



TAX TRANSPARENCY AND PAYMENTS TO GOVERNMENTS REPORT 2022



About this report

Tax Transparency and Payments to Governments Report 2022

This report is about our approach to payments of taxes and contributions to governments where we operate.

Our 2022 Annual Reporting Suite

You can view all the documents in our Annual Reporting Suite at www.south32.net, including:



Annual Report



Sustainable Development Report



Sustainability Databook



Corporate Governance Statement



Modern Slavery Statement

Cover: Engineers at our Cannington operation in Australia.

Below: Anindilyakwa people on Groote Eylandt in Australia's Northern Territory.



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Non-IFRS

This report includes certain non-IFRS financial measures, including underlying measures of earnings, effective tax rate, returns on invested capital, cash flow and net debt. Non-IFRS measures should not be considered as alternatives of an IFRS measure of profitability, financial performance or liquidity.

For an explanation of how South32 uses non-IFRS measures, see page 36 of the Annual Report.

For information or to contact South32, visit www.south32.net

ACKNOWLEDGEMENT

We acknowledge and pay our respects to the Indigenous, Traditional and Tribal Peoples of the lands, waters and territories on which South32 is located and where we conduct our business around the world.

We respect and acknowledge the unique cultural and spiritual relationships that Indigenous, Traditional and Tribal Peoples have to the lands, waters and territories, and their rich contribution to society.

In the spirit of respect and reconciliation, we will continue to support initiatives that strengthen culture and ways of life so that their legacy continues and extends to future generations.

SOUTH32 IS A GLOBALLY DIVERSIFIED MINING AND METALS COMPANY

We produce commodities including bauxite, alumina, aluminium, copper, silver, lead, zinc, nickel, metallurgical coal and manganese from our operations in Australia, southern Africa and South America. With a focus on growing our base metals exposure, we also have two development options in North America and several partnerships with junior explorers around the world.

Making a difference

Our **purpose** is to make a difference by developing natural resources, improving people's lives now and for generations to come. We are trusted by our owners and partners to realise the potential of their resources.

Learn more about **how we improve people's lives** in our Annual Report at www.south32.net

Optimise | Unlock | Identify

Our purpose is underpinned by a simple **strategy** which is focused on optimising the performance of our operations, unlocking their potential and identifying new opportunities to create value for all of our stakeholders.

Learn more about **our strategy** in our Annual Report at www.south32.net

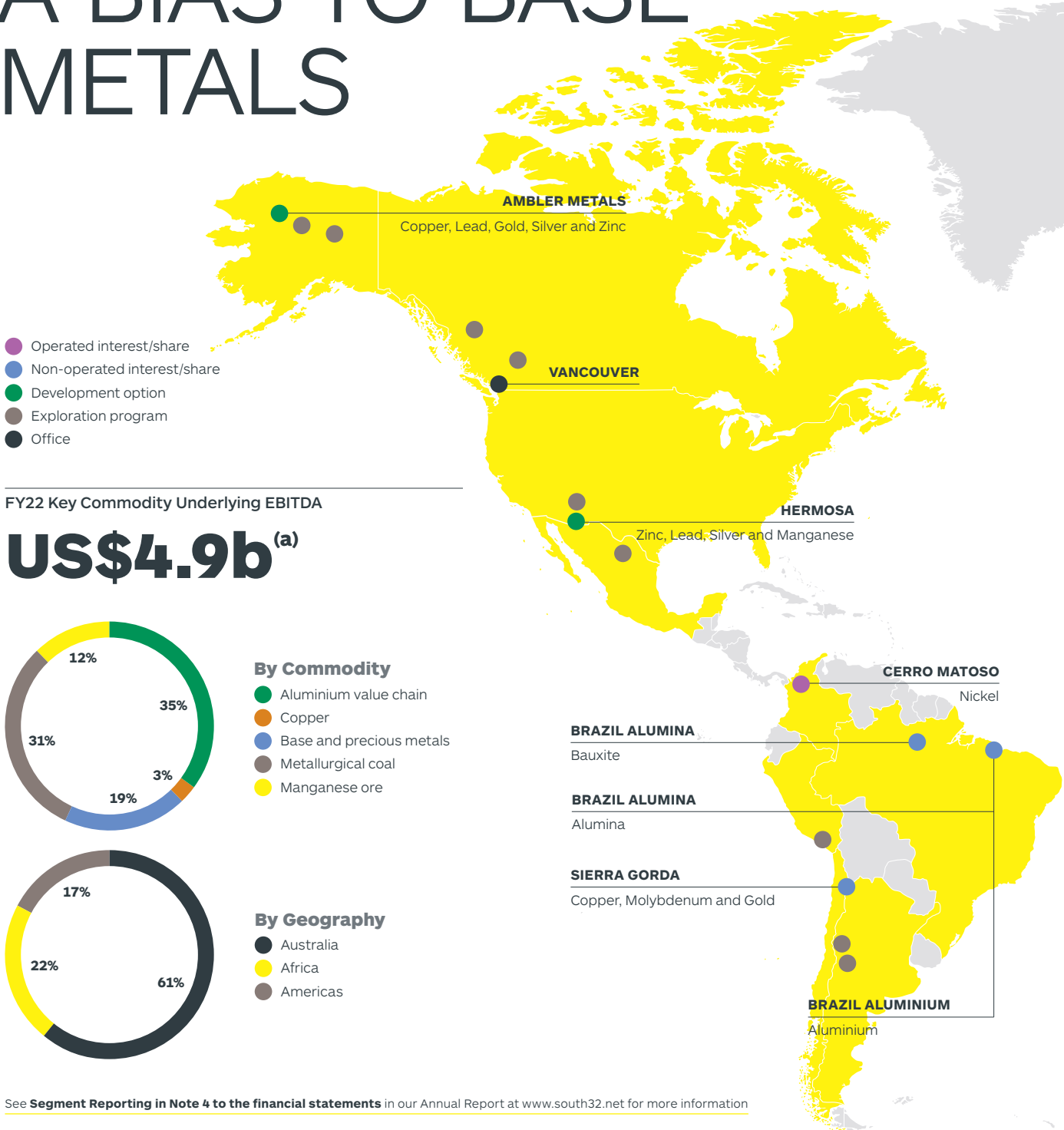
Care | Trust | Togetherness | Excellence

While our strategy outlines what we do to achieve our purpose, our **values** of care, trust, togetherness and excellence guide how we do it. Every day, our values shape the way we behave and the standards we set for ourselves and others.

Learn more about **our people** in our Sustainable Development Report at www.south32.net



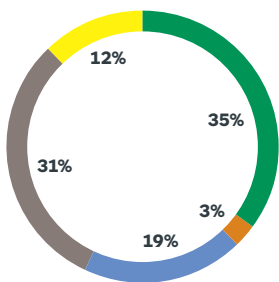
A DIVERSIFIED PORTFOLIO WITH A BIAS TO BASE METALS



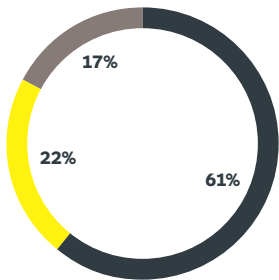
- Operated interest/share
- Non-operated interest/share
- Development option
- Exploration program
- Office

FY22 Key Commodity Underlying EBITDA

US\$4.9b^(a)



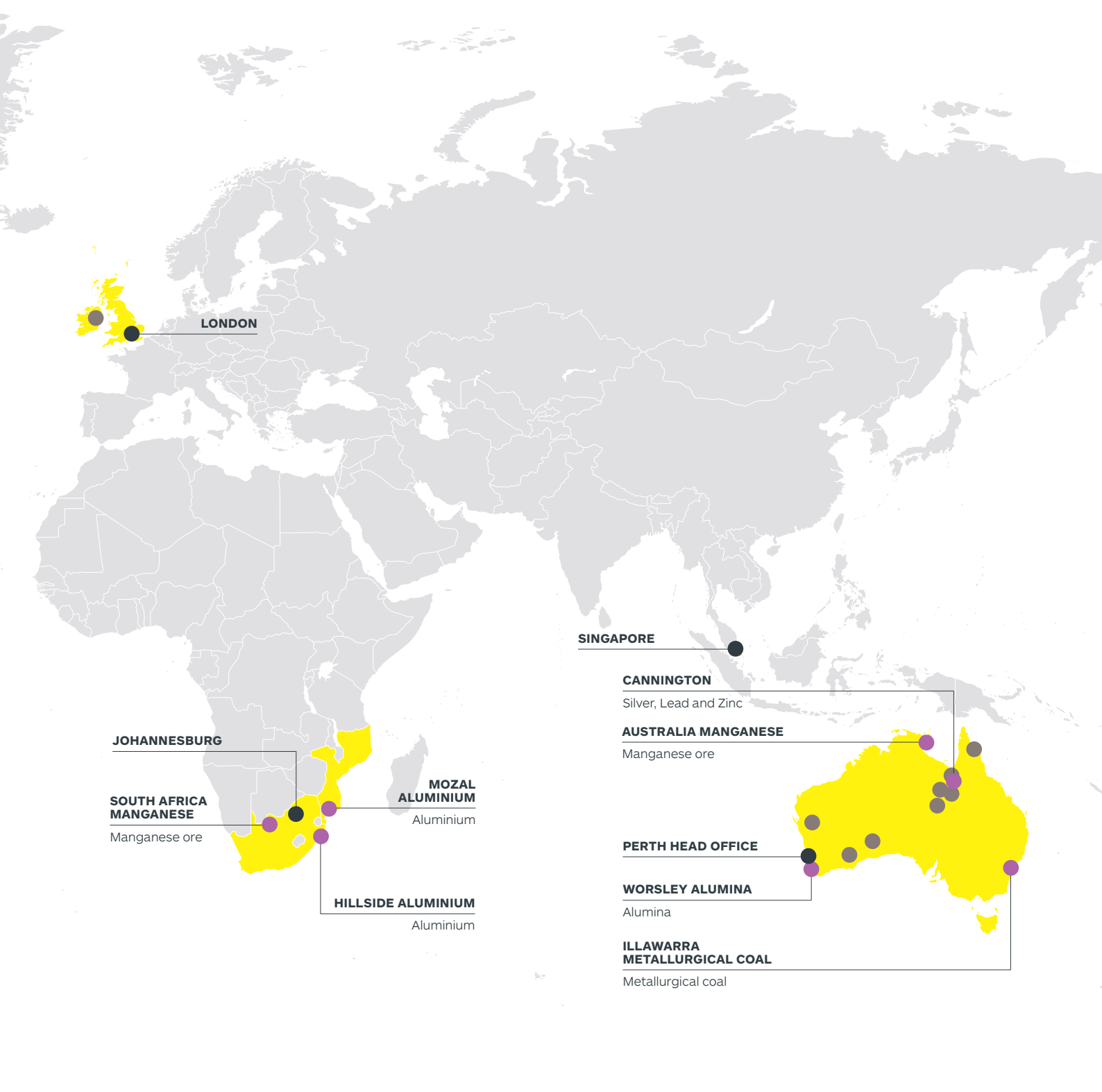
- By Commodity**
- Aluminium value chain
 - Copper
 - Base and precious metals
 - Metallurgical coal
 - Manganese ore



- By Geography**
- Australia
 - Africa
 - Americas

See **Segment Reporting in Note 4 to the financial statements** in our Annual Report at www.south32.net for more information

(a) Presented on a proportional consolidation basis and excludes manganese alloys (-US\$21 million), the Brazil Aluminium smelter (-US\$43 million), Hermosa (-US\$12 million), and Group and unallocated costs (-US\$69 million).



A STRATEGY TO ACHIEVE OUR PURPOSE

Our purpose, strategy and values guide not only what we do, but how we do it. Every day, in support of our purpose and aligned with our values, our people work to deliver our strategy for the benefit of all of our stakeholders.

Our **purpose** is to make a difference by developing natural resources, improving people's lives now and for generations to come. We are trusted by our owners and partners to realise the potential of their resources. This is underpinned by a simple yet powerful **strategy**:



Our strategy outlines what we do to achieve our purpose and our **values** guide how we do it. Our values shape the way we behave and the standards we set for ourselves and others.

Our values

Care

We care about people, the communities we're a part of and the world we depend on.

Trust

We deliver on our commitments and rely on each other to do the right thing.

Togetherness

We value difference and we openly listen and share, knowing that together we are better.

Excellence

We are courageous and challenge ourselves to be the best in what matters.

OPERATING TRANSPARENTLY AND ETHICALLY

We care about the communities in which we operate and seek to create shared value through the development of natural resources.

Publishing an annual Tax Transparency and Payments to Governments Report allows us to demonstrate that our tax affairs are conducted in accordance with our commitment to ethical business practices.

We believe tax transparency helps build community confidence about the value created from resource development. We support initiatives that require companies to publicly share relevant data, including payments made to governments and communities. More details about our community investment programs can be found in our Sustainable Development Report at www.south32.net

In the year ended 30 June 2022 the Group had an Underlying Effective Tax Rate (ETR) of 31.7 per cent. This is in line with the corporate tax rates of the jurisdictions in which we operate. Details of how the tax expense has been calculated can be found on page 11.

This report includes data on two extractive projects not previously reported, being the Sierra Gorda copper mine in Chile and the Mineração Rio do Norte (MRN) bauxite mine in Brazil.

On 22 February 2022, the Group completed the acquisition of a 45 per cent interest in Sierra Gorda by acquiring five companies in Chile and the Netherlands from Sumitomo Metal Mining and Sumitomo Corporation, which indirectly hold a 45 per cent interest in, and provide funding for, Sierra Gorda S.C.M.

On 29 April 2022, the Group acquired an additional 18.2 per cent shareholding and related rights in the MRN bauxite mine in Brazil. The additional interest increases the Group's shareholding to 33 per cent.

On 31 May 2022, the Group also acquired an additional 16.6 per cent shareholding and related right in Mozal Aluminium from its joint operating partner, MCA Metals Holding GmbH (Mitsubishi). The additional interest increases the Group's shareholding to 63.7 per cent.

Sierra Gorda is included in Underlying earnings on a proportionally consolidated basis. Sierra Gorda and MRN are treated as equity accounted investments in the Group's statutory results. Profit from equity accounted investments is reflected in the Group's statutory result on an after tax basis.

The Group's statutory ETR and the cash ETR for the year were 30 per cent, reflecting the corporate tax rates of the jurisdictions in which we operate.

We paid US\$1,447 million in taxes and royalties in the year ended 30 June 2022, an increase of US\$878 million compared to the prior year. The increase in tax payments is due to increased profitability of the Group.

This report outlines:

- Our globally consistent approach to tax;
- Our tax payments to governments on a country-by-country and project-by-project basis;
- An explanation of our accounting income tax expense; and
- 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 (GRI) Sustainability Reporting Guidelines, including GRI 207; and
- Australian Board of Taxation Voluntary Tax Transparency Code.

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

Details on how we comply with Extractive Industries Transparency Initiative (EITI) expectations and GRI 207 are provided on page 22.

We support the EITI and its objectives. We 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. The EITI has recently confirmed South32 meets all the expectations of supporting companies.

We also support the EITI's continued efforts for beneficial ownership transparency and governments publicly disclosing contracts and licences for the exploration and development of minerals and other natural resources as outlined in the EITI standard. While most of our mineral developments are in jurisdictions where licences are issued pursuant to legislation, we have two government mineral development contracts. These contracts are publicly available, and more detail is provided on page 21.

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 (refer to pages 23 and 24). We have also included extensive footnotes with explanations/reconciliations to help readers understand how the numbers quoted in this report reconcile to our 2022 Annual Report.

An independent audit report which provides assurance on the total payments made by country and level of government and total payments to government by project has been provided by KPMG (refer to page 25).

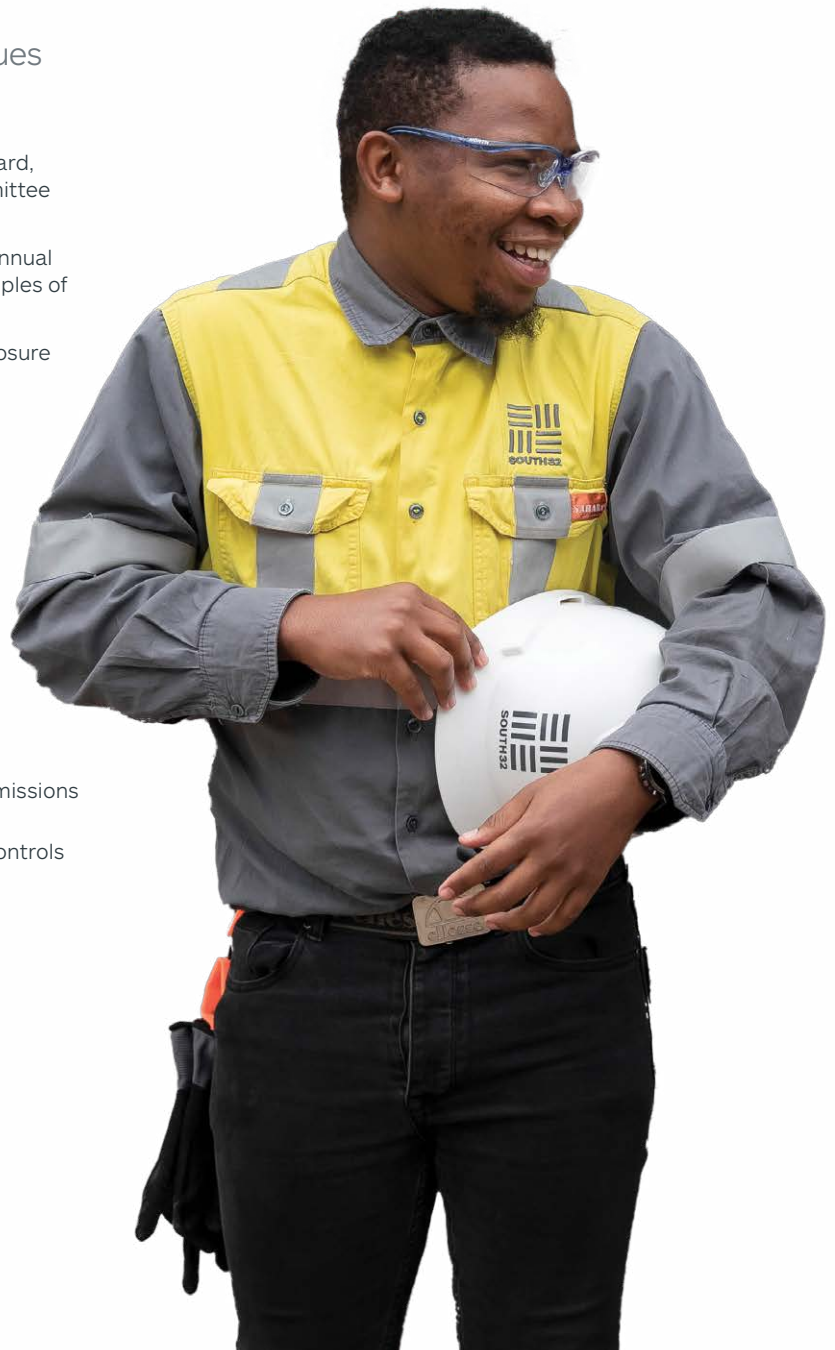
MANAGING TAX IN ACCORDANCE WITH OUR PURPOSE AND VALUES

All tax-related decisions are made in accordance with our purpose and our values and are consistent across all jurisdictions.

To enable appropriate supervision of tax matters by our Board, tax is a regular agenda item for Board Risk and Audit Committee meetings.

Our Board and Chief Executive Officer (CEO), as part of an annual review of tax governance, have affirmed the following principles of our approach to tax in all jurisdictions:

- Complying with all applicable laws, regulations and disclosure requirements, the accurate payment of taxes and timely lodgement of returns;
- Building and maintaining constructive relationships with revenue authorities, government bodies and all other relevant parties;
- Taking decisions at an appropriate level, supported by comprehensive documentation;
- Confirming that technical filing positions include robust risk assessments with appropriate risk mitigation activities (for example, professional opinions, appropriate disclosure);
- Supporting tax positions taken with evidence, so they can be substantiated if reviewed by a revenue authority;
- Immediate voluntary reporting of any detected errors/omissions to all relevant revenue authorities; and
- Complying with all of South32's Group and tax specific controls and maintaining evidence of their operation.



Tax governance

We only allow tax decisions to be made by the Board, CEO, Chief Financial Officer and Vice President Tax, and we have consistent authority levels required for tax decisions and approvals. These authorities are based on risk assessments which are consistent with broader business approvals and the risk tolerance levels applied to other decisions in our business.

These requirements are captured in our internal tax management framework (which is applicable to Tax employees) and our internal tax standard (which is applicable to all employees).

The tax governance and the processes and controls in place to manage our tax risks have been designed considering best practice and are in line with the Australian Taxation Office (ATO) Tax Risk Management and Governance Review Guide, UK Senior Accounting Officer guidance

and the UK Regulations regarding tax strategy reporting requirements. The operation of these governance processes and controls is contemporaneously evidenced, reviewed annually by our Tax team and subject to independent review at least every three years. Our tax affairs are also subject to scrutiny by tax authorities and our external auditors as part of normal local compliance and reporting processes.

We employ appropriately qualified and experienced tax personnel to ensure our tax affairs are identified, assessed, documented, controlled and reported in a timely manner. We also utilise external advisors to support our team on technical filing positions or in the interpretation of specific points of law.

All employees, including members of our global Tax team receive training on our Code of Business Conduct (Code) which is based on our values and sets the standard for our behaviour.

We also make available EthicsPoint, a 24/7 independent external platform for employees, contractors and the community to anonymously report concerns regarding potential breaches of our Code, including tax-related matters. A copy of our Code can be found at www.south32.net

Dealings with tax authorities, including disputes

We are open and transparent in our dealings with tax authorities and engage in a manner which is consistent with our values and our Code.

Given the geographic scope of our operations and uncertainty regarding the application of complex tax laws, there will occasionally be disagreements with tax authorities over the amount of taxes to be paid.

When a dispute arises we actively engage regarding the application of the law and to seek to identify and resolve any disagreements on a timely basis. At times, it will be appropriate for those matters to be resolved or clarified through legal proceedings.

For example, the Colombian National Mining Agency (ANM) and the Comptroller General's Office are seeking to re-calculate Cerro Matoso's royalties and we have disputed their respective claims. The disputes with ANM and the Comptroller are the subject of legal proceedings, both within Colombia and through international arbitration proceedings.

Tax Policy

We engage in local and international tax policy and reform to contribute to the development of sustainable and effective tax systems. We do this through participation in industry associations of which we are members.

Stakeholder engagement

We are committed to effective stakeholder engagement and collaboration. We participated in consultations with Civil Society and the EITI through the ICMM.

We engage with local tax authorities directly and through industry associations.

Further information on broader stakeholder engagement can be found in our Sustainable Development Report 2022 and the stakeholder engagement section in our 2022 Sustainability Databook at www.south32.net



Total payments made by country and level of government

Table 1 Total payments made by country and level of government for the year ended 30 June 2022 (by country of tax residence)

US\$M ⁽¹⁾	Corporate Income tax	Royalty related taxes	Royalties
Australia			
Government of Australia	601.4	-	7.8
Government of Northern Territory	-	71.8	-
State of New South Wales	-	-	139.3
State of Queensland	-	-	38.3
State of Western Australia	-	-	18.8
Townsville City Council	-	-	-
Australia: Total	601.4	71.8	204.2
Brazil			
Government of Brazil	9.0 ⁽⁴⁾	-	0.1
State of Maranhão	-	-	-
State of Para	-	-	0.3
Municipality of São Luis	-	-	-
Municipality of Oriximiná	-	-	0.1
Municipality of Terra Santa	-	-	0.4
Brazil: Total	9.0	-	0.9
Canada			
Government of Canada	(0.8)	-	-
Canada: Total	(0.8)	-	-
Chile			
Government of Chile ⁽⁵⁾	3.4	26.0	-
Chile: Total	3.4	26.0	-
Colombia			
Government of Colombia	118.4 ⁽⁶⁾	-	76.9
Municipality of Montelibano	-	-	-
Municipality of Planeta Rica	-	-	-
Colombia: Total	118.4	-	76.9
Ecuador			
Government of Ecuador ⁽⁷⁾	2.4	-	-
Ecuador: Total	2.4	-	-
Mozambique			
Government of Mozambique	-	-	6.8
Mozambique: Total	-	-	6.8
Netherlands			
Government of Netherlands	1.1	-	-
Netherlands: Total	1.1	-	-
Singapore			
Government of Singapore	2.3	-	-
Singapore: Total	2.3	-	-
South Africa			
Government of South Africa	239.8 ⁽⁸⁾	-	9.0
South Africa: Total	239.8	-	9.0
United Kingdom			
Government of United Kingdom	0.9	-	-
United Kingdom: Total	0.9	-	-
United States of America			
Government of United States of America	-	-	-
State of Arizona	-	-	-
State of Delaware	-	-	-
Santa Cruz County	-	-	-
United States on America: Total	-	-	-
Total taxes paid⁽⁹⁾	977.9	97.8	297.8

(1) Payments reported are the portion of the total payment that relates to South32's ownership.

(2) These taxes are deducted by the Company from employees' remuneration and remitted to revenue authorities on the employees' behalf.

(3) Net transaction taxes refunded include GST, VAT and fuel tax credits. Refer to the Glossary of terms on page 24.

(4) Includes corporate income tax payable of US\$2 million offset against transaction taxes refundable paid to the Brazilian Government.

(5) Payments reported are made during South32 ownership period and includes interest withholding tax.

(6) Includes dividend withholding tax paid to the Colombian Government.

(7) Withholding tax deducted on a private royalty.

(8) Includes dividend withholding tax paid to the South African Government.

(9) Refer to page 13 for a reconciliation of corporate income tax paid to the income tax (paid)/received as shown in the Consolidated Cash Flow Statement of our 2022 Annual Report.

License fees	Payments to governments for UK Regulation purposes	Employer payroll taxes	Other taxes and payments	Total government payments borne	Employee payroll taxes (not borne) ⁽²⁾	Net transaction taxes paid/(refunded) ⁽³⁾
0.2	609.4	-	6.0	615.4	161.6	(91.1)
-	71.8	4.5	0.5	76.8	-	-
0.1	139.4	10.6	1.8	151.8	-	-
0.2	38.5	5.6	0.4	44.5	-	-
0.3	19.1	16.6	1.2	36.9	-	-
-	-	-	0.1	0.1	-	-
0.8	878.2	37.3	10.0	925.5	161.6	(91.1)
-	9.1	4.8	6.5	20.4	1.4	(1.4)
-	-	-	-	-	-	1.5
-	0.3	-	0.2	0.5	-	0.7
-	-	-	3.5	3.5	-	-
-	0.1	-	0.2	0.3	-	-
-	0.4	-	-	0.4	-	-
-	9.9	4.8	10.4	25.1	1.4	0.8
-	(0.8)	-	-	(0.8)	0.8	-
-	(0.8)	-	-	(0.8)	0.8	-
-	29.4	-	5.8	35.2	2.1	(16.9)
-	29.4	-	5.8	35.2	2.1	(16.9)
0.1	195.4	-	1.0	196.4	3.1	(12.2)
-	-	-	0.4	0.4	-	0.3
-	-	-	-	-	-	0.1
0.1	195.4	-	1.4	196.8	3.1	(11.8)
-	2.4	-	-	2.4	-	-
-	2.4	-	-	2.4	-	-
-	6.8	-	-	6.8	3.2	-
-	6.8	-	-	6.8	3.2	-
-	1.1	-	-	1.1	-	-
-	1.1	-	-	1.1	-	-
-	2.3	-	-	2.3	0.6	(0.4)
-	2.3	-	-	2.3	0.6	(0.4)
-	248.8	-	1.3	250.1	35.1	(163.9)
-	248.8	-	1.3	250.1	35.1	(163.9)
-	0.9	-	-	0.9	1.6	(0.2)
-	0.9	-	-	0.9	1.6	(0.2)
0.3	0.3	0.8	-	1.1	2.8	-
0.1	0.1	-	-	0.1	0.5	-
-	-	-	0.3	0.3	-	-
-	-	-	0.1	0.1	-	-
0.4	0.4	0.8	0.4	1.6	3.3	-
1.3	1,374.8	42.9	29.3	1,447.0	212.8	(283.5)

Total payments to government by project

Table 2 Total payments to government by project for the year ended 30 June 2022

US\$M ⁽¹⁰⁾	Corporate Income tax	Royalty related taxes	Royalties	License fees	Payments to governments for UK Regulation purposes	Employer payroll taxes	Other taxes and payments	Total government payments borne	Employee payroll taxes (not borne) ⁽¹¹⁾	Net transaction taxes paid/ (refunded) ⁽¹²⁾
Cannington - Australia	93.0	-	38.3	0.2	131.5	5.5	0.2	137.2	20.6	-
Illawarra Metallurgical Coal - Australia	362.1	-	139.3	0.1	501.5	10.6	2.8	514.9	48.5	-
Worsley Alumina - Australia	74.9	-	18.8	0.3	94.0	10.1	3.9	108.0	41.3	(67.3)
Eagle Downs Metallurgical Coal - Australia	(5.0)	-	-	-	(5.0)	0.1	0.4	(4.5)	0.5	(0.6)
Cerro Matoso - Colombia	118.4	-	76.9	0.1	195.4	-	1.4	196.8	3.1	(11.8)
Hermosa - USA	-	-	-	0.4	0.4	0.8	0.4	1.6	3.3	-
Total extractive project related payments - Subsidiaries	643.4	-	273.3	1.1	917.8	27.1	9.1	954.0	117.3	(79.7)
Equity accounted investments (EAIs)										
Australia Manganese - Australia	87.4	71.8	7.8	0.2	167.2	4.5	1.9	173.6	20.0	(15.7)
South Africa Manganese - South Africa	17.7	-	9.0	-	26.7	-	-	26.7	8.9	(26.3)
Mineração Rio do Norte - Brazil	0.5	-	0.9	-	1.4	0.7	0.8	2.9	0.2	1.0
Sierra Gorda - Chile	3.4 ⁽¹³⁾	26.0	-	-	29.4	-	5.8	35.2	2.1	(16.9)
Total extractive project related payments including EAIs	752.4	97.8	291.0	1.3	1,142.5	32.3	17.6	1,192.4	148.5	(137.6)
Non-extractive project related payments	225.5	-	6.8	-	232.3	10.6	11.7	254.6	64.3	(145.9)
Total taxes paid⁽¹⁴⁾	977.9	97.8	297.8	1.3	1,374.8	42.9	29.3	1,447.0	212.8	(283.5)

(10) Payments reported are the portion of the total payment that relates to South32's ownership.

(11) These taxes are deducted by the Company from employees' remuneration and remitted to revenue authorities and on the employees' behalf.

(12) Net transaction taxes refunded include GST, VAT and fuel tax credits. Refer to the Glossary of terms on page 24.

(13) Includes interest withholding tax paid to the Chilean Government.

(14) Refer to page 13 for a reconciliation of corporate income tax paid to the income tax (paid)/received as shown in the Consolidated Cash Flow Statement of our 2022 Annual Report.

Our Underlying tax expense and Underlying effective tax rate

We use Underlying earnings as a key measure in assessing the performance of our business. Underlying earnings excludes revenue and expense items that do not reflect the performance or outcome of our operations. Underlying earnings is calculated as Underlying earnings before interest and tax (EBIT) less Underlying net financing (revenue)/costs less Underlying income tax expense. Consistent with the Group's broader reporting suite, the basis of the Group's Underlying financial results has been updated to include our material equity accounted investments (EAI) in our Underlying financial results on a proportionally consolidated basis. The table below has also been prepared on this basis.

Table 3 Underlying tax expense and Underlying ETR for the year ended 30 June 2022

	South32	Australia	Brazil	Canada	Chile	Colombia	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
	US\$M	30%	34%	26%	27%	35%	12.5%	0%	25.8%	5%	28%	21.4%	19%	21%
Underlying EBIT (profit)/loss	(3,967)	(2,315)	(43)	-	(74)	(447)	2	(241)	2	(153)	(717)	-	(13)	32
Less: Underlying net financing (revenue)/costs	155	101	4	-	62	9	-	3	(55)	(1)	30	-	2	-
Remove: Equity accounted investments profit ⁽¹⁵⁾	2	(1)	3	-	-	-	-	-	-	-	-	-	-	-
Underlying (profit)/loss before tax	(3,814)	(2,213)	(42)	-	(12)	(438)	2	(238)	(53)	(154)	(687)	-	(11)	32
Income tax at 30 per cent	1,144	663	12	-	3	132	(1)	71	16	46	207	-	5	(10)
Tax rate differential on non-Australian income	(105)	-	2	-	-	16	-	(71)	(2)	(37)	(14)	-	(2)	3
Tax on sales attributable to Australia	21	21	-	-	-	-	-	-	-	-	-	-	-	-
Tax on other income attributable to Australia	6	6	-	-	-	-	-	-	-	-	-	-	-	-
Withholding tax	54	28	-	-	-	-	-	-	-	-	-	-	26	-
Non-recognition of future tax benefits ⁽¹⁶⁾	29	12	-	-	-	-	1	-	-	-	9	-	-	7
Tax rates adjustment	3	-	-	-	-	7	-	-	-	-	(4)	-	-	-
Prior year under/over	6	4	-	-	-	-	-	-	-	-	2	-	-	-
Permanent differences	(7)	7	(1)	-	(2)	(4)	-	-	(2)	-	(2)	-	(3)	-
Underlying income tax expense/ (benefit)	1,151	741	13	-	1	151	-	-	12	9	198	-	26	-
Royalty-related taxation (net of income tax benefit)	59	55	-	-	4	-	-	-	-	-	-	-	-	-
Total Underlying taxation expense	1,210	796	13	-	5	151	-	-	12	9	198	-	26	-
<i>Underlying effective tax rate including Royalty-related taxation</i>	31.7%	36%	31%	0%	42%	35%	0%	0%	23%	6%	29%	0%	236%	0%
<i>Underlying effective tax rate excluding Royalty-related taxation</i>	30.3%	34%	31%	0%	8%	35%	0%	0%	23%	6%	29%	0%	236%	0%
Underlying profit before tax	(3,814)													
Underlying income tax expense	1,151													
Royalty-related taxation (net of income tax benefit)	59													
Underlying profit after tax	(2,604)													
Add: Equity accounted investments profit	2													
Underlying Earnings	(2,602)													

As the countries we operate in have varying tax rates our Underlying ETR is largely influenced by the geographic distribution of the Group's profit.

For the year ended 30 June 2022, Mozal Aluminium paid US\$24 million of royalties and dividends to the Mozambique Government.

(15) Refer to pages 17 to 20 for information regarding our extractive equity accounted investments.

(16) Largely relates to de-recognition of future rehabilitation deferred tax assets and exploration expenditure.

Our income tax expense and effective tax rate

The table below presents a reconciliation of our statutory profit and income tax expense for the year ended 30 June 2022. The country ETRs are different from the country statutory tax rates due to non-deductible expenses and the impact of foreign exchange movements on tax balances. The Group's ETR and cash ETR are lower than the Underlying ETR due to the tax impacts associated with the favourable impact of foreign exchange rate movements on tax balances.

Table 4 Reconciliation of statutory profit to income tax expense and current tax payable for the year ended 30 June 2022

	South32	Australia	Brazil	Canada	Chile	Colombia	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
	US\$M	30%	34%	26%	27%	35%	12.5%	0%	25.8%	5%	28%	21.4%	19%	21%
(Profit)/loss before tax	(3,693)	(1,978)	(164)	-	(29)	(439)	2	(236)	(37)	(154)	(678)	-	(12)	32
Remove: (Profit)/loss on equity accounted investments	(272)	(212)	3	-	(30)	-	-	-	-	(2)	(31)	-	-	-
(Profit)/loss subject to tax	(3,421)	(1,766)	(167)	-	1	(439)	2	(236)	(37)	(152)	(647)	-	(12)	32
Income tax on (profit)/loss at 30 per cent	1,026	528	50	-	-	132	(1)	71	11	46	194	-	5	(10)
Tax rate differential on non-Australian income	(99)	-	7	-	-	16	-	(71)	(2)	(38)	(12)	-	(2)	3
Tax on sales income attributable to Australia	21	21	-	-	-	-	-	-	-	-	-	-	-	-
Tax on other income attributable to Australia	6	6	-	-	-	-	-	-	-	-	-	-	-	-
Withholding tax ⁽¹⁷⁾	54	28	-	-	-	-	-	-	-	-	-	-	26	-
Tax rates adjustment	3	-	-	-	-	7	-	-	-	-	(4)	-	-	-
Non-recognition of future tax benefits	7	3	-	-	-	-	1	-	-	-	(4)	-	-	7
Prior year under/over	5	3	-	-	-	-	-	-	-	-	2	-	-	-
Exchange variations and other translation adjustments	20	(11)	6	-	-	4	-	-	-	-	21	-	-	-
Permanent differences	(19)	(6)	(1)	-	-	(4)	-	-	(4)	-	(2)	-	(2)	-
Income tax expense/(benefit)	1,024	572	62	-	-	155	-	-	5	8	195	-	27	-
<i>Temporary differences</i>														
Depreciation	(29)	(26)	(6)	-	-	(12)	-	-	-	-	15	-	-	-
Closure and rehabilitation	27	26	(9)	-	-	10	-	-	-	-	-	-	-	-
Non-tax-depreciable fair value adjustments, revaluations & mineral rights	29	29	-	-	-	-	-	-	-	-	-	-	-	-
Finance leases	(10)	(10)	-	-	-	-	-	-	-	-	-	-	-	-
Income tax losses recouped	-	-	(3)	-	-	-	-	-	-	-	3	-	-	-
Brazil tax deferral Incentives	(8)	-	(8)	-	-	-	-	-	-	-	-	-	-	-
Provisions	(4)	(2)	-	-	-	(1)	-	-	-	-	(1)	-	-	-
Other ⁽¹⁸⁾	(23)	15	(25)	-	-	(4)	-	-	-	1	(10)	-	-	-
Temporary differences movement	(18)	32	(51)	-	-	(7)	-	-	-	1	7	-	-	-
Current income tax payable	1,006	604	11	-	-	148	-	-	5	9	202	-	27	-
Effective tax rate	30%	32%	37%	0%	0%	35%	0% ⁽¹⁹⁾	0%	14%	5%	30%	0%	225%	0% ⁽¹⁹⁾
Cash effective tax rate	30%	34%	7% ⁽²⁰⁾	0%	0%	34%	0%	0%	14%	6%	31% ⁽²¹⁾	0%	225%	0%

(17) Dividend withholding tax paid to the Colombian and South African Governments borne by Australia and UK companies respectively.

(18) Australia other temporary movements related to unrealised foreign exchange gains/losses and prepayments. Brazil other temporary movement related to the unwind of temporary differences recognised on indirect tax assets from prior years. South Africa other temporary movement related to unwind of timing differences on accrued expense recognised in 2021.

(19) Ireland and United States ETRs and cash ETRs are nil as they have incurred income tax losses which are not recognised as future tax benefits.

(20) Brazil cash ETR is lower than the country statutory rate due to the government incentives which defer the payment of tax until profits are repatriated (SUDENE), the utilisation of prior year tax losses as well as the impact of foreign exchange rate movements on tax balances.

(21) South Africa cash ETR is higher than the country statutory due to the impact of foreign exchange rate movements on tax balances.

Our income tax payable and deferred tax movements

The current tax balances in the Consolidated Financial Statements of our 2022 Annual Report are presented in the table below.

Table 5 Reconciliation of current tax balances for the year ended 30 June 2022

	South32	Australia	Brazil	Canada	Chile	Colombia	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
	US\$M	30%	34%	26%	27%	35%	12.5%	0%	25.8%	5%	28%	21.4%	19%	21%
Net opening current tax payable/ (receivable)	15	(10)	2	-	-	10	-	-	-	1	12	-	-	-
Current income tax payable	1,006	604	11	-	-	148	-	-	5	9	202	-	27	-
Payments relating to current income year	(850)	(543)	(7)	-	-	(91)	-	-	(1)	-	(202)	-	(6)	-
(Payments)/refunds relating to prior income year	(18)	(4)	(2)	-	-	4	-	-	-	(1)	(15)	-	-	-
Other movements ⁽²²⁾	151	16	-	-	-	-	-	-	135	-	-	-	-	-
Net closing current income tax payable/ (receivable)	304	63	4	-	-	71	-	-	139	9	(3)	-	21	-

A reconciliation of income tax paid in Table 5 to Table 1 and Table 2, is set out in the table below.

Table 6 Reconciliation of income tax paid for the year ended 30 June 2022

	US\$M ⁽²³⁾
Income tax paid per 2022 Annual Report and Table 5 of this report⁽²⁴⁾	(868)
Include: Our share of payments related to Manganese Equity Accounted Investments	(106)
Include: Our share of payments related to Sierra Gorda Equity Accounted Investments	(3)
Include: Our share of payments related to MRN Equity Accounted Investments	(1)
Corporate Income Taxes paid per Table 1 and Table 2 of this report⁽²⁵⁾	(978)

Table 7 Deferred tax movements for the year ended 30 June 2022

	South32	Australia	Brazil	Canada	Chile	Colombia	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
	US\$M	30%	34%	26%	27%	35%	12.5%	0%	25.8%	5%	28%	21.4%	19%	21%
Opening deferred tax asset/(liability)	83	336	(108)	-	-	(37)	-	-	-	-	(108)	-	-	-
Movements through income statement	(18)	32	(51)	-	-	(7)	-	-	-	1	7	-	-	-
Other movements ⁽²⁶⁾	22	6	16	-	-	-	-	-	-	-	-	-	-	-
Closing deferred tax asset/(liability)	87	374	(143)	-	-	(44)	-	-	-	1	(101)	-	-	-

(22) Includes tax liabilities that relate to the periods prior to South32's ownership but have payment due during South32's ownership.

(23) Numbers are rounded to whole millions consistent with the presentation of numbers in the Annual Report.

(24) Refer to the Consolidated Cash Flow Statement in the 2022 Annual Report. Total income tax payments for the year of US\$868 million (rounded) is calculated as payments relating to current income year (US\$851 million) plus payments relating to prior income years (US\$23 million), and refunds relating to prior income years (US\$6 million).

(25) Refer to pages 8 to 10.

(26) Other movements relate to financial assets fair value adjustments and employee entitlements' movements through equity accounts.

2022 country by country information

The table below includes additional country by country information, based on the tax residency as required by the Global Reporting Initiative.

Table 8 Country by country report for the year ended 30 June 2022

	South32	Australia	Brazil	Canada	Chile	Colombia	Ecuador	Ireland	Mozambique	Netherlands	Singapore	South Africa	Sweden	United Kingdom	United States
Unrelated party revenues ⁽²⁷⁾	9,476	992	85	-	-	6	-	-	75	8	7,645	652	-	13	-
Related party revenues	8,969	3,649	509	4	-	907	-	-	793	55 ⁽²⁸⁾	1,459	1,584	-	8	1
(Profit)/loss before tax	(3,693)	(1,978)	(164)	-	(29)	(439)	-	2	(236)	(37)	(154)	(678)	-	(12)	32
(Profit)/loss subject to tax	(3,421)	(1,766)	(167)	-	1	(439)	-	2	(236)	(37)	(152)	(647)	-	(12)	32
Income tax paid during the period	868	515	9	-	-	117	2 ⁽²⁹⁾	-	-	1	1	222	-	1	-
Income tax accrued in the period	1,006	604	11	-	-	148	-	-	-	5	9	202	-	27	-
Tangible assets ⁽³⁰⁾	10,046	5,052	645	1	1	499	-	-	646	-	119	897	-	1	2,185
Number of employees (unrounded) ⁽³¹⁾	9,096	4,578	20	17	3	948	-	-	994	-	80	2,344	-	13	99

Our subsidiaries

A full list of our subsidiaries, their country of incorporation, tax residency, principal activity and our ownership interest can be found in the Annual Reporting Suite section at www.south32.net. The table below summarises the country of incorporation and tax residence for all South32 Group companies as at 30 June 2022.

Table 9 Country of incorporation and tax residence of our subsidiaries

Country	Number of Subsidiaries	Tax Resident of Subsidiaries
Australia ⁽³²⁾⁽³³⁾⁽³⁴⁾	24	29
Brazil	1	1
British Virgin Islands ⁽³²⁾	4	-
Canada	2	2
Chile	3	3
Colombia	4	4
Ireland	1	1
Jersey ⁽³⁴⁾	1	-
Mozambique	1	1
Netherlands	4	4
Singapore ⁽³³⁾	2	1
South Africa	13	13
Sweden	1	1
United Kingdom ⁽³²⁾	1	2
United States	3	3
Total⁽³⁵⁾	65	65

(27) Comprising Group production revenue (US\$8,522 million), Third party product and services revenue (US\$747 million), Other income (US\$183 million) and Finance income (US\$79 million), excluding the Sierra Gorda shareholder loan interest income (US\$55 million). Refer to our Consolidated Income Statement in our 2022 Annual Report for further details regarding the nature of each type of income.

(28) Sierra Gorda shareholder loan interest accrued from 22 February 2022 to 30 June 2022.

(29) Royalty withholding tax that is paid to the Ecuadorian Government.

(30) Comprising Inventories - Current assets (US\$982 million), Inventories - Non Current assets (US\$76 million), and Property, plant & equipment (US\$8,988 million). Refer to the Consolidated balance sheet section in our 2022 Annual Report for more detail.

(31) More detail about employees can be found in the Our People section of our 2022 Sustainability Databook at www.south32.net

(32) Three subsidiaries incorporated in the British Virgin Islands are residents of Australia for tax purposes. The remaining subsidiary is a resident of the UK for tax purposes.

(33) One subsidiary incorporated in Singapore is a resident of Australia for tax purposes.

(34) The subsidiary incorporated in Jersey is a resident of Australia for tax purposes.

(35) The total number of subsidiaries has increased from 59 last year to 65 in the current year due to the addition of one Australia subsidiary, three Chile subsidiaries and two Netherlands subsidiaries.

International related party dealings

As a globally diversified mining and metals company, we have operations and support functions located in many countries. This operating model results in cross border intra-group transactions including dividends, sales and purchases of commodities, and financing and service arrangements. We prepare significant documentation to support the understanding and pricing of these transactions, provide this documentation to tax authorities and have independent expert advice confirming the transactions are completed on an arm's length basis.

We have non-operating offshore companies incorporated in the British Virgin Islands and Jersey. These entities only hold investments, they do not trade, or make any trading profit. These entities provide no tax benefit to us as they are Australian or UK tax residents. This means any taxable income of the companies is subject to tax in accordance with the tax legislation of Australia or the UK. We will continue to hold non-operating offshore companies while the tax or commercial costs required to rationalise these entities is excessive.

Sales and purchases of commodities by our Singapore marketing subsidiary

We conduct our sales and purchasing activities, including marketing, logistics (shipping and freight movement) and customer credit risk management from Singapore. As a commercial hub with proximity to the markets that we trade with, Singapore is well suited to be the location for these activities. Our Singapore marketing headquarters is supported by staff in our London office.

All sales and purchase transactions between our operations and marketing office are priced in accordance with the Organisation for Economic Cooperation and Development (OECD) guidelines and local laws.

Our Singaporean marketing activities are taxed at five per cent under an incentive granted by the Singapore government. This is one of a range of incentives which is legislated and open to all taxpayers in Singapore that can demonstrate significant contributions to the economy and meet the ongoing quantitative and qualitative criteria. Trading profits from our Singapore marketing activities relating to Australian sourced commodities are also included in full in our Australian income tax return and subject to tax in Australia.

Table 10 South32 Singapore marketing income statement for the year ended 30 June 2022

US\$M	Group product sold to unrelated parties	Group product and raw materials sold to related parties	Third party product sold to unrelated parties	Freight services to unrelated parties	Freight services to related parties	Other	South32 Marketing
Revenue ⁽³⁶⁾⁽³⁷⁾	6,902	1,458	414	323	33	-	9,130
Equity accounted investments profit	-	-	-	-	-	2	2
Services revenue ⁽³⁸⁾	-	-	-	-	-	6	6
Purchases ⁽³⁹⁾⁽⁴⁰⁾	(6,638)	(1,360)	(377)	-	-	-	(8,375)
Freight	(117)	(100)	(15)	(324)	(24)	-	(580)
Service expense	-	-	-	-	-	(7)	(7)
Interest Income	-	-	-	-	-	1	1
Office related costs	-	-	-	-	-	(23)	(23)
Profit/(loss)	147	(2)	22	(1)	9	(21)	154

(36) Group product and third-party product revenue includes recoupment of freight costs, at cost.

(37) Group product sold to related parties of US\$1,458 million is comprised of alumina sales to Hillside Aluminium (US\$584 million) and Mozal Aluminium (US\$223 million) and raw materials sales to Worsley Alumina (US\$250 million), Hillside Aluminium (US\$286 million) and Mozal Aluminium (US\$115 million).

(38) Services income relates to services provided to our Singaporean Manganese marketing company.

(39) Group product sold to unrelated parties is purchased from related parties in Australia (US\$2,871 million), Brazil (US\$509 million), Colombia (US\$906 million), Mozambique (US\$793 million) and South Africa (US\$1,559 million), totalling US\$6,638 million.

(40) Group product sold to related parties purchases is comprised of alumina purchases from Worsley Alumina (US\$745 million), stock adjustment from Worsley Alumina (US\$6 million), Hillside Aluminium (US\$5 million), Mozal Aluminium (US\$8 million) and raw materials purchased from unrelated parties (US\$596 million), totalling purchases of US\$1,360 million.

International related party dealings continued

Intra-group cross border charges

We charge service fees for Group management activities and other intra-group services. These services are provided on an arms length basis.

Additionally, our Singaporean insurance company provides insurance options to assist the Group to manage business risks. The company is incorporated and subject to tax in Singapore at the Singaporean statutory tax rate, however the company is also an Australian tax resident and subject to tax in Australia.

Table 11 Intra-group cross border charges by country for the year ended 30 June 2022

US\$M	Service provider				Service recipient
	Australia	Canada	South Africa	United Kingdom	Expenses
Australia	-	4	12	-	(16)
Colombia	10	-	2	-	(12)
Mozambique	3	-	8	-	(11)
Singapore	4	-	-	4	(8)
South Africa	18	-	-	-	(18)
United States	3	-	1	-	(4)
Service provider revenue	38	4	23	4	(69)

Intra-group cross border financing

Our companies, located in various countries, place funds on deposit with one of our UK companies. These financing arrangements are provided at relevant market rates and the interest income is assessed and associated tax paid in the jurisdiction of the lending company.

Table 12 Intra-group cross border interest charges by country for the year ended 30 June 2022

	US\$M
Australia	(3)
Singapore	1
South Africa	1
United States	1
Interest income	-

As part of our acquisition of Sierra Gorda, we acquired Sierra Gorda's existing capital structure comprising both common equity and shareholder loans. As such, we acquired two Dutch subsidiaries that provide long-term funding to Sierra Gorda. In the year ended 30 June 2022, accrued interest income of US\$55 million has been subject to tax in the Netherlands at the rate of 25.8 per cent and is also included in South32's Australian income tax return.

Our equity accounted investments

Our 2022 Group statutory reporting treats our manganese operations, Sierra Gorda and MRN as equity accounted investments. This means the post-tax (profit)/loss from each operation is recorded in the Group's overall (profit)/loss before tax. The value of the equity accounted investments in each operation is held as an asset on the balance sheet, at its cost, plus post-acquisition accumulated (profit)/loss after tax.

Table 13 Equity accounted investment companies

	Country of incorporation	Country of tax residency	Principal Activity	Ownership interest %
Groote Eylandt Mining Company Pty Ltd	Australia	Australia	Manganese mine	60
Hotazel Manganese Mines Proprietary Limited	South Africa	South Africa	Manganese mine	54.6
Samancor Holdings Proprietary Limited	South Africa	South Africa	Holding company	60
Samancor Manganese Proprietary Limited	South Africa	South Africa	Holding company	60
Samancor Marketing Pte. Ltd.	Singapore	Singapore	Sales, Marketing and Distribution of manganese	60
Terra Nominees Proprietary Limited	South Africa	South Africa	Holding company	60
Sierra Gorda S.C.M.	Chile	Chile	Copper mine	45
Port Kembla Coal Terminal Limited	Australia	Australia	Coal export handling	16.7
Mineração Rio do Norte S.A.	Brazil	Brazil	Bauxite mine	33

Manganese

We have a 60 per cent ownership interest in all equity accounted manganese operations, except South Africa Manganese Ore in which we hold a 54.6 per cent effective interest. The manganese tax balances included in the tables below are presented on a 100 per cent ownership basis.

Our Singaporean manganese activities are taxed at 10 per cent under an incentive granted by the Singapore government. This is one of a range of incentives which is legislated and open to all taxpayers in Singapore that can demonstrate significant contributions to the economy and meet the ongoing quantitative and qualitative criteria.

Income tax expenses

Table 14 Reconciliation of manganese statutory profit to income tax expense and current income tax payable for the year ended 30 June 2022

	Manganese	Australia	Singapore	South Africa
	US\$M	30%	10%	28%
(Profit)/loss subject to tax	(801)	(651)	(19)	(131)
Income tax on profit at 30 per cent	240	195	6	39
Tax rate differential on non-Australian income	(7)	-	(4)	(3)
Exchange variations and other translation adjustments	4	(3)	-	7
Non-recognition of future tax benefits	36	16	-	20
Prior year under/over	(1)	(1)	-	-
Permanent differences	1	1	-	-
Income tax expense	273	208	2	63
Royalty related tax	92	92	-	-
Total tax expense	365	300	2	63
Temporary Differences				
Depreciation	(15)	3	-	(18)
Closure and rehabilitation	(10)	(8)	-	(2)
Royalty tax	12	12	-	-
Other	(8)	(4)	-	(4)
Income tax and royalty tax payable	344	303	2	39
Effective tax rate excluding royalties⁽⁴¹⁾	34%	32%	10%	48%
Cash effective tax rate excluding royalties⁽⁴²⁾	30%	31%	10%	30%

(41) Total tax expenses less royalty related tax divided by (profit)/loss subject to tax.

(42) Current income tax payable less royalty related taxes divided by (profit)/loss subject to tax.

Our equity accounted investments continued

Income tax payable and deferred tax movements

Table 15 Reconciliation of manganese current tax balances for the year ended 30 June 2022

	Manganese	Australia	Singapore	South Africa
	US\$M	30%	10%	28%
Income Tax				
Opening current tax payable/(refundable)	13	9	2	2
Current income tax payable	198	157	2	39
Payments relating to current and prior income years	(180)	(145)	(2)	(33)
Closing income tax payable	31	21	2	8
Royalty Related Income Tax				
Opening royalty tax payable	60	60	-	-
Current royalty tax payable	146	146	-	-
Payments relating to current and prior income years	(120)	(120)	-	-
Closing royalty tax payable	86	86	-	-

Table 16 Deferred tax movements for the year ended 30 June 2022

	Manganese	Australia	Singapore	South Africa
	US\$M	30%	10%	28%
Opening deferred tax asset/(liability)	11	(10)	-	21
Movements through income statement	(20)	3	-	(23)
Other movements	(1)	-	-	(1)
Closing deferred tax asset/(liability)	(10)	(7)	-	(3)

Sales and purchases of manganese

Our manganese operations conduct sales and purchasing activities, including marketing, logistics (shipping and freight movement) and customer credit risk management from Singapore. Being a commercial hub with proximity to the markets that we trade with, Singapore is well suited as the location for these activities.

All sales and purchase transactions between our manganese operations and marketing office are priced in accordance with the OECD guidelines and local laws.

Table 17 Manganese Singapore Marketing income statement for the year ended 30 June 2022

US\$M	Group product sold to unrelated parties	Group product and raw materials sold to related parties	Third party product sold to unrelated parties	Other	Manganese Marketing
Revenue	2,034	-	-	-	2,034
Purchases ⁽⁴³⁾	(1,693)	-	-	-	(1,693)
Freight purchases	(307)	-	-	-	(307)
Service expense	-	-	-	(6)	(6)
Office related costs	-	-	-	(9)	(9)
Profit	34	-	-	(15)	19

Intra-group cross border charges

Our manganese operations are charged service fees for the Group management activities and other intra-group services. These services are subject to tax in both the service provider's and the service recipient's tax jurisdictions.

Table 18 Manganese intra-group cross border charges by country for the year ended 30 June 2022

Service recipient	US\$M	Service Provider			Service Recipient
		Australia	South Africa	United Kingdom	Expense
Australia – Manganese		-	2	-	(2)
Singapore – Manganese		-	-	1	(1)
South Africa – Manganese		14	-	-	(14)
Service Provider Revenue		14	2	1	(17)

Intra-group cross border financing

There were no intra-group cross border interest charges for our manganese operations for the year ended 30 June 2022.

(43) Purchases of US\$1,693 million are from related parties in Australia (US\$1,123 million), South Africa (US\$570 million).

Sierra Gorda

We completed our acquisition of a 45 per cent interest in Sierra Gorda in February 2022. The Sierra Gorda tax balances included in the tables below are presented on a 100 per cent ownership basis.

Income tax expenses

Table 19 Reconciliation of Sierra Gorda operation statutory profit to income tax expense and current income tax payable for the period 22 February 2022 to 30 June 2022

	Chile US\$M ⁽⁴⁴⁾
(Profit)/loss subject to tax	(51)
Income tax on profit at 30 per cent	15
Tax rate differential on non-Australian income	(2)
Permanent differences	(4)
Income tax expense	9
Royalty related tax and other taxes	10
Total tax expense	19
<i>Temporary Differences</i>	
Income tax losses recouped	(9)
Current income tax payable	10
Effective tax rate excluding royalties⁽⁴⁵⁾	37%
Cash effective tax rate excluding royalties⁽⁴⁶⁾	20%⁽⁴⁷⁾

Income tax payable and deferred tax movements

Table 20 Reconciliation of Sierra Gorda operation current tax balances for the period 1 January 2022⁽⁴⁸⁾ to 30 June 2022

	Chile US\$M
Income Tax	
Opening current tax payable/(refundable)	-
Current income tax payable	-
Payments relating to current and prior income years	-
Closing income tax payable	-
Royalty Related Income Tax	
Opening royalty tax payable	59
Current royalty tax payable	19
Payments relating to current and prior income years	(58)
Closing royalty tax payable	20

Table 21 Deferred tax movements for the period 1 January 2022⁽⁴⁸⁾ to 30 June 2022

	Chile US\$M
Opening deferred tax asset/(liability)	1,118
Movements through income statement	(28)
Closing deferred tax asset/(liability)	1,090

Sierra Gorda did not make sales to or purchases from South32's subsidiaries, other than US\$0.6 million for a parent company guarantee provided to an external financier. There are no service fee charges for Group management activities or other intra-group services charged to Sierra Gorda in the year ended 30 June 2022.

Sierra Gorda receives funding from our Dutch subsidiaries as outlined on page 16.

(44) The number in this table are the balances in Sierra Gorda SCM's statutory accounts.

(45) Total tax expenses less royalty related tax divided by (profit)/loss subject to tax.

(46) Current tax payable less royalty related taxes dividend by (profit)/loss subject to tax.

(47) Chile cash ETR is lower than the country statutory rate due to the utilisation of prior years' losses.

(48) Opening balances at 1 January 2022 were used due to the balances at the acquisition date (22 February 2022) not being available.

Our equity accounted investments continued

Mineração Rio do Norte S.A. (MRN)

We completed our acquisition of an additional 18.2 per cent shareholding and related rights in MRN in April 2022. The additional interest increased the Group's shareholding to 33 per cent and the interest is equity accounted from 1 May 2022. The MRN tax balances included in the table below are presented on a 100 per cent ownership basis from 1 May 2022 to 30 June 2022.

Income tax expenses

Table 22 Reconciliation of MRN statutory profit to income tax expense and current income tax payable for the two months ended 30 June 2022

	Brazil
	US\$M
(Profit)/loss subject to tax	14
Income tax on profit at 30 per cent	(4)
Tax rate differential on non-Australian income	(1)
Permanent differences	2
Income tax expense	(3)
Temporary differences movement	1
Current income tax receivable	(2)
Effective tax rate	22%⁽⁴⁹⁾
Cash effective tax rate	14%

Income tax payable and deferred tax movements

Table 23 Reconciliation of MRN current tax balances for the two months ended 30 June 2022

	Brazil
	US\$M
Income Tax	
Opening current tax payable/(refundable)	3
Current income tax payable	(2)
Payments relating to current and prior income years	(1)
Closing income tax payable	-

Table 24 Deferred tax movements for the two months ended 30 June 2022

	Brazil
	US\$M
Opening deferred tax asset/liability	38
Movements through income statement	(1)
Closing income tax payable	37

The bauxite we acquire from MRN is used in our Brazil Alumina refinery. The alumina produced from the refinery is exported through the Alumar port and supplied to the co-located Brazil Aluminium smelter.

There are no service fee charges for Group management activities or other intra-group services charged to MRN in the year ended 30 June 2022.

(49) MRN ETR is lower than the country statutory rate due to the SUDAM tax incentive.

Mineral development contracts

South32 supports governments publicly disclosing contracts and licences for the exploration and development of minerals and other natural resources outlined in the EITI standard. While all our exploration and most of our mineral developments are in jurisdictions that issue licences pursuant to public legislation, including Sierra Gorda and MRN, we do have two mineral development contracts with governments. These are publicly available, and details of the contracts are below, including links to the documents.

Table 25 Mineral Development Contracts

South32 project	Contract name	South32 entities	South32 ownership interest in project	Host Government	Contract term	Link to publicly available document
Cerro Matoso – Nickel Project	Contract 051-96	Cerro Matoso S.A.	99.9%	Colombia	To 2029 with an option to extend to 2044	Yes - Contract 51
Worsley Alumina Refinery (including Boddington Bauxite Mine)	Alumina Refinery (Worsley) Agreement Act 1973	South32 Aluminium (Worsley) Pty Ltd South32 Aluminium (RAA) Pty Ltd	86%	State of Western Australia	To 2046	Yes - Worsley contract

Our non-extractive aluminium operation in Mozambique (Mozal Aluminium) operates under an investment project agreement (IPA) with the Republic of Mozambique. The contract is not for mineral development and is not publicly available. The Decree that approves the project and IPA is publicly available and can be found [here](#).

EITI expectations 2022 and GRI 207 compliance

The table below demonstrate South32's compliance with EITI's expectations, and GRI 207.

EITI expectations 2022	South32
Publish support for the EITI and its objectives of the EITI Association.	Refer to page 5
Make comprehensive disclosures in accordance with the EITI Standard in all EITI implementing countries where the company or its controlled subsidiaries operate. Publicly disclose a list of controlled subsidiaries operating in the oil, gas or mining sectors in EITI implementing countries.	We disclose information in all jurisdictions where we operate. We publish our controlled subsidiaries list in our Annual Reporting Suite on our website
Publicly disclose taxes and payments to governments at a project-level in line with the EITI Standard in all non-EITI implementing countries where the company operates unless disclosure is not feasible.	Refer to Table 1 & 2 on pages 8 to 10
Disclose volumes received and payments made if buying oil, gas and minerals from governments.	No such purchases are made
Publicly disclose audited financial statements, or the main items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available.	Audited financial statements are included in our Annual Report 2022
Publicly declare and publish support for beneficial ownership transparency and publicly disclose beneficial owners in line with the EITI Standard, recognising that listed companies will disclose the name of the stock exchange(s), include a link(s) to stock exchange filings where they are listed.	Refer to page 5 and all our stock exchange releases are available in the investor centre on our website
Engage in rigorous due diligence processes and publish an anti-corruption policy setting out how the company manages corruption risk.	Our Anti-Bribery and Corruption Policy and Program details are available in our Sustainable Development Report 2022
Publicly declare and publish support for governments' efforts to publicly disclose contracts and licenses that govern the exploration and exploitation of oil, gas and minerals in line with the EITI Standard, and contribute to public disclosure of contracts and licenses in EITI implementing countries consistent with government procedures.	Refer to page 21
Publish a commitment and/or policy on gender diversity in the oil, gas or mining sectors and support reporting by EITI implementing countries under the EITI Standard by disclosing employment in the sectors disaggregated by gender.	Our inclusion and diversity details are available in our Sustainable Development Report and Sustainability Databook 2022
GRI 207: Tax	
South32	
207-1: Approach to tax	Refer to page 6
207-2: Tax governance, control and risk management	Refer to page 7
207-3: Stakeholder engagement and management concerns related to tax	Refer to page 7
207-4: Country-by-country reporting requires reporting of financial, economic and tax-related information for each jurisdiction in which the organisation operates	Refer to Table 8 on page 14

Basis of preparation for the year ended 30 June 2022

Our report discloses information that satisfies the requirements of the following transparency initiatives:

- UK Reports on Payments to Governments Regulations 2014 (SI 2014/3209);
- Chapter 10 of the EU Accounting Directive (2013/34/EU);
- Global Reporting Initiative 207: Tax; and
- Australian Board of Taxation Voluntary Tax Transparency Code.

Our report includes payments to Governments made by South32 Limited and its subsidiaries for the period they form part of the South32 Limited accounting consolidated group. We have also included payments to Governments made by our extractive equity accounted investments and joint ventures. We include payments to Governments made by extractive equity accounted investments and joint venture operations using South32's ownership proportions.

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. Payments are not reported where the aggregate taxes paid to a level of government or government body do not exceed US\$0.1 million.

In accordance with requirements of UK Reports on Payments to Governments Regulations 2014 and the EU Accounting Directive, Table 2: Total payments to government by project provides an analysis of our taxes paid split by project relating to extractive operations. We have also included all payments relating to non-extractive projects to reconcile the table to other disclosures in this report. South32's non-extractive projects include Hillside Aluminium (South Africa), Brazil Aluminium, Mozal Aluminium (Mozambique), our equity accounted South Africa Manganese Alloy smelter and companies which provide services (management, marketing or financing) or are limited to holding investments.

Glossary of terms

Cash Effective Tax Rate

Current tax payable/refundable divided by profit/loss subject to tax.

Corporate Income Taxes

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

Effective Tax Rate

Income tax expense/benefit divided by profit/loss subject to tax.

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 generally paid monthly.

Extractive

Any activity involving the exploration, prospecting, discovery, development, and extraction of minerals, oil, natural gas or other materials. South32's extractive operations include Cannington (Australia), Illawarra Metallurgical Coal (Australia), Worsley Alumina (Australia), Eagle Downs Metallurgical Coal (Australia), Cerro Matoso (Colombia), Hermosa (USA), equity accounted Australia Manganese Ore, equity accounted South Africa Manganese Ore, equity accounted Sierra Gorda (Chile) and equity accounted MRN (Brazil).

Fees

Payments to governments where no specific service is attached but rather levied 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.

Group

Refers to South32 Limited and its subsidiaries and operated joint arrangements.

IFRS (International Financial Reporting Standards)

Accounting standards as issued by the International Accounting Standards Board (IASB).

Net Transaction Taxes Paid/(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 fuel. South32 also collects GST/VAT in respect of certain sales.

Non-Extractive

Any activity which does not involve the exploration, prospecting, discovery, development, and extraction of minerals, oil, natural gas or other materials. South32's non-extractive operations include Hillside Aluminium (South Africa), Brazil Aluminium, Mozal Aluminium (Mozambique), equity accounted South Africa Manganese Alloy 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 rules where no specific service is attached, including fringe benefits tax, property tax, stamp duty, environmental tax, wealth tax and other levies/charges.

Payment

An amount paid whether in money or in kind.

Permanent Differences

Differences between taxable income/loss and pre-tax statutory profit/loss. These differences arise because of certain expense or revenue items which under income tax legislation will never be included in the determination of taxable income/loss although they are recognised in the Consolidated Income Statement.

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. Both our Australia Manganese and Sierra Gorda operations have royalty related taxes.

Statutory Profit/(Loss)

The profit/loss calculated in accordance with IFRS and presented in the Consolidated Income Statement in the South32 2022 Annual Report.

Subsidiaries

Subsidiaries are entities controlled by the parent entity.

South32

South32 Limited is the parent company of the South32 Group of companies. In this report, unless otherwise stated, references to South32 and the South32 Group, the Group, the Company, we, us and our, refer to South32 Limited and its controlled entities and South32-operated joint arrangements, as a whole. South32 Limited shares trade on the ASX, JSE and LSE under the listing code of S32.

Temporary Differences

Differences between taxable income/loss and the pre-tax statutory profit/loss. These differences arise because certain revenue or expense items are included in determination the taxable income/loss, which does not coincide with the period in which they are recognised in the Consolidated Income Statement.

Underlying Earnings

Underlying earnings is profit after tax and earnings adjustment items. Earnings adjustments represent items that don't reflect our underlying operations, including:

- Exchange rate gains/losses on restatement of monetary items;
- Impairment losses/reversals;
- Gains/losses on disposal and consolidation of interests in businesses;
- Gains/losses on non-trading derivative instruments, contingent consideration and other investments measured at fair value through profit or loss;
- Major corporate restructures;
- Joint venture adjustments for material equity accounted investments;
- Exchange rate variations on net debt;
- Tax effect of earnings adjustments; and
- Exchange rate variations on tax balances.

A reconciliation of our Underlying earnings to our Statutory earnings can be found in our segment information section within 2022 Annual Report.

Underlying Effective Tax Rate

Underlying income tax expense/benefit divided by Underlying profit/loss subject to tax.

Underlying Income Tax Expense

Corporate income tax incurred during the period on items included in Underlying earnings before tax. A reconciliation of our Underlying income tax expense to our statutory tax expense can be found in our 2022 Annual Report.

Independent auditor's report

To the Directors of South32 Limited

Opinion

We have audited the tables labelled "Table 1 - Total Payments Made by Country and Level of Government" and "Table 2 – Total Payments to Government by Project" ("Tables 1 and 2" or the "Tables") on pages 8 to 10 of South32 Limited Tax Transparency and Payments to Governments Report 2022 (the "Report"). In our opinion, Tables 1 and 2 of the South32 Limited Report are prepared, in all material respects, in accordance with the "Basis of Preparation" set out on page 23 of the Report for the year ended 30 June 2022.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of Tables 1 and 2* section of our report. We are independent of the Group in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of Tables 1 and 2 in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of report preparation and restriction on use

The basis of report preparation contained in the 'Basis of Preparation' section of the Report is of such importance that it is fundamental to an understanding of the Tables. This has not caused us to modify our opinion. This Auditor's Report has been prepared for South32 Limited in accordance with our engagement letter and is intended solely for the Directors of South32 Limited. We disclaim any assumption of responsibility for any reliance on this Auditor's Report, or on the Report to which it relates, to any person other than the Directors of South32 Limited, or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in the Report which is provided in addition to Tables 1 and 2 and this Auditor's Report. South32 Limited is responsible for the Other Information. Our opinion on Tables 1 and 2 does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of Tables 1 and 2, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with Tables 1 and 2 or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

South32 Limited's responsibilities

South32 Limited is responsible for:

- The preparation and presentation of the Report;
- Establishing a framework in which Tables 1 and 2 have been prepared;
- Determining that the framework as set out in the Basis of Preparation meets its needs; and
- Establishing internal controls and processes that enable the preparation and presentation of Tables 1 and 2 to be free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of Tables 1 and 2

Our objective is to:

- Obtain reasonable assurance about whether Tables 1 and 2 and other related information are prepared in accordance with the Basis of Preparation; and
- Issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists. As part of an audit in accordance with the *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud, may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Evaluate the appropriateness of the Basis of Preparation used and related disclosures made by South32 Limited;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South32 Limited's internal control; and
- Obtain sufficient appropriate audit evidence to express an opinion whether Tables 1 and 2 were prepared in accordance with the Basis of Preparation. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.



KPMG
Perth

8 September 2022

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