

OUR MATERIAL SUSTAINABILITY ISSUES

Through our strategy and reporting activities, we look at a range of sustainability issues and determine which are the most important to our stakeholders and our company. Through a process known as 'materiality', we identify the sustainability issues that are most relevant and then address these issues through continuous improvement and governance actions over time. We disclose what we consider the most material issues and how we manage these within our own systems and processes, as well as improvement activities for areas that require action. We disclose to a core level, using the Global Reporting Initiative (GRI) Standards. We carry out the materiality process each year, which is a key requirement in meeting the GRI Standards.

There are four key steps to the materiality process:

STEP 1 – IDENTIFICATION

The first step to materiality is identifying the sustainability topics that are important to a wide range of internal and external stakeholders. We do this by collating and analysing information and opinion from stakeholders such as non-government organisations, sustainability investor analysts, media and social media platforms, local community feedback, government, investors, our leaders and our own employees. We also hold workshops in South Africa and Australia with sustainability experts to gather opinion on the most pressing global issues, and to get an understanding of how these issues may present opportunities or risks to South32.

An important part of this step in the materiality process is considering impacts to voiceless stakeholders such as ecosystems and future generations. By doing this, we are operating in line with our Purpose and specifically, maintaining our commitment to the responsible stewardship of the natural resources that we access, to enable these shared resources to continue to provide value for future generations. During this step, the boundaries of each sustainability topic are defined, which enables the identification of whether an impact may occur within or outside of our direct operational control. The boundary that defines each topic is included in our GRI Navigator, which is available at www.south32.net.

STEP 2 – PRIORITISATION

Once we have identified the topics that are most important to our internal and external stakeholders, we prioritise the topics to gauge a scale of importance. Prioritisation can be undertaken in different ways according to the stakeholder group. For example, when we look at the issues raised in the media, we prioritise based on the number of articles published relevant to a particular topic. The results of the discussion and debate in the workshops with sustainability experts are ranked according to how important or impactful the sustainability experts believed the topics to be, and so on.

Our materiality process for FY18 identified the following key material topics relevant to our company:

- The most important sustainability issue is local communities
- Occupational health and safety continues to be an issue of high priority, and ranks higher with internal than external stakeholders
- Employment is considered an issue of high priority, and other people-related topics ranked high in FY18 including training and education, labour relations and non-discrimination
- Diversity and equal opportunity has increased in importance from last year with both internal and external stakeholders
- Procurement practices is also increasing in importance year on year, with a large focus on our role in beneficiation and how to adapt to the growing trends in resource nationalism
- Technology is considered to be a topic of significance for us, particularly in relation to the impact of technology on future skills needed, automation and employment, as well as the opportunities technology is allowing for our future growth

Some examples of FY18 stakeholders and their key concerns are listed below:

- Ratings agencies that benchmark South32 performance in environment, social and governance metrics identified effluents and waste, emissions and occupational health and safety as the most important sustainability issues for South32, with key strengths being biodiversity, corporate governance and anti-corruption
- Our communities in Australia identified emissions, training and education and impacts to communities as the highest priority issues
- In South Africa, government has focused on socioeconomic compliance issues relating to our operational compliance and completion of social and labour plans

STEP 3 – VALIDATION

The validation step ensures our materiality assessment is reasonable and balanced, and encompasses all our major stakeholders. This ensures that our reporting is accurate, and that we report on both positive and negative aspects of our sustainability performance in line with the issues considered highest priority in the materiality process. Data specific to each topic is reported within our sustainability data tables, which are published on our [website](#). This enables readers to make easy comparison on our performance with other companies, and demonstrates alignment of our reporting with the GRI Standards.

Below is a summary of the topics considered highest priority from our FY18 materiality process:

Categories				
Economic	Environment	Labour practices and decent work	Society	Human rights
Economic performance	Energy	Employment	Local communities	Human rights assessment
Procurement practices	Water	Diversity and equal opportunity	Rights of indigenous people	Security practices
Technology	Biodiversity	Non-discrimination	Closure planning	
	Effluents and waste	Labour/management relations	Compliance (socio-economic)	
	Emissions	Occupational health and safety	Anti-corruption	
	Environmental compliance	Training and education		

STEP 4 – REVIEW

Following completion of the materiality process, we review the results and ensure that the topics considered most important to our stakeholders and our Company are allocated sufficient depth and breadth in our sustainability report, in accordance with the GRI Standards and 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 FY18, we followed a credible materiality process to select and define our sustainability performance report content.