

25 October 2018

South32 Limited  
(Incorporated in Australia under the *Corporations Act 2001*  
(Cth))  
(ACN 093 732 597)  
ASX / LSE / JSE Share Code: S32 ADR: SOUHY  
ISIN: AU000000S320  
south32.net

## 2018 ANNUAL GENERAL MEETING SPEECHES

In accordance with ASX Listing Rule 3.13, South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) today releases the addresses to shareholders to be given by the Chairman and Chief Executive Officer at South32 Limited's Annual General Meeting in Perth.

An audio webcast will be available via a link on our website at:  
<https://www.south32.net/investors-media/annual-general-meetings>



Nicole Duncan  
Chief Legal Officer and Company Secretary

### About South32

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

### Further Information

#### Investor Relations

**Alex Volante**

**T** +61 8 9324 9029

**M** +61 403 328 408

**E** Alex.Volante@south32.net

**Tom Gallop**

**T** +61 8 9324 9030

**M** +61 439 353 948

**E** Tom.Gallop@south32.net

#### Media Relations

**James Clothier**

**T** +61 8 9324 9697

**M** +61 413 391 031

**E** James.Clothier@south32.net

**Jenny White**

**T** +44 20 7798 1773

**M** +44 7900 046 758

**E** Jenny.White@south32.net

Further information on South32 can be found at [www.south32.net](http://www.south32.net).

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25 October 2018

**SOUTH32 LIMITED**  
**2018 Annual General Meeting**  
**25 October 2018**

**Speeches by David Crawford AO, Chairman and  
Graham Kerr, Chief Executive Officer**

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**David Crawford AO, Chairman**

Good morning everyone. My name is David Crawford, and I am the Chairman of South32.

Welcome to the 2018 Annual General Meeting of South32.

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I confirm that a quorum is present, and now formally declare the meeting open.

The South32 Board joins us here today. They are, from my far right, non-executive directors Dr Xiaoling Liu, Keith Rumble, Dr Futhi Mtoba and Company Secretary Nicole Duncan.

Next to me on my left is Graham Kerr, our Chief Executive Officer.

From my far left are Frank Cooper, Karen Wood, Xolani Mkhwanazi and Wayne Osborn.

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Our Lead Team are also in attendance and are seated in the front row.

The Board and Lead Team will be available for questions during the lunch that follows the formal proceedings. We encourage you to ask our leaders any questions you have.

Also in attendance is Denise McComish representing the Company's auditors KPMG and, Tim Heughan, from Computershare is here to oversee the polling process.

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Before I provide an overview of the financial year I will address our safety performance.

Nothing is more important to South32 than ensuring our people go home safe and well at the end of every shift. Tragically, during the year one of our colleagues, Agnes Masooa, was fatally injured at our Metalloys manganese smelter in South Africa.

Any fatality is unacceptable. We remain uncompromising in our efforts to ensure a safe working environment.

While our total recordable injury frequency has improved year on year, it's not good enough. Safety continues to be core to our values and our long-term success. The Board is working closely with the Lead Team to improve leadership capability, hazard identification and risk management.

Graham will share more on how we've engaged our people to learn from this tragedy.

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In other areas, the 2018 financial year was successful and productive.

Our financial performance improved for the third consecutive year.

We made strong progress in optimising our portfolio by advancing multiple growth options.

Importantly we continued to align our people and operations to our purpose and values. We exist to develop natural resources in a way that makes a positive difference to our people, communities, governments, partners and you, our shareholders.

Creating an inclusive workplace is core to our purpose. We strive to have a workforce that is as diverse as the communities where we operate - and I take this opportunity to thank our people, working across nine countries, for contributing to another outstanding year.

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Our 2018 financial performance has been influenced by stronger commodity prices, and our efforts to mitigate inflationary pressure. This has resulted in:

- Revenue of 7.5 billion dollars;
- Underlying earnings of 1.3 billion dollars, up 16 per cent; and
- Statutory profit of 1.3 billion dollars, up 8 per cent.

This strong financial performance translated into free cash flow from operations, including equity accounted investments, of 1.4 billion dollars and an increase in our net cash balance to finish the year at 2 billion dollars.

We also delivered a 13.5 per cent return on invested capital, and total shareholder returns of 53 per cent.

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We remain committed to our investment grade credit rating and broader capital management framework. We prioritise investment in our business, with excess capital returned to shareholders in the most efficient way.

Consistent with this, we returned 946 million dollars to shareholders during the reporting period.

We also increased our capital management program by 250 million dollars to 1 billion dollars.

We expect to return the 380 million dollar balance of this program to shareholders this financial year.

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We are always working to advance the financial interests of our shareholders. Our business also depends on co-existence with a wide range of neighbours and land users in the communities where we operate.

We aim to be a leader in social and environmental performance. We understand the importance of strong and trusted community relationships. This year we invested over 20 million dollars in life-changing programs for our communities, an increase of more than 6 million dollars on the previous year.

We also further reduced our scope 1 greenhouse gas emissions by 4 percent.

During the year, we successfully appealed a matter concerning our Colombian operation in the Colombian Constitutional Court. While the final decision was predominantly in our favour, the Court ordered Cerro Matoso to provide ongoing health care to community members who alleged health impacts from our operations, and to submit to a new environmental licensing process. South32 is clarifying the process to be applied with respect to those orders.

We are proud of the positive contribution we make to support social and economic growth within the local community surrounding Cerro Matoso. We will continue to invest in projects to improve the quality of life for community members.

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Public concern over climate change has made it critical to be open and transparent about related risks and opportunities.

We continued to integrate the management of climate change into our business. During the year, we began assessing our operations' resilience to the physical impacts of an extreme climate change scenario.

To reflect this, we have expanded our climate change reporting. We have coupled detailed climate risk disclosures with actions to reduce exposure. This is in line with the recommendations from the G20's Task Force on Climate-related Financial Disclosures.

We are leading the way in this reporting. We were pleased to be acknowledged by "Market Forces" as one of only three ASX100 companies that was "getting it right" in terms of climate change reporting.

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We take a structured and rigorous approach to Board succession. To determine suitable candidates our planning process considers the current mix of skills, our Board evaluation process, emerging business and governance issues.

We seek directors that bring complementary skills and experience to ensure sustained delivery of value to shareholders. We, as a Board, act in a manner that: is consistent with our values; supports our social licence to operate; and protects the interests of shareholders.

With the election of Dr Xiaoling Liu and Ms Karen Wood, we have strengthened the long-term capability, diversity of experience and industry knowledge of the Board. They have added significant value to our Board's operation.

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In the 2018 financial year, we didn't increase Fixed Remuneration for any of our Non-Executive Directors or Executive Key Management Personnel. We made no material change to our Executive Remuneration Strategy.

Consistent with previous years, our approach is to align remuneration outcomes to the experience of shareholders.

This is achieved by putting at risk a significant portion of remuneration, most of which is delivered in equity. We set challenging Short-Term Incentive targets and ensure Long-Term Incentives encourage the delivery of value to our shareholders.

Our short-term incentive outcomes were below target, primarily due to the fatality and lower than expected production volumes.

As a result of the increase in our share price and strong total shareholder returns over the performance period, equity vesting has been the most significant contributor to the increase in actual pay for Executives.

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Looking to the future, we remain positive about global growth in the long term. We are optimising our portfolio to set us up for this future.

Using the strength of our balance sheet, we recently completed the acquisition of Arizona Mining, owner of the silver, lead, zinc Hermosa project in Arizona. We also acquired a 50 per cent interest in the Eagle Downs metallurgical coal project in Queensland.

Graham will talk about the importance of these investments shortly.

In addition, the decision to manage South Africa Energy Coal as a stand-alone business has allowed us to collapse the regional model, consolidate support structures, and change the way we work.

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There is a lot to be excited about at South32. We have a diverse, high quality commodities portfolio with very exciting growth opportunities.

Our talented global workforce is united by our purpose to make a difference.

We are confident that we have set ourselves up to deliver long-term value to our shareholders, our people and the communities where we operate.

On behalf of the Board and all shareholders, I thank Graham and his Lead Team, along with all our people, for their role in South32's success over the past three years.

Finally, thanks to you, our shareholders, for your support and we look forward to continuing this journey with you.

I'll now hand over to Graham Kerr to provide the CEO Address.

**Graham Kerr, Chief Executive Officer**

Thank you, David, and good morning everyone.

I'd like to start out by reflecting on safety, and why this is fundamental to everything we do.

As David mentioned, tragically in April this year one of our colleagues, Agnes, was fatally injured while working at our Metalloys manganese smelter in South Africa.

This loss has had a profound impact on Agnes' family, friends and colleagues and I offer my sincere condolences to everyone impacted.

We have deeply reflected on this incident, and continue to engage extensively with our people to ensure all work is well designed and reliably delivers safe outcomes.

Learnings have been shared across our entire organisation, to ensure Agnes' legacy lives on through improved safety performance across our business.

We are also investing in our leaders to develop the right skills and capabilities to improve our safety performance, while empowering our people to speak up and stop when work isn't safe. We won't be truly successful until everyone returns home safe and well at the end of every shift.

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Moving to people and capability. We genuinely believe that our people are the foundation of our success.

Throughout the year we focused on embedding our purpose and values to better connect our people to what we want to achieve as an organisation.

We also introduced seven 'breakthroughs' which outline the strategic imperatives in the areas of safety, people, operations, functional support, technology, environmental and social leadership, and optimising our portfolio.

These breakthroughs guide the way we plan activity in our business to ensure the entire organisation is united by and working towards our purpose.

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We continue to transform the composition of our business, and have made progress towards achieving our diversity targets.

Overall representation of women in our workforce increased to 17 per cent, while the representation of women in our Lead Team has increased to 33 per cent following the appointment of Vanessa Torres in the new financial year.

Pleasingly, the representation of Black People in our workforce in South Africa increased to 81 per cent.

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Public acceptance is essential to our long-term success.

At South32 we know that our social licence to operate needs to be earned and maintained every day.

In addition to continually finding ways to reduce our carbon footprint, we aim to create enduring social, economic and environmental value by working closely with our host communities.

We support life-changing community initiatives through our social investment programs, and constructively engage with our host communities to ensure they share the economic and social benefits through local jobs and business development.

As part of reducing our carbon footprint, we commenced construction of a six-hectare, three-megawatt solar farm at Cannington, representing our first solar installation.

The solar farm will deliver reduced greenhouse gas emissions by offsetting gas consumption with solar energy.

Biodiversity stewardship is another important element of being a trusted partner of choice.

As part of our recent applications for a mining extension project in South Africa, we developed a comprehensive wetland offset strategy.

The detailed design mitigates any wetland losses that could result from the project during the first five years of mining.

These are just some of the many examples of social and environmental leadership initiatives taking place at our operations.

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Moving to our financial and operational performance. We delivered our third consecutive year of strong financial growth, while embedding a new way of working and taking real steps to reshape and strengthen our global portfolio of assets.

Our overall financial performance benefited from stronger commodity prices and our efforts remained focused on mitigating inflationary pressure.

We delivered record production at Australia Manganese and a 10 per cent increase in total manganese ore production as we responded to favourable market conditions.

We also achieved another production record at Mozal Aluminium and increased production at Cerro Matoso by 20 per cent as we benefitted from a full year of higher grade ore from La Esmeralda.

At the same time, we realised a significant lift in the operating margin of our aluminium value chain as a result of tight markets and our long alumina position.

We've also delivered an improvement in equipment productivity at a number of our operations and have renegotiated energy supply and logistics contracts to deliver additional value.

At Worsley Alumina, we've developed the low reactive silica West Marradong resource, which is allowing us to optimise caustic soda consumption rates.

This disciplined approach has helped mitigate broader inflationary pressure, particularly in our downstream processing facilities.

However, there is still work to do to overcome challenges at some of our operations.

At Illawarra Metallurgical Coal we are re-establishing minimum performance criteria and implementing work practices to improve longwall and development performance.

We believe these initiatives will enable production rates to return to historical levels.

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In parallel, we continue to review and re-shape our portfolio to ensure we are well positioned for the future.

In April 2018, we started managing South Africa Energy Coal as a stand-alone business.

This fundamental redesign is expected to deliver 50 million dollars of annual cost savings for the Group from the 2020 financial year.

Consistent with our objective to transform South Africa Energy Coal, we also commenced a process to broaden its ownership in September this year.

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Our new way of working is also scalable, allowing us to expand our global footprint and invest in opportunities where we believe we can create value.

As David mentioned, in August 2018, we completed the acquisition of Arizona Mining, adding the high-grade zinc, lead and silver Hermosa project and a prospective land package to our portfolio.

Hermosa is one of the industry's most exciting base metals options.

Our near-term priority is progressing the twin exploration decline that will allow us to start underground drilling.

This will increase our geological understanding of the resource and allow us to test for extensions.

In September 2018 we finalised the acquisition of a 50 per cent interest in the Eagle Downs metallurgical coal project in Queensland's Bowen Basin, and assumed operational control.

This embeds another attractive development option within our growing portfolio.

We are currently in the process of commencing the feasibility study to assess the optimised mine design and development plan for this project.

Elsewhere we continue to see opportunities to create value via our greenfield exploration strategy that has now grown to 18 active projects. This includes our partnership in Alaska with Trilogy Metals, where we exercised our second-year option on the advanced exploration project at Bornite.

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Looking ahead, we are well positioned for the future.

We anticipate some price volatility in global commodity markets, driven by rising trade tensions and a strengthening US dollar.

However strong demand for higher quality raw materials is expected to continue as China implements policy initiatives to meet environmental reforms.

Improved production from many of our operations, along with a continued focus on productivity gains and procurement savings, will allow us to further mitigate industry wide inflationary pressure.

We are excited to be adding high quality development options to our portfolio and will continue to reshape our portfolio as we seek to maximise total shareholder returns.

Creating a safe and inclusive workplace for our people, and making a positive difference to the communities where we work, will continue to be fundamental to our success.

Thank you for your continued support of South32. I'll now hand back to our Chairman.

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**The Chairman then conducted the formal items of business.**

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**David Crawford AO, Chairman**

**Closing remarks**

Ladies and gentlemen, thank you for your attendance and attention.

This brings us to the end of the 2018 Annual General Meeting.

On behalf of the Board, I would like to thank you for joining us today.

We look forward to your continued support in the coming year.

For those of you here in Perth, please join me and my fellow Directors and the Lead Team for light refreshments.

I now declare this meeting CLOSED.

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