



**CORPORATE
GOVERNANCE
STATEMENT**
2019





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.



WHO WE ARE

South32 is a globally diversified mining and metals company. We produce bauxite, alumina, aluminium, energy and metallurgical coal, manganese, nickel, silver, lead and zinc at our operations in Australia, Southern Africa and South America. We are also the owner of a high grade zinc, lead and silver development option in North America and have several partnerships with junior explorers with a bias to base metals.



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.

Together

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.

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See the rest of our 2019 annual reporting suite at www.south32.net.



- Annual Report
- FY19 Sustainability Performance Report
- Our Approach to Climate Change
- Our Approach to Water Stewardship
- Tax Transparency and Payments to Governments Report
- Modern Slavery Statement (November 2019)

CORPORATE GOVERNANCE STATEMENT 2019

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 behaviour. Our culture and values are aligned with, and support, good governance practices.

We recognise the value of strong culture in driving long-term value creation for all stakeholders. Today, it's at the core of how we deliver our purpose and strategy. You'll see our culture reflected in the way we work, the decisions we take, the courage we show in challenging situations and the legacy we leave.

The strongest cultures are set from the top. Working together with the Lead Team, our Board and CEO consistently demonstrate behaviour aligned with our values. Core to this is fostering a performance environment, where the way something is achieved is as important as what is achieved. Supporting this is a strong belief that culture can be actively shaped through a focus on what we prioritise, what we measure, what we reward and who we appoint.

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 that apply to us across these jurisdictions, which leads to the best outcome from a governance perspective, for our stakeholders.

In this Corporate Governance Statement, we explain the corporate governance framework and practices we've adopted.

Defined terms in this Corporate Governance Statement are consistent with those in our FY19 Annual Report.

ASX RECOMMENDATIONS

Under ASX Listing Rule 4.10.3, ASX-listed entities are required to benchmark their corporate governance practices against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations).

Unless we state otherwise, all references are to the third edition of the ASX Recommendations. However, we note the release of the fourth edition of the ASX Recommendations on 27 February 2019 (New Recommendations). While the New Recommendations don't come into effect for South32 until the first full financial year commencing 1 July 2020, we're pleased that our practices align with emerging standards in many areas. Where possible, we've shared this in our Corporate Governance Statement.

You can find the ASX Recommendations at www.asx.com.au⁽¹⁾. We comply with all relevant ASX Recommendations, and this is set out in the Appendix 4G at <https://www.south32.net/who-we-are/corporate-governance>.

You can find all of the corporate governance documents and policies referenced in this Corporate Governance Statement at <http://www.south32.net/who-we-are/corporate-governance>.

You can find the FY19 Annual Report referred to in this Statement at <https://www.south32.net/investors-media/annual-report-suite>.

This Corporate Governance Statement is current as at 5 September 2019 and has been approved by the South32 Board.

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

THE SOUTH32 LIMITED BOARD



L-R: G Kerr, X Mkhwanazi, W Osborn, K Wood, F Cooper AO, X Liu, N Mtoba and K Rumble.

Our Board

Our Board currently comprises eight directors. There are seven Non-Executive Directors, including six independent Directors.

Our Board recognises the importance of independent Directors to a high-functioning Board and our Board Charter requires that a substantial majority of Non-Executive Directors, including the Chair, be independent.

You can find our Directors' qualifications, skills and experience, significant offices and directorships held in other organisations on pages 11 to 14 of the FY19 Annual Report.

Name of Director	Term	Classification
Ms Karen Wood (Chair)	Director since 1 November 2017, Chair since 12 April 2019	Independent
Mr Graham Kerr (Chief Executive Officer)	Director since 21 January 2015	Executive
Mr 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
Mr Wayne Osborn	Director since 7 May 2015	Independent
Mr Keith Rumble	Director since 27 February 2015	Independent

(1) 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.



Introducing our New Chair

On 12 April 2019, Karen Wood succeeded David Crawford as Chair of the Board of Directors. Her election followed a formal succession process led by Wayne Osborn, an independent Non-Executive Director and Chair of our Nomination and Governance Committee.

To make the transition as orderly as possible, it commenced right after the succession was announced. This process included a handover from our outgoing Chair, continual alignment with our CEO and engaging with the members of our Lead Team and senior management, as well as Directors and external auditors.

As the new Chair, Karen Wood conducted a series of external engagements with our investors, proxy advisers and other important stakeholders. She also visited several of our sites and our London office, and will continue these engagements as part of her transition into the role.

Karen Wood joined our Board in November 2017 as an independent Non-Executive Director. She has held various senior global leadership roles with BHP, including as a member of the BHP leadership team, President Corporate Affairs, Chief People Officer, Group Company Secretary, Chair of The Global Ethics Advisory Panel and Disclosure Committee, and Chief Governance Officer.

Ms Wood gained extensive expertise as a key adviser to the Board and CEO on matters of governance, including the composition of leadership teams, development and succession planning, reward and recognition, sustainable development, stakeholder relations, health and safety, and organisational design and culture. Following the merger between BHP Limited and Billiton Plc in 2001, Karen Wood established the governance framework for the merged entity. She retired from BHP in 2014. Until January 2019 she chaired the BHP Foundation.

Responsibilities of our Independent Chair

Our Chair is responsible for leading the Board, facilitating the effective contribution of our Directors, and promoting constructive and respectful relations between Directors and between the Board and management. The Chair's role is to drive a culture of openness and debate, so our team can perform to the best of their abilities.

Outside scheduled Board meetings, our Chair acts as the main interface between our Board and the CEO. The Chair is responsible for approving board programs (including agendas) and making sure there is sufficient time available for discussion of all agenda items, including strategic issues.

The Role of the Board

The Board Charter is available on our website. It describes matters expressly reserved for our Board and matters delegated to management through the CEO, supported by our Lead Team.

The role of the Board is to represent shareholders and to promote and protect the interests of South32 Limited by governing the Group, having regard to the Group's shareholders as a whole and the interests of other relevant stakeholders. Our Board continues to acknowledge the unique relationship between resource companies, the communities in which they operate, and the standards and expectations of our company to act lawfully, ethically and responsibly.

The Board ensures the organisation works hard to earn and maintain these relationships. The stronger these relationships are, the more trust there is in our company. To maintain the trust, we have robust processes in place to engage and talk openly with our stakeholders, and to monitor where there may be changing societal expectations.

Our Board is ultimately responsible for:

- Providing leadership, governance and setting strategic direction;
- Working with management to shape our corporate strategy, including overseeing management's implementation of strategic objectives; and
- Overseeing the risk management framework and setting the Company's risk appetite.

Working with our CEO, our Board demonstrates our values – whether in making decisions, during discussions or debate, or engaging directly with our people. Directors make regular site visits and receive feedback from regular reports and employee surveys.

The Board, together with our CEO, plays a part in creating an inclusive workplace where we hold ourselves and each other to account to demonstrate our values of care, trust, togetherness and excellence.

Director Independence

We assess the independence of our Directors using our Policy on the Independence of Directors (which you can find on our website). We do this before appointments are made, annually and whenever any significant new interests arise. The Policy mirrors the ASX Recommendations.

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 making this assessment, our Board takes in all relevant facts and circumstances. Directors are required to notify changes to their interests or relationships that could affect their independence. Non-Executive Directors may be involved with other companies or professional firms which, from time to time, may have dealings with us. We assess the materiality of these dealings at least once a year.

Our Board also considers tenure. BHP was previously the holding company of South32 Limited and is no longer a shareholder following the Demerger. Our Board considers that the time Keith Rumble spent at BHP (he resigned in May 2015) doesn't contribute to his years of tenure with us. The Board's opinion is that Keith Rumble's previous experience at BHP gives him invaluable and irreplaceable corporate knowledge as it relates to South32's portfolio and a deep understanding of the industries and jurisdictions in which the Group operates. The Board concluded that this past relationship doesn't impact his independence, or his ability to bring independent and objective judgement to discussions.

Company Secretaries

Our Company Secretaries, through the Chair, are accountable to the Board and its Committees. They're responsible for co-ordinating all Board business, which includes:

- Implementing corporate governance processes;
- Facilitating the induction and professional development of Directors;
- Coordinating Board papers;
- The preparation of minutes; and
- Managing communications and filings.

All Directors have direct access to our Company Secretaries.

You can find more details about our Company Secretaries' (Nicole Duncan and Melanie Williams) experience and qualifications on page 74 of the FY19 Annual Report.

Performance and Remuneration of the Directors and Key Management Personnel

Details of our remuneration policies, practices, performance reviews 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 FY19 Annual Report pages 50 to 71. Shareholders will be invited to consider and approve the Remuneration report at the AGM.



OUR LEAD TEAM

You can find details of our Lead Team members, including Leadership changes made during the year, on pages 15 to 17 of the FY19 Annual Report.

The Role of the CEO and the Lead Team

The CEO is accountable to the Board for the performance of the Company in accordance with the authority that has been delegated, including executing the strategy approved by the Board.

Working under the supervision of the CEO, our Lead Team's role is driving our strategic goals in a way that's in line with our values, Code of Business Conduct and the risk appetite set by our Board.

Their main responsibilities include:

- Executing strategy;
- Managing business performance;
- Reviewing and managing material risks; and
- Leading and developing our people.

While each member of the team leads a specific part of the business, they also work as a collective to help us achieve our strategy and purpose. The CEO and the members of the Lead Team are required to report to the Board, in a transparent and open way, information that is accurate and timely on all matters that impact, or have the potential to impact, the achievement of our purpose. These include:

- Our financial performance;
- Our health and safety performance;
- Implementation of our strategy;
- Our culture;
- Our risk issues (strategic, financial, operational, conduct and reputational);
- Living our values; and
- Complying with our Code of Business Conduct (including reports made via EthicsPoint).

Our Lead Team is also responsible for supporting one or more Board Committees – to improve our Board's access to, and relationship with, senior management, as well as drive accountability.

Meetings between members of both our Board and the Lead Team are encouraged and help our Board carry out its duties and strengthen their working relationship.

Appointments of the Lead Team

In FY19, we made some key leadership appointments and changes:

- In August 2018, Vanessa Torres started as Chief Technology Officer;
- In October 2018, Simon Collins joined our Lead Team as Chief Development Officer with accountability for exploration, portfolio strategy, business development and acquisitions and divestments;
- In May 2019, Katie Tovich took over from Brendan Harris as Chief Financial Officer (CFO); and
- On 1 May 2019, Brendan Harris was appointed as Chief Marketing Officer (CMO) elect, taking over from Peter Finnimore from 1 January 2020. He will be responsible for the commodity marketing and supply functions, and is working with Peter on the handover of our global customer relationships.

These appointments marked the culmination of a succession process that highlights the diverse talent within our organisation, while broadening the skills and experience of our Lead Team.

The appointment process for members of the Lead Team includes appropriate background checks to verify their suitability. Each member is employed directly under an individual written Executive Services Agreement, which sets out the terms and conditions of their appointment, including their role and responsibilities and otherwise on broadly consistent terms.

BOARD COMMITTEES

To help them carry out their responsibilities, our Board has established four permanent Board Committees:

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

Each Committee works within its Board-approved Terms of Reference, which sets out the roles, responsibilities, membership requirements and meeting procedures. You can find a copy of the Terms of Reference for each Committee on our website.

Implementation of the New Recommendations may require amendments to some of the Terms of Reference. A review is underway to ensure that any required changes are made.

Our Committees meet no fewer than four times a year, except for our Nomination and Governance Committee (no fewer than three). You can find the details of these meetings in the Directors' Report section of the FY19 Annual Report, on page 73.

All Non-Executive Directors have a standing invitation to attend all Committee meetings. It has been our practice to date that all Directors attend all Committee meetings.

From time to time, our Board will establish other Committees to address important matters and areas of focus for the business.

We've set out a summary of the Board Committees in the table below. You can find further details about the roles, responsibilities, membership requirements and meeting procedures in the Committee Terms of Reference, in the Corporate Governance section of our website.

Committee & Membership	Composition requirements	Responsibilities include
Nomination and Governance Committee		
<ul style="list-style-type: none"> ■ Mr W Osborn (Chair); ■ Mr F Cooper AO; ■ Dr X Liu; ■ Dr N Mtoba; ■ Mr K Rumble; and ■ Ms K Wood. <p>All members are independent Directors.</p> <p><i>The Committee's work is supported by the Company Secretariat.</i></p>	<ul style="list-style-type: none"> ■ Only Non-Executive Directors; ■ A minimum of three members; and ■ A majority of independent Directors, including the Chair. 	<ul style="list-style-type: none"> ■ Reviewing the size and composition of the Board; ■ Succession planning processes for the Board, Committees, Board Chair, 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; and ■ Reviewing our progress in achieving our diversity objectives.
Remuneration Committee		
<ul style="list-style-type: none"> ■ Mr W Osborn (Chair); ■ Mr F Cooper AO; ■ Mr K Rumble; and ■ Ms K Wood. <p>All members are independent Directors.</p> <p><i>The Committee's work is supported by the CEO, Chief People and Legal Officer and Vice President Reward and Benefits.</i></p>	<ul style="list-style-type: none"> ■ Only Non-Executive Directors; ■ A minimum of three members; and ■ 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 Chair 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, as well as ethnicity in South Africa; and ■ Determining minimum shareholding requirements for Non-Executive Directors and Lead Team members.

Committee & Membership	Composition requirements	Responsibilities include
Risk and Audit Committee		
<ul style="list-style-type: none"> ■ Mr F Cooper AO (Chair); ■ Dr X Liu; and ■ Dr N Mtoba. <p>All members are independent Directors.</p> <p><i>The Committee's work is supported by the CEO, CFO, Chief Sustainability Officer, Vice President Group Assurance (previously known as Vice President Risk and Assurance), Group Manager Financial Reporting and Group Manager Risk and Compliance.</i></p>	<ul style="list-style-type: none"> ■ Chair who is not the Chair of the Board; ■ Only independent Non-Executive Directors; ■ A minimum of three members; and ■ In line with the UK Financial Conduct Authority's Disclosure and Transparency Rules, the Committee members among 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. 	<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 Group Assurance (being the head of the internal audit function), who is accountable to both the Committee and the CFO; ■ Meeting with the Vice President Group Assurance, without management, on a regular basis; and ■ Considering, approving and overseeing matters pertaining to capital structure.

Sustainability Committee		
<ul style="list-style-type: none"> ■ Mr K Rumble (Chair); ■ Dr X Liu; ■ Dr X Mkhwanazi; ■ Mr W Osborn; and ■ Ms K Wood. <p>All members, other than Dr Mkhwanazi, are independent Directors.</p> <p><i>The Committee's work is supported by the CEO, CFO, Chief Sustainability Officer and Chief Operating Officers.</i></p>	<ul style="list-style-type: none"> ■ Only Non-Executive Directors; ■ A minimum of three members; ■ A majority of independent Directors, including the Chair; and ■ 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 (KPIs) 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 (for example, the Task Force on Climate-related Financial Disclosures); ■ Reporting to the Risk and Audit Committee on identified material HSEC risks; and ■ Reviewing and endorsing to the Risk and Audit Committee the HSEC section of the annual internal audit plan.

To effectively carry out their responsibilities, our Committees need to work together. For example, our Sustainability Committee:

- Works with the Remuneration Committee – recommending KPIs for the HSEC part of the annual incentive plan for the CEO and our Lead Team;
- Determines the outcome for each of the KPIs for referral to the Remuneration Committee;
- Reports to the Risk and Audit Committee on identified material HSEC risks; and
- Reviews and endorses to the Risk and Audit Committee the HSEC section of the annual internal audit plan.

BOARD, COMMITTEE AND DIRECTOR EVALUATIONS

Our Nomination and Governance Committee is responsible for developing and overseeing the performance evaluation process for the Board, its Committees and individual Directors.

Our Board has adopted a Board Evaluation Guideline that sets out the review approach, including a three-year full review cycle that may include a review of our Board, Committees or individual Directors. The annual review may include:

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

The review can be facilitated internally or externally. If done externally, our Board gets information on its overall effectiveness, as well as opportunities for improvement. Each Director also receives individual feedback on their strengths, as well as opportunities to make enhanced contributions.

Our Nomination and Governance Committee reviews the performance of Directors that are standing for election at the next AGM.

During FY19, as part of the transition to our new Chair, Karen Wood met with each Director, including the CEO, to discuss the effectiveness of our Board and Committees (as appropriate) including meeting process, and the composition of our Board and Committees.

An externally facilitated evaluation of the Board, Committees and individual Directors has been scheduled for the first half of 2020.

DIRECTORS' SKILLS, EXPERIENCE AND ATTRIBUTES

Approach to Board Composition

The composition of our Board is designed to include Directors that bring a level of skill and experience that helps deliver value to our shareholders and supports our social licence to operate.

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

Current Board Composition

We review our Board's skills annually, to make sure we cover existing and emerging business and governance issues relevant to us.

In FY19, this review was overseen by the Nomination and Governance Committee, with the help of global corporate governance consultancy, Morrow Sodali. Given the time since Demerger and the recent development options acquired by South32, the review focused on the skills and experience required for South32 to continue to achieve its purpose and strategy going forward.

The following skills matrix presents the results of the assessment of the skill and experience represented on the Board. The level of skill is described as highly skilled, skilled or knowledgeable.

Our Board has concluded that given our focus on recently acquired development options we will aim to enhance our skills in the mining and capital projects areas with an emphasis on greenfield development projects. Recruiters have been appointed to assist us in identifying suitable candidates.

Notwithstanding our decision to enhance our skills in the mining and capital projects areas, our Board considers that our Directors have the combined skills, diversity and experience to carry out their responsibilities in a publicly-listed, globally diversified mining and metals company and oversee the implementation of our strategy.

In particular:

- The Board demonstrates in-depth knowledge of our operations and processes, and brings additional relevant industry expertise;
- The Board applies strong leadership skills, with Directors being well versed in regulatory and legal compliance matters;
- Directors are also well-skilled in business strategy and capital projects and have extensive experience in risk management;
- The Board is skilled in matters of environment and climate change, and health and safety; and
- Directors are proactive in staying on top of emerging frameworks and regulations pertaining to social sustainability matters, including community management and human rights.

Board skills matrix

Skill / competency and Board composition	Description	Relevance to South32
Leadership and culture		
Leadership 	<p>Strong understanding of South32's purpose, strategy and values and leads ethically and authentically.</p> <p>Senior executive role or substantial Board experience in a publicly listed company in Australia or overseas, with proven track record of leadership and governance skills, including consideration of emerging new expectations in governance.</p>	<p>Providing leadership is a key responsibility of the Board.</p> <p>The Board, including the CEO, sets the "tone from the top" by:</p> <ul style="list-style-type: none"> Consistently demonstrating behaviour that is aligned with our values; and Overseeing a performance environment that reinforces the way something is achieved is as important as what is achieved.
Industry		
Mining 	<p>Senior executive role or substantial Board experience in a mining company from exploration through to the development and operations stages of mining projects.</p> <p>Demonstrable fluency in geological, engineering or geoscience matters.</p>	<p>South32 requires Directors with in-depth technical expertise and skill in geology, mining (open pit and/or underground) and production of South32's key commodities to be able to manage the risks and opportunities as they relate to the mining industry and markets in which we operate.</p>
Smelting and processing 	<p>Senior executive role or substantial Board experience in a smelting/refining/processing organisation.</p>	<p>South32 requires Directors with in-depth technical expertise and skill in smelting and extractive metallurgy to be able to manage the risks and opportunities as they relate to the mining industry and markets in which we operate.</p>
Commodity value chain expertise 	<p>End-to-end value or commodity chain experience – understanding of marketing, consumers, market demand drivers (including specific geographic markets) and other aspects of commodity chain development.</p>	<p>South32 requires Directors with technical commodity value chain expertise, including knowledge of current and potential market demand and competitors to be able to efficiently respond to changing market conditions while continuing to deliver stable and predictable performance.</p>
Technology and innovation 	<p>Awareness of technology and innovation that influences the South32 business and the ability to assess developments, including responding to digital disruption.</p> <p>Ability to leverage digital technology to support growth and drive competitive advantage.</p>	<p>Our Directors need to be aware of technological developments as they relate to our business, and also across other industries, to be able to understand and manage risks and seize opportunities as they arise.</p>

● Highly Skilled ● Skilled ● Knowledgeable

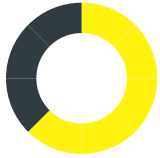
Skill / competency and Board composition

Description

Relevance to South32

Commercial capability

Business strategy



Experience in enterprise-wide strategy development and implementation, managing business operations, and designing an effective capital management framework.

The Board needs to be able to question and challenge management on the delivery of agreed strategic objectives, including the human capital requirements to meet these objectives.

As we continue to develop our portfolio, South32 will require the Board to draw from previous experience at other companies with similar paths, taking into account long industry cycles against often volatile commodity price cycles.

Financial acumen



Relevant experience and capability to evaluate financial statements and understand key financial drivers of the business, bringing understanding of corporate finance and experience to evaluate the adequacy of financial risk and controls.

Our Board must understand financial drivers of the business, and be able to analyse and question the appropriateness, adequacy and timing of South32 financial reporting.

Capital projects



Experience working in an industry with projects involving large-scale capital outlays and long-term investment horizons in the planning and execution phases.

Capital allocation ultimately decides the strategic direction of any company. Our Board needs to consider all project risks and returns in the context of our capital management framework.

Corporate development

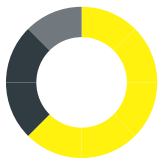


Experience in business development, equity and debt funding strategies, capital and debt raising.

A pre-requisite to any successful company is the knowledge of the external threats and opportunities, including potential mergers and acquisitions, to support growth and drive competitive advantage.

External market

Global business experience



Experience working as an executive in multiple geographies, including a strong understanding of global markets, and the macro-political and economic environment.

To enable South32's operations to reach their full potential, be high performing and to maximise return on investment in a stable and predictable manner, our Board must be equipped with a strong knowledge of the markets we operate in now and those we may enter in the future, having regard to our growth opportunities.

People

People and remuneration



Experience leading large, diverse, geographically distributed teams of people, including oversight of culture and the impacts of organisational design.

Our people are the foundation of our success, and South32 needs to attract, retain and motivate a high-quality talented workforce. The Board oversees this framework.

Senior executive role or substantial Board experience with remuneration frameworks that attract and retain a high calibre of executives and other employees, and promote inclusion and diversity.

The Board needs to be aware that remuneration influences employees' behaviours, and that the remuneration framework drives desired culture and business outcomes.

● Highly Skilled ● Skilled ● Knowledgeable

Skill / competency and Board composition

Description

Relevance to South32

Governance and compliance

Risk management



Senior executive role or substantial Board experience with robust risk management frameworks in a large or medium-sized organisation, preferably with global operations.

We expect our Board to have demonstrable fluency in management of both quantitative and qualitative risks, including the effect of material, business-specific risks and management's approach to adapting the long-term strategy and mitigating the risk.

The Board needs to be aware of systemic, existing and emerging risks and oversee how management are identifying, monitoring and responding to these risks.

Public policy



Experience focused on public policy and local laws and regulations.

Our Board needs to know what South32 can do, and should do, to shape public policy, as well as how our actions impact our social licence to operate and the viability of our operations.

Regulatory and legal compliance



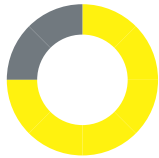
Experience with regulatory and legal compliance and litigation/disputes.

Our Board must be literate in legal and regulatory risks that may have a significant impact on our operations and the ability of South32 to deliver the expected performance.

The Board oversees management's implementation of legal and regulatory frameworks and processes designed to ensure that all regulatory obligations are met.

Sustainability

Health and safety

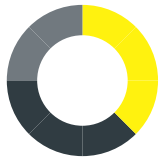


Demonstrable understanding of health and safety management, performance and governance.

The most important thing we can all do is make sure that everyone goes home safe and well at the end of every shift.

The Board understands the inherent health and safety risks in mining operations and recognises that, apart from physical harm to our people and contractors, failure to maintain a high standard of safety may impact negatively on employee morale, the achievement of production targets and our licence to operate.

Environment and climate change



Demonstrable understanding of key environmental impacts for a global mining company, including fluency in how climate change risks and opportunities affect the business and experience in management, performance and governance of these impacts.

We create value through environmental leadership. Our Board must be able to consider the risks and opportunities as they relate to the physical environment in which South32 operates, and integrate the management of environmental issues into our strategy to ensure our business is resilient.

Our Board acknowledges the risks and opportunities of climate change, and aims to meet sustainability disclosure requirements and expectations.

Social performance, community management and human rights



Demonstrable understanding of social performance and the elements that contribute to a social licence to operate, including experience in community engagement, investment measurement and governance.

South32 seeks to build mutually beneficial relationships with stakeholders.

Demonstrable understanding of issues related to human rights in respect of a global mining company.

Our Board must consider the potential impact on host communities, employees and contractors and other stakeholders directly impacted by our operations. The Board must also consider the importance of operating within accepted community standards.

● Highly Skilled ● Skilled ● Knowledgeable

Director Induction and Continuing Education

Our Directors go through a comprehensive induction program when they start, which is tailored to reflect their background, experience and the role they'll play on any Committee.

Our standard induction program typically includes:

- Briefings from key members of management on:
 - The organisation or specific functions, including strategy, risk, finance and reward;
 - Significant business imperatives and projects;
 - The market and regulatory environment in which we work; and
 - Our risks and opportunities;
- Opportunities to engage with our other Directors, Lead Team and key personnel;
- Opportunities to attend external training on matters relevant to our legal, regulatory and governance environment, or specific financial matters;
- Meeting with the external auditor without members of management present;
- Meeting with the Group Assurance team; and
- Site visits to operations and the surrounding local communities.

We expect all our Directors to participate in ongoing 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. We also offer an opportunity to participate in external courses and conferences, including those offered by the Australian Institute of Company Directors and the Australian Graduate School of Management.

To ensure our Directors have a strong understanding of our business, they make regular visits to our operations. This gives them deeper insight into our risks and an opportunity to understand our workforce culture and the communities we operate in. In FY19 the whole Board made two visits to operations. Some Directors additionally visited GEMCO. You can find more details about these visits in the Remuneration report section of the FY19 Annual Report on page 67.

To build our technological capabilities, the education program included visits to the Nanyang Technological University and TollCity in Singapore and to Caterpillar Global Mining in Tucson. These visits were in addition to internal briefings by our Technology team.

Board renewal and Director appointment process

The following illustrates our Board renewal and Director appointment process.



SELECTION

- Nomination and Governance Committee arranges appropriate checks such as character, experience, education, criminal record and bankruptcy status (using an external firm as required); and
- Meetings between our Chair of the Board, Directors and the candidates.



APPOINTMENT

- Offer the successful candidate a Letter of Appointment to supply services as a Non-Executive Director personally (and not with an entity associated with the Director);
- The Letter also outlines 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; and
- Directors discuss and seek approval from our Chair before accepting new roles outside South32 so we can consider the impact on the time commitment of the Director and any possible conflict of interest before granting approval.



ELECTION AT THE AGM

- Directors appointed by the Board (excluding the CEO) must stand for election at the next AGM, then generally at every third AGM following their election or most recent re-election;
- Our Nomination and Governance Committee reviews our Directors' performance and time commitments, before endorsing them for re-election; and
- All material information relevant to a Director's election or re-election is provided to shareholders in the Notice of Meeting.

RISK MANAGEMENT AND INTERNAL CONTROLS AT SOUTH32

The Board is responsible for reviewing, endorsing and overseeing systems of risk management, internal control and legal and ethical compliance. The Board sets the risk appetite and reviews and considers our risk profile on an annual basis to ensure it supports the achievement of our strategy and business goals, including the nature and extent of risks we are prepared to take to achieve our purpose.

The risk management section of the FY19 Annual Report (pages 18 to 21) sets out the Group's strategic risks and how these are managed.

Our Risk and Compliance function defines, maintains and oversees management's implementation and assurance of the risk management system. It's led by the Group Manager Risk and Compliance, who reports to our Chief Sustainability Officer.

Risk and Audit Committee

Our Risk and Audit Committee is responsible for reviewing the effectiveness of our risk management and internal control systems. This is to make sure our material risks have been, and will continue to be, identified and threats and opportunities managed. The Committee reports the results of these reviews and any recommended actions to our Board.

In FY19 we carried out a review of the risk management and internal control systems, based on the process outlined in our risk management framework. Our Risk and Audit Committee and Lead Team found that the systems are effective and continue to be sound.

Group Assurance

The Group Assurance function performs our internal audits. When conducting internal audit reviews, our Vice President Group Assurance is supported by a combination of internal and external resources.

Group Assurance evaluate whether:

- Material risks are appropriately identified and managed;
- Key internal controls are both designed and operating effectively;
- Resources 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; and
- Whether there is any evidence of systemic weakness in the Group's framework of risk management and internal control.

Financial Reporting

A key focus of our Board, Risk and Audit Committee and Lead Team is the management of financial reporting risks. To do this, our Board establishes and oversees the risk management framework, while management implements and maintains internal controls.

Due to inherent limitations, internal controls over financial reporting, even when determined to be effective, may not always 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 103 to 111 in the FY19 Annual Report and forms part of this statement.

Before approving the financial statements for each half year and full year, our 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 they comply with the relevant accounting standards and give a true and fair view of the Group's financial position and performance; and
- The opinion has been formed based on a sound system of risk management and internal control which is operating effectively.

SUSTAINABILITY

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

We aim to create enduring environmental, social and economic value by working in collaboration with all our stakeholders.

Our Sustainability Policy 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 outlines a clear commitment to governance and transparency on sustainability matters. We are a member of the International Council on Mining and Metals (ICMM) and have committed to improving social, economic and environmental conditions for the world in which we live in accordance with the Sustainable Development Framework. In line with industry best practice, we report our annual sustainability information and data in accordance with international standards and frameworks.

Our FY19 Sustainability Reporting Navigator provides the specific locations, within our annual reporting or on our website, where we meet the GRI 'Core' level requirements. As well as GRI, the Navigator also identifies how we address the 10 principles of the ICMM, as well as the United Nations Sustainable Development Goals and United Nations Global Compact requirements.

KPMG has provided independent assurance on our sustainability information, as presented in the Annual Report and on our website.

Our FY19 sustainability reporting suite is available at <https://www.south32.net/who-we-are/sustainability-approach>.

OUR COMMITMENT TO ACT ETHICALLY, RESPONSIBLY AND LAWFULLY

At South32, our values and Code of Business Conduct (Code) are part of every decision we make and guide how we act, work, communicate and evaluate our conduct.

We will be releasing an updated Code before the end of 2019. It will include our whistleblower policy (called our Speak Up Policy) required by 1 January 2020 in accordance with Australia's recently enhanced whistleblower protection laws.

Our Values and Code of Business Conduct

We're united by our purpose and values. These are the foundation for our Code.

Our Code is available on our website, in numerous languages, so everyone can understand our conduct standards. It sets the standards of conduct we expect of our people (Directors, executive management, employees and contractor staff), our suppliers and our joint venture partners acting on our behalf in a controlled or operated joint venture. It also represents our commitment to act ethically, responsibly and lawfully. We view a breach of our Code as a serious matter that must be addressed.

Our people must complete our Code training (via an online module or face to face format).

You can find a copy of our Code in the Corporate Governance section of our website. We review it periodically, to make sure it remains fit for purpose and continues to address any emerging conduct issues.

Speaking Up

Speaking Up protects everyone. We encourage all our people to speak up when our values and conduct standards aren't being followed.

Our Code outlines the options for reporting a business conduct concern, which includes our confidential EthicsPoint reporting hotline. Anyone can report a business conduct concern, including anonymously via EthicsPoint. All reports received via the EthicsPoint reporting hotline are confidentially sent to South32 to assess and respond to appropriately in accordance with our Speak Up processes.

We don't tolerate any form of retaliation against anyone for reporting a business conduct concern. We inform our Risk and Audit Committee and Board of material business conduct concerns, and material breaches of our Code.

Our Anti-Bribery and Corruption Compliance Program

We prohibit fraud, bribery and corruption in any form, and comply with applicable anti-bribery and corruption laws wherever we conduct business.

We believe that through the fair allocation of resources, we create value and can make a difference to the communities where we operate. If corruption isn't appropriately addressed, it negatively impacts the lives of people in our host communities by:

- Depriving them of needed benefits;
- Driving up the costs of public services and works;
- Misallocating resources;
- Wasting opportunities that arise from resource development; and
- Undermining the integrity of governments, through the improper influencing of government decision-making.

As part of our commitment to act ethically, responsibly and lawfully, we operate a risk-based anti-bribery and corruption (ABC) compliance program which our Board, CEO and Lead Team have approved.

Before the end of 2019, we will be publishing a new ABC Policy. It will support our Code, be available to everyone and will meet the New Recommendations.

Our ABC compliance program:

- Includes performing ABC risk assessments. These risk assessments form a critical part of our ABC compliance program, allowing us to focus our resources on the highest risk areas and ensuring we adopt adequate controls to mitigate these risks. In FY19, we completed targeted updated anti-corruption risk assessments on aspects of our businesses in Australia, South Africa, Mozambique and the United States to identify any new or changed corruption risks;
- Focuses particular attention on third-party representatives who interact with government officials on our behalf. Our Code contains our anti-corruption expectations available to everyone, including our third parties who represent us (i.e. who we call our “business partners”). Our Code is supplemented by additional internal ABC requirements in related standards and procedures. We have processes requiring our Business Integrity team to pre-clear certain of our business partners before they are engaged. In addition, we include suitable ABC clauses in our standard contracts with such third-party representatives;
- Requires pre-approval from our Business Integrity team to:
 - offer, give or receive (above modest value) gifts, entertainment and/or hospitality;
 - offer or give community and charitable contributions, and sponsorships;
 - attend any paid political event or activity; and
 - offer or give any other thing of value on our behalf;
- Encourages our people to speak up and report ABC concerns; and
- Includes ABC training for identified employees at higher risk of exposure to corruption.

During FY19, we weren't identified in any anti-corruption regulatory investigations or legal actions pending or completed during the reporting period. We have been supported in our work by regulatory experts in the jurisdictions in which we operate.

Our Competition Law Compliance Program

Competition laws prohibit anti-competitive conduct by companies and individuals. We compete fairly, ethically and comply with applicable competition laws across the globe. We also actively engage and co-operate with competition authorities.

As part of our commitment to act ethically, responsibly and lawfully, we operate a risk-based competition law compliance program.

Our Legal team is responsible for our program design (including relevant policies and procedures), implementation, risk-assessment work, monitoring, training, incident response, continuous program improvement and related reporting to our Lead Team and Board.

Our Legal team (with assistance from our Business Integrity team) also investigates any identified actual or potential breach of our competition law compliance requirements. Our internal reporting processes also involve informing our Risk and Audit Committee of any material competition law compliance concerns, including any material breaches of our applicable policies and procedures.

Our competition law compliance program includes training for identified employees in higher risk roles and require them to complete our competition law training requirements.

During FY19, we weren't identified in any legal actions pending or completed regarding anti-competitive conduct and related breaches of competition laws.

Conflicts of Interest

Our Code, supplemented by internal procedures, sets out our expectations and requirements about avoiding, declaring and managing conflicts of interest.

As part of our conflict resolution process, all actual, potential or perceived conflicts of interest need to be entered in our Conflict of Interest Register.

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 meetings. The other Directors may allow such Director 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.

Dealings in our Securities

A copy of our Securities Dealing Policy can be found in the Corporate Governance section of our website. It applies to all Directors, employees, and contractors of the Group.

In addition to guidance on Inside Information and dealing in our securities, the Policy restricts our Directors and Lead Team members from hedging their exposure to, short-term trading in, or “short selling”, our 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 employee incentive plans.

INCLUSION AND DIVERSITY

We believe an inclusive workplace is one where each person's unique differences are recognised, valued and celebrated. We're committed to building and maintaining a workplace that is as diverse as the countries and communities we operate in. We work hard to provide a workplace free from discrimination, and where all people can realise their potential and contribute to our success. This is fundamental to how we do business and a key part of the way we work.

Each year, our Board approves our measurable objectives for diversity and monitors our progress towards achieving them. We have inclusion and diversity measurable objectives that focus on building inclusivity and improving diversity representation, particularly gender and ethnicity. We work hard to ensure other factors like disability, age, thought, education, experience, family responsibilities, sexuality or any other status do not preclude full participation.

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

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.

Our Progress in FY19

In FY19 we employed 14,244⁽¹⁾ people across nine countries. Women represented 18 per cent of our employees, while Black People⁽²⁾ represented 82 per cent of our employees in our workforce in South Africa.

Progress against our measurable diversity objectives

Measurable objectives		Stated Target		Progress	
		Target %	Target Date	FY18	FY19
Improve representation of women in total workforce	Total Employees	YoY Improvement		17%	18%
Improve representation of women in leadership teams	Board	30%	30 June 2019	33%	38%
	South32 Lead Team	30%	30 June 2019	29%	40%
	Senior Leadership Team ⁽³⁾	40%	30 June 2020	31%	37%
	Operational Leadership Teams ⁽⁴⁾	20%	30 June 2020	18%	18%
Improve representation of Black People in South Africa	Management Roles	70%	30 June 2020	45%	49%
	Total Employees	85%	30 June 2020	81%	82%
Achieve gender pay equity	Funds allocated to address gender and ethnicity pay equity			US\$1m	US\$63.5K

(1) Total number of employees at 30 June 2019.

(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 to a member of the Senior Leadership Team (excludes functional roles).

You can read more about our inclusion and diversity focus and initiatives in our FY19 Sustainability Performance Report on our website.

COMMUNICATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

Market Disclosure and Communications

We have legal and regulatory disclosure obligations within Australia, the United Kingdom and South Africa.

We're 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 Inside Information, and effective communication with shareholders and market participants. We give specific training to our people who are expected to come into contact with sensitive information. We renew this training at least every two years.

Our Market Disclosure and Communications Policy (available on our website) is approved by our Board. Its purpose is to ensure:

- We fulfil our legal obligations to identify and keep the market fully informed of Inside Information, being information not otherwise available to the market and if made public would likely have a significant effect on our share price;
- That access to this Inside Information is protected and controlled until such Inside Information is announced to the stock exchanges; and
- We effectively communicate with our shareholders and market participants.

Under the Policy, our Board is responsible 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 material announcements promptly after their release.

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

Shareholder Communication

Effective communication is important for our shareholders to exercise their rights as owners of our company.

We're committed to providing shareholders and other financial market participants with consistent and transparent corporate reporting, as well as timely and accurate disclosures.

We complete a documented internal verification of our corporate reports against original company source materials and data before release to the market. These corporate reports, such as the quarterly operations report, half-year results and annual reporting suite, progress through a hierarchy of reviews and approvals.

Two-way Investor Communications

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

Any feedback from our shareholders and other financial market participants is evaluated and given to our Board to help them understand different perspectives and respond where appropriate.

Investor Engagement Program

Each year, we conduct an annual program of engagement involving our Directors, Lead Team, shareholders and other market participants, which includes:

- Briefings to analysts and institutional investors;
- Presentations at investment conferences and participation in corporate governance forums;
- Site tours for analysts and institutional investors;
- Roadshows with our Chair, Chair of the Remuneration Committee and Lead Team members, covering financial, operational and environmental, social and governance (ESG) updates;
- Engagement with proxy advisers; and
- Retail investor events and forums, and engagement with the Australian Shareholders Association.

Multiple Communication Channels

We provide information about our company and communicate with shareholders and other stakeholders through a range of channels, such as Twitter, Instagram, LinkedIn and our website.

Our shareholders have the option to send and receive electronic communications and other shareholding information to and from us and our share registry.

Annual General Meeting

Our AGM gives our shareholders the opportunity 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 and is available to answer any questions relating to the audit.

The AGM gives our Directors the opportunity to engage with our retail shareholders, to help our investors better understand any matters of concern or interest to them.

At our AGMs, the Chair of the AGM determines that each resolution will be decided on a poll. Our shareholders can vote and participate electronically. We put a live, recorded webcast of the AGM on our website, to make sure all our shareholders can listen.

Website

We encourage shareholders to access information about us on our website, including announcements, annual, half-year results and quarterly operations reports and other presentations.

Our 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.

During FY19, we enhanced our engagement with investors and other market participants on ESG issues, to ensure their views and concerns are considered. This included:

- Seeking feedback from investors and other stakeholders on our FY18 ESG disclosures ahead of FY19 reporting;
- Active and continuing engagement with representatives from Climate Action 100+;
- Increased disclosures in FY19 covering a range of ESG issues including the publication of our first Our Approach to Water Stewardship report; and
- A comprehensive round of Chair engagements with our Australian and UK investors as part of a structured Chair induction program.

We'll continue to build on this improvement work in FY20 as we look at and consider ways to better engage with the market on ESG issues.





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