

# 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**) oversee the Group's remuneration framework and its specific application to the Chief Executive Officer (**CEO**), South32 Lead Team and Non-executive Directors and, in general, to South32 employees.
- 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 Group's<sup>1</sup> strategy and objectives in accordance with the risk management framework and risk appetite (as developed by management and approved by the Board);
  - (b) to provide competitive reward and benefits to attract, motivate and retain highly skilled executives and encourage them to pursue the growth and success of the Group;
  - (c) to apply demanding performance measures, including key financial and non-financial measures of performance, which promote behaviour in line with the Group's Purpose, values, strategy and risk appetite;
  - (d) to link a significant component of pay to performance and the sustainable creation of value for the Group's stakeholders;
  - (e) to put in place reward and benefit arrangements that are designed to be equitable and facilitate the deployment of people to all South32 locations;
  - (f) to reward employees fairly and responsibly having regard to the Group'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 Group to making unjustified payments.
- 1.3 The Committee is accountable to the Board for its performance. The Committee Chair (or their delegate) will:
- (a) report to the Board on the Committee's activities; and
  - (b) consider if any material matters arising out of Committee meetings should be communicated to any other committee and, if so, ensure that this occurs.

---

<sup>1</sup> South32 Limited is the parent company of the South32 Group of companies. In this document, unless otherwise stated, references to South32 Group, Group and South32 refer to South32 Limited and its controlled entities and South32-operated joint arrangements, as a whole.

## 2 RESPONSIBILITIES

### General

- 2.1 The Committee will oversee the remuneration and benefits framework for all South32 employees to gain assurance that remuneration arrangements are equitable and aligned to the long-term interests of shareholders, operate within risk appetite and support the Group's Purpose, strategy and values.

In particular, the Committee will:

- (a) endorse for Board approval any material changes to 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;
  - (b) endorse for Board approval any material changes to the remuneration framework for all South32 employees;
  - (c) consider, with input from other Committees as appropriate, how financial and non-financial considerations should be factored into executive remuneration and endorse for Board approval; and
  - (d) at least every two years, review the remuneration of South32 employees in support of pay equity including with regard to the outcomes of the relevant Workplace Gender Equality Agency in Australia (WGEA) review.
- 2.2 The Committee will oversee the preparation of the Remuneration Report and endorse it to the Board for inclusion in the annual report.
- 2.3 The Committee will oversee remuneration-related communications to shareholders, consider and endorse for Board approval remuneration-related resolutions for shareholder approval and review the impacts of shareholder voting on the remuneration and benefits framework.
- 2.4 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 holdings by executives in respect of the requirement.
- 2.5 The Committee will consider advice from the Risk and Audit Committee on material remuneration-related risks identified and managed through the Group's system of risk management, and the outcomes of its assessment of those risks.

### Chair and Non-executive Director remuneration

- 2.6 The Committee will consider and endorse 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.

## CEO and South32 Lead Team Member remuneration

- 2.7 The following matters will be the subject of endorsement 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 and other key contractual terms for the CEO and members of the South32 Lead Team on appointment;
  - (b) any changes to the remuneration and other key contractual terms of the CEO and members of the South32 Lead Team;
  - (c) any changes to retirement and insured benefit arrangements for the CEO and members of the South32 Lead Team;
  - (d) changes to any aspect of their remuneration not specifically addressed elsewhere in these terms of reference; and
  - (e) 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 applicable remuneration procedures.
- 2.8 In relation to the short-term incentive scheme, the Committee will:
- (a) endorse to the Board the annual Business Scorecard Structure and Metrics and any amendments thereto;
  - (b) endorse to the Board the annual Business Scorecard outcome taking into consideration any recommendations from the Sustainability Committee, the Risk and Audit Committee and any other committee where applicable; and
  - (c) endorse to the Board the outcomes for the CEO and approve the outcomes for 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

- 2.9 In relation to employee incentive and equity-based plans in place from time to time, the Committee will:
- (a) review and endorse to the Board the rules of, and any material amendments to:
    - (i) executive cash-based incentive plans; and
    - (ii) executive and employee equity-based plans;
  - (b) review and endorse to the Board performance hurdles or any amendments to the performance hurdles applicable to the equity-based plans;

- (c) determine each year whether awards will be made under the equity-based plans and:
  - (i) endorse 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;
- (d) endorse to the Board for approval the annual assessment outcome for the performance conditions of the relevant equity-based awards taking into consideration any recommendations from the Sustainability Committee, the Risk and Audit Committee and any other committee where applicable;
- (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) 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) seek to ensure that behaviours and outcomes achieved, and any other relevant factors are reflected in the CEO and South32 Lead Team remuneration outcomes;
- (g) review and approve the terms of any trust deed applying to the equity-based plans, and any material 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 equity-based plans, including delegating associated 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 Provided there is no potential or actual conflict of interest, a standing invitation to attend meetings of the Committee will be issued to all Directors and to the:**

- (a) CEO;
- (b) Chief Human Resources Officer;
- (c) VP Human Resources; and
- (d) Group Manager Reward & Benefits.

- 3.3 No individual 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 and to any Director or member of management that receives a standing invitation to attend the Committee's meetings or that may be invited to attend the Committee's meetings from time to time.

## 4 PROCEDURES

---

- 4.1 The processes and procedures that govern the operation of the Committee are set out in the document 'Board Committee Processes and Procedures'.

## 5 RESOURCING

---

- 5.1 The Committee's work is supported by the members of management set out in paragraph 3.2.
- 5.2 The Committee will approve the appointment of remuneration consultants for the purposes of the *Corporations Act 2001* (Cth) as required.
- 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.