



CORPORATE GOVERNANCE STATEMENT 2018

HOW WE WORK

When we started our journey as South32 we knew that if done well and sustainably, developing natural resources can change people's lives for the better.

We are working together to create an inclusive workplace where we hold ourselves and each other to account by living our values of care, trust, togetherness and excellence. Our values govern how we act, work, speak to each other and how we evaluate our behaviour. They guide us and are part of every decision we make.



OUR PURPOSE

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.



THE VALUES THAT GUIDE US

CARE

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

TOGETHERNESS

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

TRUST

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

EXCELLENCE

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



THE WAY WE WORK

Together we will create an inclusive workplace where we hold ourselves and each other to account to demonstrate our values.

We ensure all work is well designed and reliably delivers safe outcomes, with a focus on continuously improving and learning.



HOW WE MAKE A DIFFERENCE



We all guarantee everyone goes home safe and well



We are meaningfully connected and believe in our purpose



Our operations run to their full potential and maximise return on investment



Our functions are lean and enable our operations to deliver their full potential



Technology and innovation is radically lifting our performance



We create value through our environmental and social leadership



We have optimised our portfolio and have multiple growth options with a bias to base metals

OUR BREAKTHROUGHS

This year we have introduced seven breakthroughs, which describe how we make a difference.

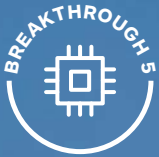
Breakthrough	How the breakthrough is delivered
 <p>We all guarantee everyone goes home safe and well</p>	<p>The most important thing we can all do is make sure that everyone goes home safe and well at the end of every shift. Together we will achieve this by creating an inclusive workplace where all work is well designed, and we continuously improve and learn.</p>
 <p>We are meaningfully connected and believe in our purpose</p>	<p>We will work together as one company. We will enrol all our stakeholders - our people, the communities where we work and their governments, our customers, contractors, suppliers, partners and our shareholders - in our purpose by communicating openly and delivering on our commitments.</p>
 <p>Our operations run to their full potential and maximise return on investment</p>	<p>We will be the safest and a leading operator in our industry, recognised for stable and predictable performance that maximises the potential of our operations. We will do this with well-designed work that is supported by systems that provide smart data and are easy to use.</p>
 <p>Our functions are lean and enable our operations to deliver their full potential</p>	<p>Our functions will be high performing. We will focus on the critical elements that support our strategy and governance, and the stable and predictable performance of our operations.</p>



Our breakthroughs are our new business strategy, and enable us to focus on what is important, balance our priorities and ensure we are all aligned to deliver on our purpose. Our breakthroughs form the foundation of how we plan our business. While no breakthrough has more importance than another, safety sits at the top of the list of seven as it is at the forefront of everything we do. Our breakthroughs bring us together as one South32 to create long-term value for all.

Breakthrough

How the breakthrough is delivered



Technology and innovation is radically shifting our performance

We will transform the way we work by connecting our people and enabling better decisions. Our technology, innovation and improvement mindset will enable us to work safely, be more inclusive, improve performance, reduce our environmental footprint and future-proof our strategy.



We create value through our environmental and social leadership

We will continually find ways to reduce our land requirements, biodiversity impacts, waste, carbon and water usage. Our climate change strategy will guide us to ensure our business is resilient. We will progress initiatives in collaboration with our host communities that will deliver enduring social, environmental and economic benefit.



We have optimised our portfolio and have multiple growth options with a bias to base metals

We will position ourselves for the next phase of growth in demand by creating a pipeline of opportunities to compete for capital, with a bias towards base metals.



L-R: X Mkhwanazi, G Kerr, W Osborn, F Cooper, D Crawford, X Liu, F Mtoba, K Wood, K Rumble

At South32, governance is an essential part of the way we work; not just in what we do, but in how we act, how we speak to each other and how we evaluate our behaviour. Our culture and values are aligned with, and support, good governance practices.

In developing our corporate governance framework, the Board considers the standards of corporate governance applicable in each of the countries in which we are listed. We commit to the better of the standards of corporate governance applicable to us across these jurisdictions, which leads to the best outcome from a governance perspective for our stakeholders.

This Corporate Governance Statement explains the corporate governance framework and practices adopted by South32.

Under ASX Listing Rule 4.10.3, ASX-listed entities are required to benchmark their corporate governance practices against the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). The ASX Recommendations are available at www.asx.com.au.⁽¹⁾ We comply with all relevant ASX Recommendations. Our compliance is set out in the Appendix 4G available at <https://www.south32.net/who-we-are/corporate-governance>.

This Corporate Governance Statement is current as at 6 September 2018 and has been approved by the South32 Board.

Corporate governance documents and policies referenced in this Corporate Governance Statement can be found at <http://www.south32.net/who-we-are/corporate-governance>.

The FY18 Annual Report that is referred to in this statement can be found at <https://www.south32.net/investors-media/annual-report-suite>

⁽¹⁾ <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>

We are monitoring and actively considering emerging new expectations in governance, some of which are articulated through the proposed fourth edition of the ASX Recommendations. We are pleased that South32's practices align with emerging standards in many areas and where appropriate, we have shared these practices in our Corporate Governance Statement. South32 will continue to review its governance practices in light of emerging issues.

THE SOUTH32 LIMITED BOARD

Our Board

Our Board currently comprises nine Directors listed below. There are eight Non-Executive Directors, including seven Independent Directors.

Directors' qualifications, skills and experience, significant offices and directorships held in other organisations can be found on pages 13 to 15 of the FY18 Annual Report.

Our Board of Directors

Name of Director	Term	Classification
David Crawford AO (Chairman)	Director and Chairman since 2 February 2015	Independent
Graham Kerr (Chief Executive Officer (CEO))	Director since 21 January 2015	Executive
Frank Cooper AO	Director since 7 May 2015	Independent
Dr Xiaoling Liu	Director since 1 November 2017	Independent
Dr Xolani Mkhwanazi	Director since 2 July 2015	Non-independent ⁽¹⁾
Dr Ntombifuthi (Futhi) Mtoba	Director since 7 May 2015	Independent
Wayne Osborn	Director since 7 May 2015	Independent
Keith Rumble	Director since 27 February 2015	Independent
Karen Wood	Director since 1 November 2017	Independent

(1) The classification of Dr Xolani Mkhwanazi as a Non-independent Director is explained on page 9.



The Role of The Board

The role of the Board is to represent shareholders and to promote and protect the interests of South32 Limited shareholders as a whole and the interests of other relevant stakeholders. The South32 Board acknowledges the unique relationship between resource companies and the communities in which they operate and therefore the importance of our social licence to operate. Our social licence to operate is earned and maintained on an ongoing basis, and trust in us is an outcome of the quality of our relationships with many stakeholders. We strive to communicate and engage with our stakeholders openly, and have mechanisms in place to monitor where there may be changing societal expectations. We consider this approach to be aligned with the interests of shareholders as a whole.

The Board has ultimate responsibility for governance and setting strategic direction. Other key responsibilities of the Board include providing leadership, approving management's development of corporate strategy, overseeing management's implementation of strategic objectives, and overseeing the risk management framework.

As the Company's governing body, the Board has oversight of culture and through the CEO instils an inclusive workplace where we hold ourselves and each other to account to demonstrate our values of care, trust, togetherness and excellence. Our values govern how we act, how we work, how we speak to each other and how we evaluate our behaviour. They guide us and are part of every decision we make.

The Board, together with the CEO, sets the 'tone from the top' by consistently demonstrating behaviour that is aligned with our values at all board meetings and in their dealings with the business. Our values are applied when the Board makes decisions, during discussions in the boardroom and when engaging directly with our people in our office locations and on site visits. These interactions provide visibility of how our values are lived in practice within the business. In addition, the Board receives feedback from regular reports and employee surveys.

Other responsibilities reserved for the Board include:

- Considering performance and succession of the Board and the Lead Team including the CEO
- Overseeing South32's risk management framework (including both financial and non-financial risk), setting the risk appetite and overseeing internal controls and monitoring ethical and legal compliance, including promoting ethical and responsible decision making
- Monitoring the integrity of South32's financial and other reporting systems, including external audit
- Approving and monitoring the progress of operating budgets, major capital expenditure, acquisitions, divestments and capital management decisions
- Developing and monitoring the implementation of corporate governance principles and policies, including approval of South32's Diversity and Inclusion Policy and measurable objectives for achieving a truly inclusive workplace
- Monitoring the process for making timely and accurate disclosures
- Approving South32's remuneration framework

The Board Charter describes matters expressly reserved for the Board and matters delegated to management through the CEO, supported by the Lead Team. Further details about the role of the Lead Team are set out on page 17.

Responsibilities of Our Independent Chairman

Our governance arrangements require that the Chairman of the Board must be an independent Non-Executive Director and should not be the same person as the CEO.

The Chairman of the Board is responsible for leading the Board, facilitating the effective contribution of all Directors and promoting constructive and respectful relations between Directors and between the Board and management. The Chair's role is to encourage a culture of openness and debate fostering a high-performing and collegial team.

The Chair acts as the primary interface between the Board and the CEO outside of the scheduled Board meetings. The Chair is also responsible for approving board agendas and ensuring that adequate time is available for discussion of all agenda items, including strategic issues.

David Crawford AO has been an independent Non-Executive Director and Chairman of South32 Limited since 2 February 2015. David is a member of the Risk and Audit Committee and Nomination and Governance Committee. David also has other external board commitments, which are set out on page 13 of the FY18 Annual Report.

The Board is satisfied that David Crawford AO commits sufficient time to discharge his role.

Company Secretaries

The Company Secretaries, through the Chairman, are accountable to the Board for the effectiveness of the implementation of corporate governance processes and adherence to the Board's principles and procedures. The Company Secretaries co-ordinate all Board business, including agendas, board papers, minutes, communications and filings.

All Directors have access to the Company Secretaries. Details of the experience and qualifications of the Company Secretaries are set out on page 94 of the FY18 Annual Report.

Directors' Skills, Experience And Attributes

APPROACH TO BOARD COMPOSITION

The composition of the Board is designed to include Directors that bring complementary skills and experience to ensure sustained delivery of value to shareholders in a manner that is consistent with our values, supports our social licence to operate and protects the interests of shareholders.

The Board's vision for diversity considers a broad definition of difference, including gender, ethnicity, thought, experience, education, age, disability, family responsibilities and sexuality.

The Nomination and Governance Committee is tasked with identifying director candidates having regard to:

- The strategic objectives of the Company
- The skills, experience, independence, knowledge and diversity that add to, and complement, the range of skills, expertise and background of the existing Directors
- The extent to which candidates would fulfil a present need on the Board

Two appointments to the Board, Dr Xiaoling Liu and Karen Wood, were made during FY18. Xiaoling and Karen positively enhance the Board's composition through their extensive executive experience and industry knowledge and improve the diversity represented on the Board. Together they add strong technical, risk management, human resources and legal skills and in-depth experience in strategy and governance that has strengthened South32's skillset.

CURRENT BOARD COMPOSITION

In FY18, the Nomination and Governance Committee reviewed and confirmed that the board skills matrix remains appropriate for South32's existing and anticipated governance and strategy requirements. This review is conducted annually to ensure that the matrix supports South32's desired outcomes and the emerging environment in which South32 operates.

Based on this board skills matrix, and with the appointment of Dr Xiaoling Liu and Karen Wood in FY18, the Board considers that the Directors have the combined skills, diversity and experience to discharge their responsibilities in a publicly-listed, globally diversified resources company and oversee the implementation of our strategy. In particular:

- The Board demonstrates in-depth knowledge of South32's operations and processes and brings additional relevant industry expertise
- The Board applies strong leadership and management skills with Directors being well versed in regulatory and governance matters
- Directors are also well-skilled in corporate actions, including mergers and acquisitions and also exhibit extensive experience in strategy and risk management
- Directors are proactive in staying abreast of emerging frameworks and regulations pertaining to environmental and social sustainability matters, including health and safety

Our current Board represents a range of nationalities, backgrounds, skills, experience and gender.

With our two newest Board appointments we have reached our target of 30 per cent female Board representation by the end of FY18.

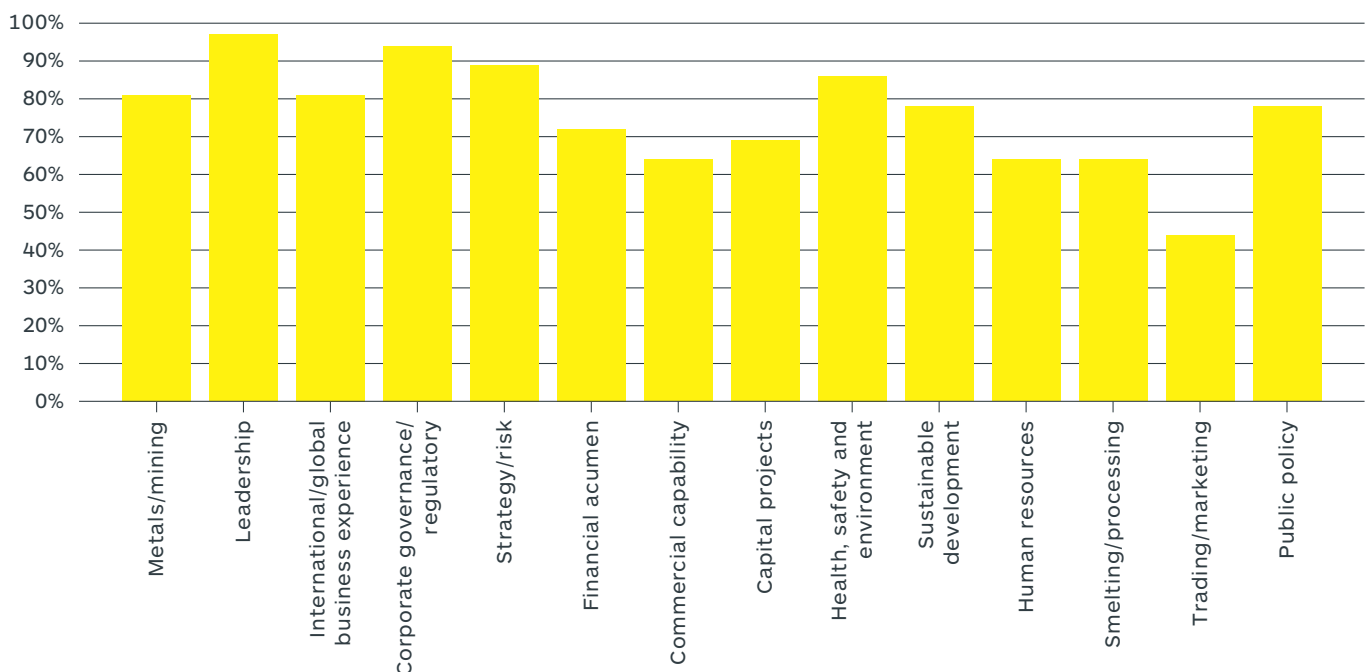
In FY18, the Nomination and Governance Committee facilitated a self-assessment where Directors provided feedback on their individual skills and experience and rated their level of competence in relation to each skill.

Diagram 1 presents the results of this self-assessment, indicating the average score for each skill and experience category held by the Board against the attributes in Table 1.

Table 1 Summary of Board skills and experience

Skills/Experience	Description
Metals/mining	Senior executive or long-term Board experience in a medium to large metals and mining organisation, with strong operational experience, including in a cost-constrained environment, combined with an understanding of South32 corporate purpose
Leadership	Successful senior executive
International/global business experience	Senior management or equivalent experience, or exposure to political, regulatory and business environments, in multiple global locations, especially Africa
Corporate governance/regulatory	Commitment to high standards of governance in countries in which South32 is listed and an ability to assess the effectiveness of senior management, i.e. experience with a large organisation that is subject to similarly rigorous governance standards
Strategy/risk	Developing and implementing a successful strategy (including appropriately probing and challenging management on the delivery of agreed strategic planning objectives) over the long-term that remains resilient to systemic risk
Financial acumen	Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including ability to probe the adequacies of financial and risk controls
Commercial capability	Broad range of commercial skills and experience, including strategy and development, acquisitions and divestments, negotiation, planning and execution phases
Capital projects	Experience working in an industry with projects involving large-scale capital outlays and long term investment horizons, in both the planning and execution phases
Health, safety and environment	Experience related to workplace health and safety, and environmental responsibility regarding the broad impacts of climate change
Sustainable development	Experience related to socially responsible development and operation and managing broader community impacts
Human resources	Senior management or equivalent experience with remuneration, including incentive programs and pensions/superannuation, leadership development, succession planning and industrial relations
Smelting/processing	Senior executive experience in a medium to large smelting/refining/processing organisation, with strong operational experience, including in a cost-constrained environment, combined with an understanding of South32 corporate purpose
Trading/marketing	Senior executive experience in trading or marketing of commodities
Public policy	Experience in regulatory policy, government and stakeholder relations, including implications for corporations

Diagram 1 Board skills/experience matrix



FORWARD CONSIDERATIONS IN SUCCESSION PLANNING

Looking forward, the Board expects that technology expertise will become increasingly important given the opportunities and challenges technology provides and the rapid rate at which it is evolving. The Lead Team role of Chief Technology Officer demonstrates our continued commitment and the addition of Vanessa Torres as a permanent recruit into the role reflects this. As well as enhancing the depth of expertise in this area at an executive level, the Board is conscious of the need to build its own technological capabilities.

Director Independence

The Board recognises the importance of independent Directors to a high functioning Board. The Board Charter requires that a substantial majority of Non-Executive Directors, including the Chairman, be independent.

The independence of a Director is assessed according to our Policy on the Independence of Directors, which has regard to Box 2.3 of the ASX Recommendations and is available in the Corporate Governance section of our www.south32.net.

The Director independence assessment is carried out on appointment, annually and whenever any significant new interests are disclosed.

The test used by the Board to determine a Director's independence is whether the Director is "independent of management and free of any interest, position, association or other relationship that could materially influence (or be reasonably perceived to materially influence) the exercise of objective, unfettered or independent judgement by the Director or the Director's ability to act in the best interests of the Group or its shareholders generally."

When assessing independence, the Board considers all relevant facts and circumstances. Directors are required to inform the Board of any changes to their interests or relationships that could bear upon their independence. Non-Executive Directors may be involved with other companies or professional firms which may from time to time have dealings with South32. Materiality of dealings with companies and firms is assessed at least annually.

The Directors currently have no material customer or supplier relationships. Details of significant offices held with other organisations are set out on pages 13 to 15 of the FY18 Annual Report.

The independence status of the Company's two new Directors, Karen Wood and Dr Xiaoling Liu, was considered by the Board upon their appointment. The assessments concluded that both Directors are independent in line with the Company's Policy on Independence of Directors.

The Board has reviewed the independence of each of the current Directors and determined that seven of the nine Directors are independent.

- Graham Kerr is not considered independent as he is the CEO and a member of management.
- Dr Xolani Mkhwanazi is not considered independent because he was employed in an executive capacity with subsidiary companies that form part of the Group without a three year separation period before becoming a Director of South32 Limited.

Past Associations of Directors

BHP was previously the holding company of South32 Limited and is no longer a shareholder following the Demerger. Both David Crawford AO and Keith Rumble were former independent Directors of BHP. They resigned from these positions over three years ago, in November 2014 and May 2015, respectively.

The Board considers tenure in assessing the independence of each Director. The Board considers that the time David Crawford AO and Keith Rumble spent at BHP does not contribute to their tenure at South32 and does not impact either director's independent status or their ability to bring independent and objective judgement to bear in Board deliberations.

The Board has concluded that these past relationships do not compromise the exercise of objective or independent judgement by either Director in relation to the Group's affairs. The Board's opinion is that previous experience at BHP has enabled David Crawford AO and Keith Rumble to bring a deep understanding of the relevant industries and the Group's operations, providing invaluable and irreplaceable corporate knowledge as it relates to South32's assets and operations.



Karen Wood joined the South32 Board in November 2017 as an independent Non-Executive Director. During her career, Karen held various roles at BHP, including President of People and Company Secretary. Karen retired from BHP in 2014. Given the period which has passed since Karen's retirement from BHP, and the ability she has consistently demonstrated to exercise objective, unfettered and independent judgement from management, the Board is satisfied that Karen's previous affiliation with BHP does not compromise her ability to act in the best interests of the Group or its shareholders generally.

For the reasons set out above, the Board has assessed David Crawford AO, Keith Rumble and Karen Wood, as independent, notwithstanding the existence of these past relationships.

Managing Conflicts of Interest

Directors who have a material personal interest in a matter that is being considered at a Directors' meeting are prevented from accessing relevant Board papers or taking part in relevant discussions at Board meetings. The other Directors may allow such Directors to participate and vote in relation to the issue only if they are satisfied that the interest should not disqualify the Director from voting or being present.

BOARD COMMITTEES

To assist the Board to discharge its responsibilities, the Board has established four permanent Board Committees:

- Nomination and Governance Committee
- Remuneration Committee
- Risk and Audit Committee
- Sustainability Committee

Each Committee operates within its Board-approved Terms of Reference, which set out the roles, responsibilities, membership requirements and meeting procedures. A copy of each of the Committees' Terms of Reference is available in the Corporate Governance section of our www.south32.net. Each Terms of Reference is reviewed regularly and the next review is planned for FY19.

Each Committee meets as required, but not less than four times per year, with the exception of the Nomination and Governance Committee, which is required to meet not less than three times per year. The details regarding the number of Board and Committee meetings held and Director attendance at these meetings can be found in the Directors' Report section of the FY18 Annual Report on page 93.

All Non-Executive Directors have a standing invitation to attend Committee meetings with the consent of the relevant Committee Chairman and in practice generally attend all Committee meetings. Papers prepared for the Committees are made available to all Directors.

The Board may establish other committees from time to time to consider other matters of special importance and areas of focus for the business.

Details of relevant qualifications and experience for all Committee members can be found on pages 13 to 15 of the FY18 Annual Report.



Summary of Board Committees

Committee	Members	Composition requirements	Responsibilities include
Nomination and Governance Committee	<ul style="list-style-type: none"> Wayne Osborn (Chairman) Frank Cooper AO David Crawford AO Dr Xiaoling Liu Dr Futhi Mtoba Keith Rumble Karen Wood 	<ul style="list-style-type: none"> Only Non-Executive Directors A minimum of three members A majority of independent Directors, including the chair person 	<ul style="list-style-type: none"> Reviewing the size and composition of the Board Succession planning processes for the Board, Committees, Board Chairman, CEO, Lead Team and identified critical roles Recommending nominees for the Board Overseeing Board and Director performance evaluation Assessing the independence and time commitment required of Non-Executive Directors Training and development of Directors Monitoring compliance with the ASX Recommendations and other applicable governance requirements Reviewing our progress in achieving our diversity objectives
Remuneration Committee	<ul style="list-style-type: none"> Wayne Osborn (Chairman) Frank Cooper AO Keith Rumble Karen Wood <p>The Committee's work is supported by the CEO, Chief People and Legal Officer and Vice President Reward and Benefits</p>	<ul style="list-style-type: none"> Only Non-Executive Directors A minimum of three members A majority of independent Directors, including an Independent Director as Chair 	<ul style="list-style-type: none"> Reviewing the remuneration framework (including short and long term incentive plans) for specific application to the CEO and Lead Team and general application to all employees and recommending Chairman and Non-Executive Director remuneration Determining levels of reward and annual performance measures and evaluation of the CEO and the Lead Team Overseeing the preparation of the Remuneration Report and communications to shareholders Periodically reviewing remuneration by gender Determining minimum shareholding requirements for Non-Executive Directors and Lead Team members
Risk and Audit Committee	<ul style="list-style-type: none"> Frank Cooper AO (Chairman) David Crawford AO Dr Xiaoling Liu Dr Futhi Mtoba <p>The Committee's work is supported by the CEO, Chief Financial Officer (CFO), Group Manager Financial Reporting and Vice President Risk and Assurance</p>	<ul style="list-style-type: none"> Chair person who is not the Chair of the Board Only independent Non-Executive Directors A minimum of three members <p>In line with UK Financial Conduct Authority's Disclosure and Transparency Rules, the Committee members between them have the appropriate financial and accounting expertise and a sufficient understanding of the industry in which the Group operates to discharge the Committee's mandate effectively</p>	<ul style="list-style-type: none"> Overseeing development and implementation of risk management systems in light of the risk appetite set by the Board and reviewing the effectiveness of our risk management framework (including financial and non-financial risk) Overseeing corporate reporting processes designed to safeguard the integrity of reporting Overseeing the preparation of financial reports and reviewing the results of external audits of these reports Reviewing and monitoring related party transactions Monitoring and reviewing the independence and performance of the external auditor Approving the external auditor's fees and Policy for the Provision of Non-Audit Services and monitoring those services Overseeing the effectiveness, independence and objectivity of the internal audit function including the implications of internal audit findings Approving the appointment, terms of engagement and removal of the Vice President Risk and Assurance (being the head of the internal audit function), who is accountable to both the Committee and the CEO Meeting with the Vice President Risk and Assurance without management at least once per year or whenever deemed appropriate Considering, approving and overseeing matters pertaining to capital structure
Sustainability Committee	<ul style="list-style-type: none"> Keith Rumble (Chairman) Dr Xiaoling Liu Dr Xolani Mkhwanazi Wayne Osborn Karen Wood <p>The Committee's work is supported by the CEO, Chief Sustainability Officer and Chief Operating Officer(s)</p>	<ul style="list-style-type: none"> Only Non-Executive Directors A minimum of three members A majority of independent Directors, including the chair person Each member will be appropriately skilled in Health, safety, environment and community (HSEC) matters as determined by the Board 	<ul style="list-style-type: none"> Reviewing and monitoring the appropriateness of the HSEC framework Monitoring, reviewing and evaluating the HSEC performance of the Group Recommending to the Remuneration Committee key performance indicators for the HSEC component of the annual incentive plan for the CEO and the Lead Team and determining the outcome for referral to the Remuneration Committee Reviewing and endorsing the Group's public HSEC targets Reviewing and approving the Sustainability Policy every two years Reviewing and approving sustainability reporting and other significant positions and public statements Reporting to the Risk and Audit Committee on identified material HSEC risks Reviewing and endorsing to the Risk and Audit Committee the HSEC section of the annual internal audit plan

BOARD APPOINTMENTS, EVALUATION AND SUCCESSION PLANNING

Board Appointments and Succession

In FY18, the Nomination and Governance Committee shifted its focus from overseeing the establishment and operation of a newly formed Board to preparing for renewal and succession planning, including the Board Chair role. In FY18, David Crawford AO stepped down from his role as Chair of the Nomination and Governance Committee, and Wayne Osborn assumed the role of Committee Chair and will lead the succession process.

The Nomination and Governance Committee has responsibility for developing and implementing a succession planning process for the identification of suitable candidates for appointment to the Board, the position of Chair of the Board and each of the Board's standing committees. The Nomination and Governance Committee makes recommendations to the Board on candidates it considers appropriate for appointment, election or re-election.

The Committee will consider the current mix of skills, Board evaluation process and new and emerging business and governance issues for the business to determine suitable candidates. The Committee may engage appropriately qualified independent recruitment consultants to assist with this task.

In discharging its responsibilities, the Committee will consider:

- The strategic direction of the Company set by the Board
- The integral role of succession planning to building, developing, renewing, recruiting and promoting the Company's leaders
- The short, medium and long-term and on-going needs of the Company
- The Group's desire to adopt the better of those standards of corporate governance applicable to the Company which lead to the best outcome from a governance perspective for the Company's stakeholders

The chart below sets out our Board renewal and Director appointment process.



ONGOING ASSESSMENT

The Nomination and Governance Committee periodically considers the Board's size, composition and mix of skills, experience, independence, knowledge and diversity appropriate to competently discharge its duties. Performance evaluations are also considered in this process.

SELECTION

To identify potential Directors from a large and diverse pool of global candidates, the Board seeks assistance from an external search firm. The Board briefs the selected firm on specific skills, expertise, experience, geographic mix and diversity that it wishes to attract, having regard to its Board skills matrix, current composition and succession plans.

The Nomination and Governance Committee assists the Board in undertaking appropriate checks before appointing a new Director or putting forward a potential candidate for election as a Director. This includes arranging meetings between the Chair of the Board, Directors and the potential Director candidate.

Due diligence of a person's character, experience, education, criminal record and bankruptcy status is conducted before a candidate is put forward for appointment to the Board. South32 engages an external firm to coordinate background checks.

APPOINTMENT

Upon appointment, Non-Executive Directors are provided with a letter of appointment that sets out the terms and conditions of their appointment, including their role and responsibilities and time commitment envisaged. Before accepting any new roles external to South32, Directors discuss and seek approval from the Chair who considers the impact on the time commitment of the Director and any possible conflict of interest before granting approval. The appointment letter sets out the fees payable to the Non-Executive Director based on their Board and Committee membership. No portion of Non-Executive Director fees is "at risk" or based on performance. For further information on Non-Executive Director Remuneration please see page 85 of the FY18 Annual Report.

In the case of each of the current Non-Executive Directors, the agreement to supply services is with each Director personally and not with any entity associated with the Director.

ELECTION AT THE AGM

Directors appointed by the Board (excluding the CEO) must stand for election at the next Annual General Meeting (AGM) after their appointment. Directors must generally stand for re-election at every third AGM following their election or most recent re-election. The Nomination and Governance Committee will undertake a review of the Directors' performance and time commitments, including capacity, before endorsing Directors for re-election. All material information relevant to a Director's election or re-election is provided to shareholders in the Notice of Meeting.

Director Induction and Continuing Education

Directors complete a comprehensive induction program at the time of their commencement. South32's current induction program in which both Dr Xiaoling Liu and Karen Wood participated during FY18, includes the following elements:

- Briefings from key members of management on:
 - the organisation or specific functions, including in relation to strategy, risk, finance and reward
 - significant business imperatives, including projects of significance
 - the market and regulatory environment in which South32 is operating
 - risks and opportunities for South32
- Opportunities to engage with the other Directors, the Lead Team and other key personnel
- Opportunities to access external training and courses if desired, which may include sessions relevant to the legal, regulatory and governance environment of South32 or specific training on financial and accounting requirements
- Meeting with the external auditor without members of management present
- Site visits to operations and the surrounding local communities

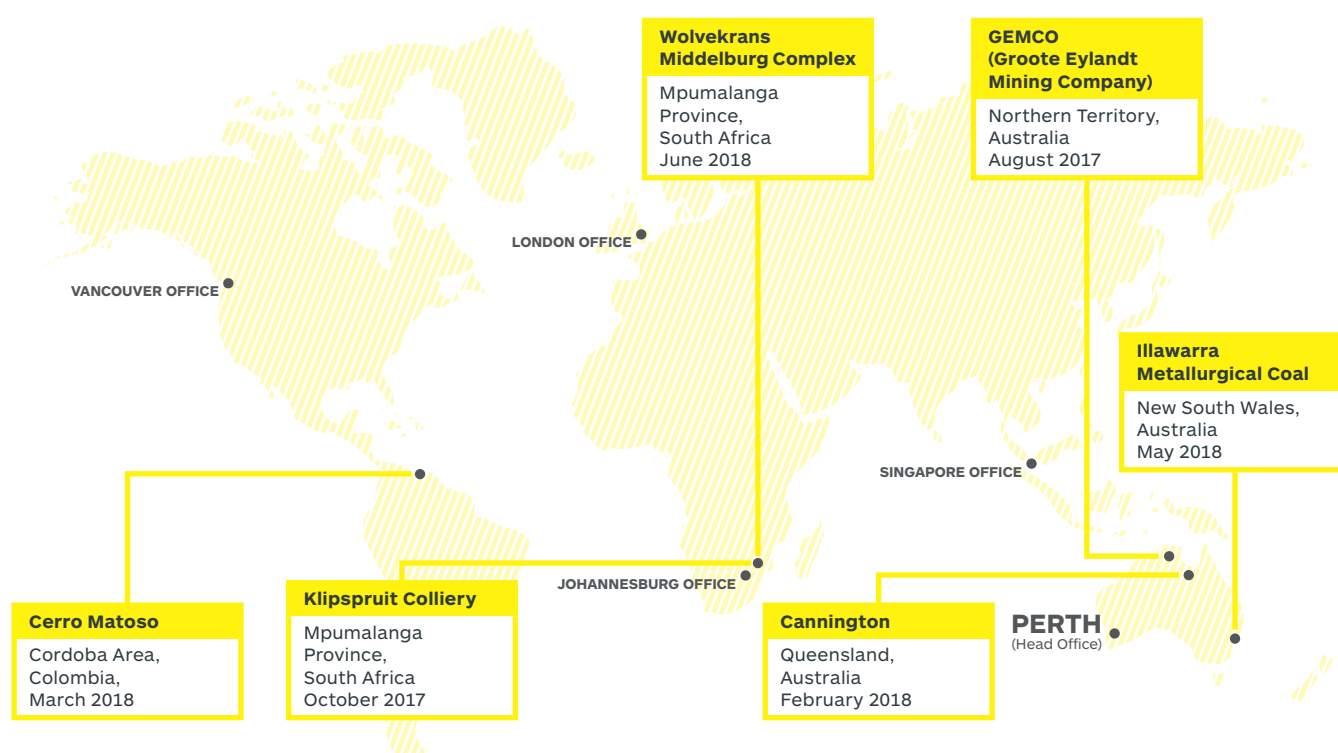
The induction process is tailored to reflect the Directors' background and experience and the role they will play on any Committees.

Following the successful completion of the Director induction program, our new Directors were invited to provide feedback on the onboarding and induction processes to ensure they continue to remain informative and relevant.

It is expected that all Directors participate in continuous education programs. Components of the South32 induction program, including access to internal and external briefings, training and courses, are made available to Directors on an ongoing basis after their appointment. If the annual performance evaluation process described below identifies opportunities for further skill enhancement, Directors are encouraged to access these internal development opportunities, and are also offered the opportunity to participate in the Company Directors course offered by the Australian Institute of Company Directors if they wish to build their familiarity with the Australian legal and governance environment.

To ensure Directors achieve a robust understanding of our business, they regularly visit our operations. These visits provide a deeper insight into operational risks and an opportunity to further understand the workforce culture and the communities where we operate. The site visits undertaken by Directors in FY18 are outlined below in table 2.

Table 2 FY18 Board Program Site visits



Board, Committee and Director Evaluations

The Nomination and Governance Committee is responsible for developing and overseeing the annual performance evaluation process which will cover a selection of the Board, Committees and/or individual Directors.

The Board has adopted a Board Evaluation Guideline that sets out the approach for reviewing and evaluating the Board, its Committees and individual Directors. The Board Evaluation Guideline establishes a three year full review cycle, where each year a review is undertaken of either the Board, its Committees or the individual Directors. Each annual review process may consist of the following options:

- One-on-one interviews with Directors on their individual performance and the effectiveness of the Board and (as appropriate) each of its Committees
- Peer reviews on each Director's value-added contributions to the Board or Committee
- Feedback from senior management (directly or via the CEO) on issues relevant to the performance evaluation process

As noted above, the Nomination and Governance Committee specifically reviews the performance of Directors that are standing for election at the next AGM.

The annual review process may be internally or externally facilitated. Where the process is externally facilitated, the Board receives information on its overall effectiveness as well as opportunities for enhancement. Each Director is also provided with individual feedback on their strengths as well as opportunities to further contribute to the Board.

During FY18, a robust, externally administered evaluation of the Board, Committees and individual Directors was undertaken in accordance with the process described above. The process covered:

- The quality of debate amongst Directors and the way in which Directors reached decisions
- The level of respect and trust between the Board and management in discussions and interactions
- The role of Non-Executive Directors and their effectiveness in discharging their role
- The role of the Chairman and his effectiveness in discharging his role
- Access to and interaction with management, including the flow of information and the ability of Directors to test and require further information from management
- Committee effectiveness in discharging their roles under their Charters and in referring relevant information to other Committees and the Board as appropriate
- Time commitments required by Non-Executive Directors

The review found that the Board is functioning effectively and no significant issues were identified. The Board's communication and relationship with management and stakeholders are assessed to be effective and transparent.

THE SOUTH32 LEAD TEAM

Details of the Lead Team members are set out on pages 16 to 18 of the FY18 Annual Report.

The Role of The Lead Team

Under the supervision of the CEO, the Lead Team implements South32's strategic objectives in a manner consistent with our values, Code of Business Conduct and the risk appetite set by the Board.

The Lead Team has been delegated key responsibility for determining South32's organisational design, executing strategy, managing business performance, reviewing and managing material risks and leading and developing our people and talent. While each member of the Lead Team has individual accountability for a specific part of the business, the Lead Team as a whole remains collectively responsible for achieving South32's purpose.

The Lead Team provides the Board with accurate, timely and clear information on South32's operations so that the Board can effectively monitor what is occurring across the business and discharge its duties and responsibilities effectively. Such reporting includes matters in relation to financial performance, strategy, culture, risk issues (financial, operational, conduct and reputational), living our values and compliance with the Code of Business Conduct (including reports made using EthicsPoint).

Members of the Lead Team have responsibility for supporting one or more Board Committees to improve the Board's access to the Lead Team and foster accountability. Members of the Board and the Lead Team also meet outside of scheduled Board and Committee meetings (including regular contact between the Chair and the CEO) to assist the Board in discharging its responsibilities and to encourage strong working relationships between the Board and senior management.



Appointments of The Lead Team

Each member of the Lead Team is employed directly under an individual Executive Services Agreement, on broadly consistent terms.

We announced two appointments to our Lead Team in August 2017, Rowena Smith as Chief Sustainability Officer (CSO) and Peter Finnimore in the role of Chief Marketing Officer. These two newly created roles reflect the direction of the company and the importance we place on our people, the communities in which we operate, the environment and our customers.

Recognising the importance of technology in driving safety and production improvements at our operations, South32 bolstered its skillset in this area with the permanent recruitment of Vanessa Torres as our new Chief Technology Officer, who commenced in her role in August 2018.

The appointment process for members of the Lead Team includes appropriate background checks to verify their suitability.

Performance and Remuneration of The Lead Team

The performance of Lead Team members is reviewed on an ongoing basis and assessed annually through a formal performance evaluation process. Their performance is measured against key performance indicators, which align to the way we work and our values as well as our strategy and business plan.

The performance of the CEO is evaluated by the Board, while the performance of other Lead Team members is evaluated by the CEO and reviewed by the Board. Directors test remuneration outcomes and make adjustments to ensure outcomes reflect performance including the demonstration of behaviours in accordance with our values.

Performance evaluations of the Lead Team were undertaken in August 2017.

REMUNERATION OF THE LEAD TEAM

Details of our remuneration policies, practices and outcomes, and the remuneration paid to the Directors (Executive and Non-Executive) and other Key Management Personnel (KMP), are set out in the Remuneration Report section of the FY18 Annual Report pages 67 to 90. Shareholders will be invited to consider and approve the Remuneration Report at the AGM.

RISK MANAGEMENT AND INTERNAL CONTROLS AT SOUTH32

Our Risk and Compliance function defines, maintains and oversees management's implementation and assurance of the risk management system. The function is led by the General Manager Risk and Compliance who reports to the CSO.

Risk Management Framework

The Board is responsible for reviewing, endorsing and overseeing systems of risk management, internal control and ethical and legal compliance.

Our overall approach to risk management is defined in the risk management framework approved by the Board. The key objectives of this framework are to:

- Ensure our strategic direction is appropriate for the economic, social, political, legal and regulatory environments in which we operate
- Identify priorities (in terms of relative risk versus return levels) and allocate resources effectively and efficiently
- Demonstrate due diligence in the discharge of legal and regulatory obligations and meet the expectations and standards of external stakeholders
- Maximise the value of our operations, projects and other business opportunities, and assist in encouraging enterprise and innovation, with a view to enhancing the value of investments

To meet these key objectives, we undertake the following activities:

- Identify the potential impacts on the achievement of our purpose and business generally through risk assessments using approved materiality and tolerability criteria
- Risk assessments for material risk issues (risk identification, risk analysis, including likelihood and impact assessment, and risk evaluation). Material

risks capture financial and non-financial risks, as well as risks over short, medium and long term time horizons

- Design, implement, operate and assess controls to ensure residual risks are tolerable
- Establish performance standards for critical controls over material risks with supporting verification processes, which will form the basis for planned reporting in FY19

The risk management framework is reviewed by the Risk and Audit Committee and the Lead Team at least once per year, to confirm that it continues to be sound and that we are operating within the risk appetite set by the Board. The Board also reviews and considers our risk profile on a regular basis to ensure it supports the achievement of our strategy, including the nature and extent of risks we are prepared to take in the pursuit of our purpose.

The Risk and Audit Committee reviews the effectiveness of our risk management and internal control systems to ensure material risks have been, and will continue to be, identified and managed. The Risk and Audit Committee reports the results of these reviews and any recommended actions to the Board.

A review of the risk management and internal control systems based on the process outlined in our risk management framework was undertaken in respect of FY18. The Risk and Audit Committee and Lead Team concluded that the systems are effective and continue to be sound.



Risk and Assurance

Our Risk and Assurance function performs our internal audits. The Vice President of Risk and Assurance is supported by a combination of internal and external resources when conducting internal audit reviews.

Risk and Assurance evaluate whether:

- Material risks are appropriately identified and managed
- Key internal controls are both designed and operating effectively
- Resources are acquired economically, used efficiently and are adequately protected
- Controls are effective to recognise and address significant legislative or regulatory issues impacting us
- The requirements set out in policies, standards and authorities are met

Material Risks

The risk management section of the FY18 Annual Report (pages 19 to 23) sets out the most significant risks currently identified for the Group and how these are managed, including material health and safety, economic, environmental and social sustainability risks.

Climate-related risks and opportunities are disclosed in line with guidelines from the Task Force on Climate-related Financial Disclosures (TCFD), which includes the use of scenarios to assist in understanding risks and opportunities. The 'Our Approach to Climate Change' report is updated annually and can be found on our website.

Risk Management and Financial Reporting

The management of financial reporting risk is a key focus of the Board, the Risk and Audit Committee and the Lead Team.

The Board establishes and oversees the risk management framework, while management implements and maintains internal controls to manage financial reporting risks.

Due to inherent limitations, internal controls over financial reporting, even when determined to be effective, may not provide absolute assurance. Additionally, changes in conditions may impact the effectiveness of controls in the future and the degree of compliance with the Group's risk management policies or procedures may deteriorate. We consider it critical to continually review the effectiveness of our internal controls for managing financial reporting risk. Information in relation to our financial risk management objectives and policies are set out in Note 19(a) Financial risk management objectives and policies and 19(b) Accounting classification and fair value to the financial statements on pages 127 to 133 in the FY18 Annual Report and forms part of this statement.

CEO and CFO Certifications on The Financial Statements

Before approving the financial statements for each half year and full year the Board receives a declaration from the CEO and CFO stating that:

- In their opinion, the Group's financial records have been properly maintained and that the financial statements comply with the relevant accounting standards and give a true and fair view of the Group's financial position and performance
- The opinion has been formed based on a sound system of risk management and internal control which is operating effectively

SUSTAINABILITY



The role of the Sustainability Committee is to represent and assist the Board in exercising its authority in relation to the appropriateness of the HSEC framework, systems for compliance to applicable HSEC related legal and regulatory requirements, the Sustainability Policy, and the Group's performance in relation to HSEC matters, including external reporting. The Committee also assists the Board in overseeing the systems used to identify and manage climate-related opportunities and risks. The Committee's work is supported by the Lead Team.

Our Sustainability Policy defines the social, environmental and economic principles behind our decision making, and affirms our commitment to Sustainable Development, defined as supporting the needs of the present without compromising the ability of future generations to meet their own needs.

The Sustainability Policy contains statements on our commitment to respect human rights, stewardship of resources and communities, and the continuous improvement of safety, health and environmental performance. The Sustainability Policy also references a clear commitment to governance and transparency and is available in the Corporate Governance section of our www.south32.net. South32 aligns to the International Council on Mining and Metals (ICMM) Sustainable Development Framework and we report to various frameworks including the Dow Jones Sustainability Index, CDP Water and CDP Climate Change. We also report in accordance with the Global Reporting Initiative (GRI) Standards.

KPMG has provided independent assurance on South32's sustainability information, as presented in the GRI Navigator.



PROMOTING RESPONSIBLE AND ETHICAL BEHAVIOUR AT SOUTH32

We have established values and policies that set our expectations regarding how we will work and behave towards each other. Our values govern how we act, how we speak to each other and how we evaluate our own behaviour. They guide us and are part of every decision we make. Together, we will create an inclusive workplace where we hold ourselves and each other to account to demonstrate our values of care, trust, togetherness and excellence.



Code of Business Conduct and Our Values

The Group is united by a clear purpose and values. Our Code of Business Conduct (Code) demonstrates how to practically apply our values of care, trust, togetherness and excellence and confirms our commitment to upholding a unified approach to ethical standards of behaviour.

Based on our values, the Code sets the standard of behaviour that we expect from our employees, Directors, officers, contractors and suppliers and recognises the shared responsibility we all have in applying the Code. All employees and agency contractors must complete online Code training, with new employees completing the online module during their induction. The Code is available in English, Simplified Chinese, Spanish and Portuguese. Online training is available in English. At our locations of work where English is not the preferred language, face-to-face training is conducted in the local language.

In addition to our internal processes, we make available EthicsPoint, an independent external platform, for employees and contractors to seek advice about interpreting the Code and to report concerns, grievances or any potential breaches of our Code. Concerns raised via EthicsPoint can be reported anonymously. Our Human Resources function is responsible for managing EthicsPoint.

A copy of the Code can be found in the Corporate Governance section of our www.south32.net. At a minimum, the Code is reviewed once every three years to ensure it remains fit for purpose and continues to address any emerging conduct issues.

Speaking Up

All of our people have a responsibility to uphold high standards of business conduct of which we can all be proud. The Board, including the CEO, encourages our people to raise concerns if they think a decision, conduct or action does not reflect the Code or our values, or is unsafe, unlawful or is not in line with our standards and procedures.

The Code contains information on how our people can raise concerns, including by accessing EthicsPoint, a multi-lingual worldwide tool. EthicsPoint has international telephone and email contact details, in addition to a face to face and direct internal mail point of contact. The Code also highlights that reports may be made anonymously and that confidentiality will be respected.

The Code outlines the expectations of anyone raising or helping address business conduct concerns, including the following requirements:

- supervisors and others when dealing with concerns, including that all concerns are treated seriously and responded to promptly and professionally
- all of our people, including prompt and full co-operation with investigations
- that any form of punishment, disciplinary or retaliatory action being taken against anyone for raising or helping to address a business conduct concern is prohibited and that retaliation may be grounds for discipline, including dismissal

Periodic reviews of concerns raised and the outcome of any investigations are conducted and communicated to the Risk and Audit Committee. If appropriate, material concerns (including material breaches of the Code), which call into question the prevailing culture of the Group and may impact reputation, are reported to the Risk and Audit Committee.

The way we work forms part of regular Board discussions, recognising that this is a key enabler of business strategy. South32 is focused on embedding our values and behavioural standards in management systems and policies as well as building leadership capability and accountability to role model our values.

As part of the review of the Code, we will ensure that it continues to encourage our people and ensure they feel supported and protected in raising and helping address business concerns.

Anti-Corruption

We believe that through the fair allocation of resources, we will create value, which can make a difference to the communities where we operate. We are committed to realising the potential of both human and mineral resources, recognising that bribery and corruption present a challenge to the delivery of this commitment.

Corruption can negatively impact the lives of people in our host communities by driving up the costs of public services and works, and through the misallocation of resources and wasting of opportunities that arise from resource development. Corruption can affect the poorest people in society and undermine the integrity of governments, reinforcing poverty, and improperly influencing government and community decision making.

Our anti-corruption compliance framework requires a zero-tolerance approach and compliance with all applicable anti-corruption and anti-bribery laws. Our CEO approved South32's anti-corruption program, which mandates the review and approval of activities

and transactions that potentially involve a higher risk of corruption, including the provision of:

- Gifts, entertainment and hospitality to or from anyone (including government officials) above a pre-determined modest value threshold
- Anything of value to anyone (including government officials) on behalf of South32
- Commercial sponsorships
- Community or charitable contributions
- Paid participation in political events and activities
- Services by specified high risk third parties that interact with others on our behalf

Our Legal and Compliance function is responsible for designing, monitoring and reporting on our anti-corruption compliance program. The Board is informed of any material breaches of the anti-corruption compliance program and ongoing follow-up reporting where appropriate. We continue to develop our anti-corruption compliance program in line with evolving regulatory guidance, including enhancing our anti-corruption risk assessment framework.

Risk assessments form a critical part of our anti-corruption compliance program, focusing our resources on the highest risk areas and adopting adequate controls to mitigate these risks. In FY18 we completed anti-corruption risk assessments in Africa, Colombia and Marketing. 4,555 employees, approximately 30 per cent of our total workforce, have been identified as having a higher risk of exposure to corruption. These employees, which also include our Lead Team members, are currently completing the online module. South32 standard contracting terms and conditions, with our



suppliers and business partners, mandate compliance with applicable anti-bribery and corruption laws and our Code.

There were no anti-corruption regulatory or legal actions pending or completed during the reporting period in which South32 was identified.

Competition

Competition laws are designed to promote and maintain market competition by regulating anti-competitive conduct. We believe in free and fair competition and compete lawfully and ethically in all our activities.

Our competition law compliance framework requires compliance with all applicable competition laws. Our CEO approved, and our Chief Legal Officer is accountable for, our competition law program which reinforces:

- Competing fairly on the merits of our products and services, prices we charge and the customer loyalty we earn
- Dealing fairly with all customers and ensuring our pricing policies, methodologies and trading terms are fair
- Actively engaging and cooperating with competition authorities

Our Legal and Compliance function is responsible for designing, monitoring and reporting on our competition law compliance program. We continue to develop our competition law compliance program in line with evolving regulatory guidance. The Board is informed of any material breaches of the competition law compliance program and ongoing follow-up reporting where appropriate.

We have identified 2,955 employees, approximately 20 per cent of our total workforce, as having a higher risk of exposure to competition risk. These employees, which also include our Lead Team members, will complete our annual online competition law training module during FY19.

There were no legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which South32 was identified.

Conflicts of Interest

Guidelines in relation to managing conflicts of interest can be found in our Code, and a number of measures have been adopted to ensure compliance. South32 maintains a Conflict of Interest Register. Employees and agency contractors are required to record any actual conflict of interest or any appearance of one.

Dealings in South32 Securities

The purpose of our Securities Dealing Policy is to ensure that:

- Our people who are in possession of inside information concerning South32 do not engage in insider trading and do not use information acquired as an employee to gain an improper advantage for themselves or anyone else
- Public confidence is maintained in the reputation of South32, its Directors, people and in the trading of South32 securities

The Securities Dealing Policy applies to all Directors, employees, and contractors of the Group.

There are additional restrictions, under the Securities Dealing Policy that specifically apply to:

- Directors and members of the Lead Team
- Persons closely associated with Directors and members of the Lead Team
- Particular employees who have been notified by Company Secretariat

The Securities Dealing Policy also restricts Directors and Lead Team members from hedging their exposure to short term trading in, and short selling, South32 securities. Executives who are KMP are also prohibited from entering into any hedging arrangement that limits the risk of holding unvested or restricted South32 equity awards under our short term and long term incentive plans.

A copy of the Securities Dealing Policy can be found in the Corporate Governance section of our www.south32.net.

COMMUNICATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

Market Disclosure and Communications

We are committed to keeping the market informed in a timely manner and complying with our continuous disclosure obligations. We place considerable importance on our procedures and processes for handling market sensitive information and effective communication with shareholders and market participants.

South32 has legal and regulatory disclosure obligations within Australia, the United Kingdom and South Africa.

Our Market Disclosure and Communications Policy is approved by the Board and its purpose is to ensure:

- The Company fulfils its legal obligations to identify and keep the market fully informed of Inside Information and to protect and control access to such Inside Information pending its announcement to the stock exchanges
- The Company effectively communicates with its shareholders and market participants

Under the Policy, the Board has responsibility for approving certain announcements to the market. Usual disclosures are subject to separate procedures set out in the Policy. However, the Board receives electronic copies of all ASX Listing Rule 3.1 announcements promptly after their release.

This Policy applies to all Directors, employees, and contractors of the Group.

A copy of the Policy can be found in the Corporate Governance section of our www.south32.net.



Shareholder Communication

South32 is committed to providing shareholders and other financial market participants with consistent and transparent corporate reporting as well as timely and accurate disclosures. We acknowledge that appropriate communication from the company is important for shareholders to be able to effectively exercise their rights as owners of our company.

TWO-WAY INVESTOR COMMUNICATIONS

Our investor relations program facilitates effective two-way communication with our shareholders. It allows investors and other financial market participants to gain greater understanding of our business, governance, financial performance and prospects.

Feedback from shareholders and other financial market participants is evaluated and provided to the Board to assist in understanding different perspectives and provide responses where appropriate.

MULTIPLE COMMUNICATION CHANNELS

South32 provides information about itself and communicates with shareholders and other stakeholders through a range of channels such as Twitter, Instagram, LinkedIn and our www.south32.net.

Shareholders have the option to send and receive communications and other shareholding information to and from South32 and its share registry electronically.

Investor relations program

Each year we conduct an annual program of engagement between Directors, shareholders and other market participants, which includes:

- Briefings to analysts and institutional investors
- Roadshows with Directors and Lead Team members
- Engagements with proxy advisors where appropriate
- Retail investor events and forums

If any external presentation contains new or material information, that presentation is released to our exchanges prior to its delivery, to ensure that all market participants have equal access to that information. Copies of presentations are also available on our www.south32.net.

Annual General Meeting

Our AGM provides the opportunity for shareholders to receive a performance update directly from our Board and ask questions. All our Directors and Lead Team members attend the AGM. Our external auditor also attends the AGM and is available to answer questions relating to the audit.

The AGM also provides an opportunity for Directors to engage with our retail shareholders to assist their understanding of the matters of concern or interest to smaller investors.

At our AGMs, the Chairman of the AGM determines that each resolution will be decided on a poll. South32 enables shareholders to vote and participate at the AGM electronically, and also makes a live and recorded webcast of the AGM available on the South32 www.south32.net, to ensure all shareholders have equal opportunities to listen to the AGM.

Website

Annual General Meeting

Website

Shareholders are encouraged to access information about South32, including announcements, annual, half year and quarterly reports and other presentations on our www.south32.net.

The website also contains a link to live and recorded audio webcasts of investor and analyst presentations, as well as significant CEO and/or CFO presentations.

DIVERSITY AND INCLUSION AT SOUTH32



We are committed to developing and maintaining an inclusive workplace that is as diverse as the communities in which we operate. We aspire to create a workplace that is free from discrimination, where all people are understood, valued and can realise their full potential whilst contributing to our success.

Building an inclusive workplace is fundamental to how we do business and a key part of the way we work.

Our Diversity and Inclusion Policy outlines our vision and commitment to achieving this. The Board, through the Nomination and Governance Committee, has responsibility for oversight of the Policy which is available on our www.south32.net.

Each year the Board approves our measurable objectives for diversity and monitors our progress towards achieving them. Whilst our current measurable objectives focus on gender and ethnicity, our commitment to an inclusive and high performing workplace considers disability, age, thought, education, experience, family responsibilities, sexuality or any other status.

In South Africa, we meet our diversity obligations under the Mineral and Petroleum Resources Development Act (Mining Charter) and the Employment Equity Act, as well as our Broad-Based Black Economic Empowerment (B-BBEE) obligations.

Each year we report Gender Equality Indicators in accordance with the *Workplace Gender Equality Act 2012 (Cth)*. These reports can be found under Reports on the Investor and Media page on our www.south32.net. In August 2017, the Workplace Gender Equality Agency (WGEA) also accredited South32 as a Pay Equity Ambassador, in recognition of our commitment to gender pay equity.

OUR PROGRESS IN FY18

In FY18 we employed 14,192⁽¹⁾ people across seven countries. Women represented 17% of our employees, while Black People⁽²⁾ represented 81% of our employees in our workforce in South Africa.

Progress against our measurable diversity objectives

Measurable objectives		Stated Target		Progress	
		Target %	Target Date	FY17	FY18
Improve representation of women in total workforce	Total Employees			16%	17%
Improve representation of women in leadership teams	Board	30%	30-Jun-18	14%	33%
	South32 Lead Team	30%	30-Jun-18	17%	29%
	Senior Leadership Team ⁽³⁾	40%	30-Jun-20	32%	31%
	Operational Leadership Teams ⁽⁴⁾	30%	30-Jun-18	18%	18%
Improve representation of Black People in South Africa	Management Roles	70%	30-Jun-20	42%	45%
	Total Employees	85%	30-Jun-20	79%	81%
Achieve gender pay equity	Funds allocated to address gender and ethnicity pay equity			US\$1.8m	US\$1m

(1) Total number of employees at 30 June 2018.

(2) Black People refers to Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent (as more fully defined in the *Broad-Based Black Economic Empowerment Amendment Act 2013* (South Africa)).

(3) Senior Leadership Team includes our leaders who report directly to the South32 Lead Team.

(4) Operational Leadership Teams includes our leaders who are based at an operation and report directly into a member of the Senior Leadership Team (excludes functional roles).

We have made good progress on our measurable objectives, exceeding our target for diversity on our Board and in Senior Leadership roles in FY18. We met our Lead Team target early in FY19 with the commencement of our new Chief Technology Officer, Vanessa Torres.

While we have made progress on our diversity targets we still have more work to do. Our Operations Lead Teams fell short of their 30 per cent target and we remain committed to improving representation of women in leadership teams across our operations in FY19. Historically our industry has been male-dominated, influenced by factors such as remote sites, fly-in-fly-out and the physicality of some work. However, we recognise that there is more we can do to achieve and support diversity in our workplace.

Some of our key initiatives for FY19 are outlined below:

Focus on addressing diversity in all levels of the Company

- Full commitment from our Lead Team and the Board. Our CEO, Graham Kerr, is a member of CEOs for Gender Equity and Male Champions of Change
- Redesign of work across our operations so that people of any physique can perform work safely
- Encourage female participation in Science, Technology, Engineering and Mathematics (STEM) to increase our future talent pipeline. This includes the Work Inspirations Program and CoderDojo digital technology coding workshops

Address bias

- Undertake annual audits to identify any gender or ethnicity pay anomalies and report these findings to the Board and undertake remedial action
- Allocate funds, in addition to routine salary increases each year, to address the gender and ethnicity pay gap. In FY18, we allocated US\$1 million, bringing our total investment to US\$2.8 million
- Conduct unconscious bias training for our decision-makers to ensure no new cases of bias are introduced
- Maintain strong remuneration practices and guidelines that consciously take diversity into account
- Invest in technology that helps eliminate bias from people processes

Bring our people on the journey with us

- Communicate our efforts to our workforce
- Support external representation of our women in events such as Women In Mining
- Conduct diversity surveys such as Women at Work in South Africa and Inclusion@Work in Australia. Participation in FY18 produced encouraging results, with our respondents indicating that they feel they work in an inclusive team (83 per cent), they are treated with respect (78 per cent) and that they are accepted by their co-workers (85 per cent)

Further information on our diversity and inclusion initiatives can be found in our People report on our [website](#).

Our Diversity Focus for FY19

We believe that gender and ethnicity are still our most critical diversity drivers and therefore these remain our focus areas for FY19.

- | | |
|---|---|
| <ol style="list-style-type: none"> 1 Demonstrate year on year improvement in the representation of female employees by targeting gender balanced recruitment and voluntary turnover 2 Maintain the representation of women on our Board and our Lead Team at greater than 30 per cent 3 Improve the representation of women in leadership teams, to achieve our target of 40 per cent of Senior Leadership Team⁽¹⁾ and 20 per cent of Operational Leadership Teams⁽²⁾ by the end of FY2020 | <ol style="list-style-type: none"> 4 Continue to pursue year on year improvement in B-BBEE Employment Equity performance across all levels of management in South African operations as guided by legislation 5 Continue to work towards pay equity, with respect to gender and ethnicity |
|---|---|

(1) Senior Leadership Team includes our leaders who report directly to the South32 Lead Team.

(2) Operational Leadership Teams includes our leaders who are based at an operation and report directly into a member of the Senior Leadership Team (excludes functional roles).

GLOSSARY OF TERMS AND ABBREVIATIONS

AGM

Annual General Meeting.

ASX

Australian Securities Exchange.

ASX Recommendations

The third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (except where specific references are made to the proposed fourth edition).

BHP

The group of companies headed by, and including, BHP Billiton Ltd and BHP Billiton plc.

Board

The Board of Directors of South32 Limited.

CEO

Chief Executive Officer.

CFO

Chief Financial Officer.

Code

South32's Code of Business Conduct.

COO

Chief Operating Officer.

Demerger

The separation of South32 from BHP effected in May 2015 to create a separate entity listed on the ASX, London Stock Exchange and the Johannesburg Stock Exchange.

DTR

UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules. Where a reference to DTR is followed by a number, this means a specific rule under the DTR.

FY18

Refers to the financial year ending 30 June 2018.

FY19

Refers to the financial year ending 30 June 2019.

FY18 Annual Report

South32 Annual Report for FY18 is available on our website.

HSEC

Health, safety, environment and community.

KMP

Key management personnel are those individuals who have authority and responsibility for planning, directing and controlling the activities of South32 either directly or indirectly.

Lead Team

Members of Executive Management

South32 or Group

Refers to South32 Limited and its controlled entities.

