sup>3</sup> Includes on-cash corporate income tax payments of US\$29.9M offset against net taxes refunded.

<sup>4</sup> Jointly controlled Swiss company which ceased performing manganese marketing activities during the 2017 financial year.

<sup>5</sup> Refer to table 3 on page 3 for a reconciliation to corporate income tax paid (US\$244.1M) to the income tax paid as shown in the Consolidated Cash Flow Statement of our 2017 Annual Report.

## TOTAL PAYMENTS TO GOVERNMENT BY PROJECT

Table 2 Total payments to government by project for year ended 30 June 2017

US\$M <sup>6</sup>	Corporate income tax	Royalty related taxes	Royalties	Licence fees	Payments to governments for UK Regulations purposes	Employer payroll taxes	Other taxes and payments	Total government payments borne	Employee payroll taxes (not borne) <sup>7</sup>	Net taxes refunded
Cannington – Australia	-	-	35.1	-	35.1	3.1	0.7	38.9	17.9	-
Illawarra Metallurgical Coal - Australia	-	-	69.8	-	69.8	9.8	4.5	84.1	46.8	-
Worsley Alumina - Australia	-	-	18.8	-	18.8	10.3	6.5	35.6	46.2	(61.0)
Cerro Matoso - Colombia	5.1	-	25.4	1.0	31.5	-	5.1	36.6	4.5	1.0
South Africa Energy Coal - South Africa	42.0	-	22.1	-	64.1	-	-	64.1	51.2	(51.1)
<b>Total extractive project related payments - Subsidiaries</b>	<b>47.1</b>	<b>-</b>	<b>171.2</b>	<b>1.0</b>	<b>219.3</b>	<b>23.2</b>	<b>16.8</b>	<b>259.3</b>	<b>166.6</b>	<b>(111.1)</b>
<b>Equity accounted investments (EAIs)</b>										
Australia Manganese - Australia	81.0	22.3	6.7	0.1	110.1	2.9	0.9	113.9	14.6	(10.9)
South Africa Manganese - South Africa	-	-	14.3	-	14.3	-	0.2	14.5	5.0	(10.1)
<b>Total extractive project related payments including EAIs</b>	<b>128.1</b>	<b>22.3</b>	<b>192.2</b>	<b>1.1</b>	<b>343.7</b>	<b>26.1</b>	<b>17.9</b>	<b>387.7</b>	<b>186.2</b>	<b>(132.1)</b>
Non-extractive project related payments	116.0	-	4.3	-	120.3	5.7	1.5	127.5	72.4	(113.6)
<b>Total taxes paid<sup>8</sup></b>	<b>244.1</b>	<b>23.3</b>	<b>196.5</b>	<b>1.1</b>	<b>464.0</b>	<b>31.8</b>	<b>19.4</b>	<b>515.2</b>	<b>258.6</b>	<b>(245.7)</b>

Table 3 Reconciliation between Total Tax payment to Consolidated Cash Flow in Annual Report year ended 30 June 2017

	US\$M
<b>Income tax paid per 2017 Annual Report</b>	<b>(126.8)</b>
Include: Payments to the South African government relating to prior year disputes	(5.6)
<b>Total payments</b>	<b>(132.4)</b>
Include: Our share of payments related to Equity Accounted Investments	(82.9)
Include: Income tax payments offset against other tax receivables in Brazil	(29.9)
Remove: Foreign exchange movements on withholding taxes payable	(1.1)
<b>Corporate Income Tax Paid</b>	<b>(244.1)</b>

<sup>6</sup> Payments reported are the portion of the total payment that relates to South32's ownership.

<sup>7</sup> These taxes are deducted by the company from employee's remuneration and remitted to the revenue authorities on the employee's behalf.

<sup>8</sup> Refer to table 3 for a reconciliation to corporate income tax paid (US\$244.1M) to the income tax paid as shown in the Consolidated Cash Flow Statement of our 2017 Annual Report.

## **BASIS OF PREPARATION**

Our report discloses information that satisfies the requirements of the UK Reports on Payments to Governments Regulations 2014 (SI 2014/3209).

Our report includes payments to governments made by South32 Limited and its subsidiaries. We have also included payments to governments for equity accounted investments where South32 has a greater than 50% ownership interest.

Payments have been disclosed in US dollars in line with the South32 functional currency for consolidated accounting purposes and where relevant, payments have been translated from the applicable local currency to US dollars at the exchange rate on the date of the payment.

In accordance with the UK Reports on Payments to Governments Regulations 2014 and the EU Accounting Directive the payments to government by project table provides detail on a project by project basis for payments relating to extractive operations only. However, to allow the project by project table to be reconciled to the other disclosures, all payments relating to non-extractive projects have been included in the table as a singular line item. South32's non extractive projects include our South African Aluminium operations, Brazil Alumina operations, Mozambique Aluminium operations, equity accounted Australian Manganese Alloy operations, equity accounted South African Manganese Alloy operations and companies which provide services (management, marketing or financing) or are limited to holding investments.

## **GLOSSARY OF TERMS AND ABBREVIATIONS**

### **CORPORATE INCOME TAXES**

Payments to governments (net of refunds) based on taxable profits, including withholding taxes paid on dividends, interest or royalties. Generally, these taxes are reflected in the corporate income tax returns made to government and included as income taxes in the Consolidated Income Statement.

### **EMPLOYER PAYROLL TAXES**

Payments to governments in relation to South32's capacity as an employer. These taxes are calculated as a percentage of salary, wages and on-costs and are paid on a monthly basis.

### **EXTRACTIVE**

Any activity involving the exploration, prospection, discovery, development, and extraction of minerals, oil, natural gas or other materials. All of South32's mining and processing operations are extractive in nature except the Aluminium and Alumina operations.

### **FEES**

Payments to governments where no specific service is attached but rather levies on the initial or ongoing right to use an area for extractive activities.

### **GOVERNMENT**

Any national, regional or local authority of a country and includes any department, agency or undertaking controlled by such an authority.

### **NET TAXES REFUNDED**

South32 claims refunds of transactional taxes (for example, Goods and Services Tax (GST), Value Added Tax (VAT) and Fuel Tax) paid to suppliers for in-country purchases of goods, services and eligible fuel, and also collects GST/VAT in respect of certain sales.

### **NON EXTRACTIVE**

Any activity which does not involve the exploration, prospection, discovery, development, extraction of minerals, oil, natural gas or other materials. South32's non extractive operations include South African Aluminium operations, Brazil Alumina operations, Mozambique Aluminium operations, equity accounted Australian Manganese Alloy

operation, equity accounted South African Manganese Alloy operation and any companies that provide services (management, marketing or financing) or are limited to holding investments.

#### **OTHER TAXES AND PAYMENTS**

Payments to governments under other legislated tax rules where no specific service is attached, include fringe benefits tax, property tax, stamp duty, environment taxes, wealth tax and other levies/charges.

#### **PAYMENT**

An amount paid whether in money or in kind.

#### **PROJECT**

Operational activities that are governed by a single contract, licence, lease, concession or similar legal agreement and form the basis for payment of liabilities to a government. Where multiple such agreements are substantially interconnected, this is considered a single project.

#### **ROYALTIES**

Payment to governments in respect of revenue or production related to extraction of minerals or metals.

#### **ROYALTY RELATED TAXES**

Payments to governments in respect of profits from the extraction of natural resources. Royalty related taxes are presented as income tax in the Consolidated Income Statement.

#### **SOUTH32**

South32 Limited is the parent company of the South32 Group of companies. Unless otherwise stated, references to South32 and the South32 Group, the Company, we, us and our, refer to South32 Limited and its controlled entities, as a whole. South32 trades under the listing code S32 on the Australian Securities Exchange, Johannesburg Stock Exchange and London Stock Exchange; and American Depositary Receipts are traded over-the-counter in the United States (ADR: SOUHY).

JSE Sponsor: UBS South Africa (Pty) Ltd  
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