

POLICY ON INDEPENDENCE OF DIRECTORS

Revised on 24 November 2016

1 Background

- 1.1 The South32 Limited Group (Group) is committed to adopting the better of the standards of corporate governance applicable to the Company which lead to the best outcome from a governance perspective for the Company's stakeholders. Those standards require that a majority of the members of the Board of Directors (including the Chairman) are independent of the Group, and that all members of the Risk and Audit Committee, and a majority of members of the Remuneration and Nomination and Governance Committees, of the Board are similarly independent.

2 Purpose

- 2.1 The purpose of this policy is to:
- specify the test that will be used by the Board to assess the independence of each Director;
 - identify the information that will be collected from each Director to make the assessment of independence; and
 - outline the disclosure to shareholders of the assessment of independence of Directors, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of a Director.

3 Test of Independence

- 3.1 The Company has a primary listing on the Australian Securities Exchange, a secondary listing on the Johannesburg Stock Exchange, is admitted to the standard segment of the Official List of the UK Listing Authority and its ordinary shares are traded on the London Stock Exchange (LSE).

The test of independence that will be used by the Board to determine the independence of Directors 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.”

4 Information collected by the Board to assess independence

4.1 All facts and circumstances will be considered in determining the independence of a Director. It is not possible to explicitly provide for all circumstances that will indicate a conflict of interest or a material relationship. However, a Director will normally be considered to be independent if he or she meets all the criteria described below.

The Board may consider a Director to be independent notwithstanding that the Director does not meet one or more of the criteria specified below or where any other relationships or circumstances exist which appear relevant to the Board's assessment of independence. The Board reserves its right to make such an assessment and disclose it as described in section 5.

Directors will update the Board with any new information in relation to interests or relationships relevant to independence. The Nomination and Governance Committee will assess and make recommendations to the Board in relation to the independence of non-executive directors on appointment and then annually and as soon as practicable whenever any new interests or relationships are disclosed by a Director.

4.2 When assessing independence, regard will be given to whether the Director or a close family member has any of the following relationships:

- (a) employed in an executive capacity by a member of the Group, or if they were, whether there has been a period of at least three years between ceasing such employment and serving on the Board;
- (b) a substantial shareholder of the Company or an Officer of, or otherwise associated with, a substantial shareholder (a holder of more than 5% of the shares entitled to vote) of the Company;
- (c) service as a Director for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company;
- (d) participates in any share based incentive scheme or performance related pay scheme of the Group. This criteria does not preclude the payment of all or a part of the Director's remuneration in the form of shares;
- (e) a material contractual relationship with a member of the Group, other than as a Director of the Company;
- (f) is or has been within the last 3 years:
 - i) a partner, director or senior employee of a provider of material professional services (including the external auditor) to any member of the Group;
 - ii) in any material business relationship (including as a supplier or customer) with any member of the Group, or an Officer of, or otherwise associated with, someone that has such a relationship.

The test of whether a relationship or business is "material" will be based on the nature, circumstances and activities of the Director having regard to the guidelines above. Materiality will be considered from the perspective of the Group, the persons or organisations with which the Director has an affiliation, and from the perspective of the Director.

All Directors – whether independent or not – are expected to bring an independent judgement to bear on Board decisions.

5 Disclosure

- 5.1 The Board will make the following disclosure to shareholders in the Company's Annual Report:
- Independent and non-independent Directors (and any change in status that occurred during the year) will be identified and their period of office will be stated.
 - Any assessment of independence for a Director who does not meet the criteria above, or any other relationships or circumstances exist which appear relevant to the Board's assessment of independence, will be specifically explained.
- 5.2 In addition, where a Director is standing for election for the first time, the Notice of Meeting will disclose details of any interest, position, association or relationship that might be relevant to an assessment of their independence. In addition, for all Directors being elected or re-elected, the Notice of Meeting will include a statement as to whether the Board considers the Director to be independent.
- If the Board's assessment of a Director's independence changes, that change will be disclosed in a timely manner through Stock Exchange announcement.