OUR MATERIAL SUSTAINABILITY ISSUES

Through our planning process, we look at a range of sustainability issues and determine which are the most important for our business and for our stakeholders. Through a process known as 'materiality', we identify, prioritise and make decisions on the sustainability issues that are most relevant and create plans for addressing them. We report our progress through the Global Reporting Initiative (GRI) framework. We undertake this process annually, monitoring issues to determine if they are becoming more, or less, important and ensure that we capture any emerging issues, and our plans are in line with our stakeholders' expectations.

The materiality process is broken down into 4 steps:

STEP 1 – IDENTIFICATION

The materiality process starts by identifying sustainability topics that are important to a wide range of external and internal stakeholders.

During FY17, stakeholders included non-government organisations, sustainability rating agencies, customers, media, our local communities' government and our own people. Inputs were also drawn from internal registers, such as our risk registers, to understand the sustainability topics that have the potential to impacts our business. This year, we gathered information from our own people through questionnaires and interviews.

An important part of the Identification step was to consider impacts to voiceless stakeholders, including ecosystems and future generations. By doing this we are operating in line with our sustainability policy principles, specifically that we are responsible stewards of the natural resources we touch so these shared resources can continue to provide value for future generations.

During this step, the boundaries of each sustainability topic is defined. This enables the identification of where an impact may occur within our 'gate' or outside of our direct operational control. The boundary of each topic is included in our GRI Navigator, which is available on our website.

STEP 2 - PRIORITISATION

Prioritisation is the process of determining how important the identified topics are to us and our stakeholders. Prioritisation is undertaken in different ways, according to the stakeholder group. For example, in the media stakeholder group, importance is ranked on the number of articles published on a particular topic. For the stakeholder questionnaires, issues are ranked according to how important or impactful the individual believes the topic to be.

Key issues that were identified during the process undertaken in FY17 included:

- Water is the most material sustainability issue
- Occupational health and safety continues to be a material issue, and ranks higher for internal stakeholders than external stakeholders
- Anti-corruption is a material risk for South32
- Human Rights in Supply Chain escalated as an issue with both internal and external stakeholders
- Energy, economic performance and employment ranked highest in the media analysis
- Ratings agencies covering environment, social and governance identified tailings, water stress and carbon emissions as most material sustainability issues for South32, with key strengths being biodiversity and corporate governance
- In the Australia Region, our community stakeholders identified community contributions, employment and biodiversity as the highest priority issues
- In South Africa, Government engagements focused on local communities and transformation, which relates to the black empowerment program
- Internally, local communities, diversity and inclusion, water, and occupational health and safety were identified as the highest ranking

STEP 3 – VALIDATION

The validation step ensures our reporting provides a reasonable representation of our sustainability performance. It ensures that the reporting is accurate and balanced, which means we report on both positive and negative sustainability performance in line with what is most material. The validation step also seeks direct input from our executives, particularly if they have noted any additional issues that are material to our business.

All these topics are expanded in detail in our Annual Reporting Suite. Data specific to each topic is included within our sustainability data tables published on our website. This allows easy comparisons with other companies.

STEP 4 – REVIEW

Each year, we conduct and review our materiality process to ensure that the issues relevant to South32, and to our stakeholders, are continually considered and reported annually in line with our commitment to transparency.

ASSURANCE

To ensure that our reporting is as balanced, accurate and as transparent as possible, we engage with an independent third party, KPMG, to provide assurance over our sustainability data and disclosures. As part of this work, KPMG verified that, in FY17, we followed a credible process to select and define our sustainability performance report content. This means we reported on what matters, what was most material and, in a balanced way, the positive and negative aspects of our performance.

Our material topics

		Categories			
		Social			
Economic	**Environment**	**Labour Practices and Decent Work**	**Human Rights**	**Society**	**Product Responsibility**
Economic Performance	Energy	Employment	Freedom of Association	Grievances	Materials Stewardship
Financial Impacts of Climate Change	Water	Labour relations	Child labour	Compliance	
	Biodiversity	Occupational Health and Safety	Security Practices	Closure	
	Emissions	Training and Education	Indigenous Rights	Anti-competitive Behaviour	
	Effluents and Waste	Diversity and Equal Opportunity	Supplier Human Rights Assessment	Anti-corruption	
		Equal remuneration		Public Policy	
				Emergency preparedness	
				Local communities	