

24 October 2019

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

2019 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 Chair 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 also have a high grade zinc, lead and silver development option in North America and 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.

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Further information on South32 can be found at www.south32.net.

JSE Sponsor: UBS South Africa (Pty) Ltd
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SOUTH32 LIMITED
2019 Annual General Meeting
24 October 2019

**Speeches by Karen Wood, Chair and
Graham Kerr, Chief Executive Officer**

Karen Wood, Chair

Good morning ladies and gentlemen, and welcome to South32's 2019 Annual General Meeting.

My name is Karen Wood and it is my pleasure to chair today's meeting.

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

All members of the South32 Board are here today.

On my far left, Non-Executive Directors Frank Cooper, Xiaoling Liu, Keith Rumble and Futhi Mtoba.

Next to me on my left is Graham Kerr, our Chief Executive and Managing Director.

From my far right are non-executive directors Xolani Mkhwanazi and Wayne Osborn.

And Nicole Duncan our Company Secretary who also serves as the company's Chief People and Legal Officer.

During the past year our inaugural Chair David Crawford retired after many years of distinguished service to our industry.

He was the first Chair of South32 and the importance of the role he played cannot be over-estimated.

He worked hard to ensure that South32 was set up for success from the beginning.

That included ensuring it started life with a robust balance sheet; which is critical to a cyclical business like ours.

He also worked hard with Graham and the Board to develop the company's purpose and strategy as well as its core values of Care, Trust, Togetherness and Excellence.

I know I speak for many when I say that we are in his debt and on behalf of all shareholders and the thousands of South32 people, I thank him for his service.

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

We have with us our Chief Financial Officer, Katie Tovich, Chief Commercial Officer, Peter Finnimore, Chief Commercial Officer elect, Brendan Harris, Chief Operating Officers, Mike Fraser and Paul Harvey, Chief Sustainability Officer, Rowena Smith, Chief Technology Officer, Vanessa Torres and Chief Development Officer, Simon Collins.

All members of the Board, Lead Team and other members of South32 look forward to the opportunity to meet with you after the formalities.

Also in attendance today is Denise McComish representing the Company's auditors KPMG.

This is Denise's last meeting as Auditor and I want to take this opportunity to thank her for her service.

Tim Heughan from Computershare will oversee the polling process.

During the year the Board visited several of our operations and offices around the world.

Those visits are an important part of our work. They help us see first-hand the issues that our operations face and give us the opportunity to better understand the surrounding communities who play such an important part in our success.

The visits also provide a means by which we can test the culture of South32. Our culture is reflected in the way we work and these visits give us the opportunity to see this in practice, very often in locations far removed from our offices.

One thing that is clear to me from those visits is that the values we have established are well understood and that our people – wherever they are located - work hard each day to entrench them in everything they do.

This is particularly true of the focus on safety, which remains at the heart of all we do.

That work is never finished but I am proud to say that our year on year performance improved in 2019.

In our view the most important example of our value of Care is that everyone goes home safe and well.

The 2019 Financial Year was another busy and successful year for South32.

We continued to focus on creating long-term value for our shareholders by maintaining financial discipline and delivering on our strategy.

These things are not achieved without the continued dedication, hard work and support from our entire workforce and I want to take the opportunity to thank each and every member.

We continued to reshape and improve our portfolio, and completed the acquisition of Arizona Mining during the year, adding the Hermosa project.

This is one of the most exciting base metals projects in the industry.

We also acquired a 50 per cent interest in the Eagle Downs Metallurgical Coal project in Queensland and progressed the divestment of South Africa Energy Coal.

Graham will talk more about our portfolio shortly.

The 2019 Financial Year was marked by strong overall operating performance. This delivered:

- Underlying earnings before interest, tax and depreciation of 2.2 billion US dollars;
- Free cash flow of 1 billion US dollars; and
- A net cash balance of 504 million US dollars.

We returned US938 million dollars to shareholders during the reporting period. This included US366 million dollars which was returned to shareholders as part of our ongoing capital management program.

Of the capital returned, dividends in respect of the year totalled US9.6 cents per share (or 13.7 cents in Australian dollar terms), including a fully franked final dividend of US2.8 cents per share and a special dividend of US1.7 cents per share.

We also increased our capital management program by US250 million dollars to US1.25 billion dollars in total – reflecting our disciplined approach to capital management and the positive outlook for our business.

These decisions were taken consistent with our capital management framework which is designed to:

- maintain safe and reliable operations and an investment grade credit rating;
- distribute a minimum of 40% of Underlying earnings as ordinary dividends; and
- assess competition for excess capital – such as investment in the business, acquisitions, greenfield exploration, share buy-backs, and special dividends.

Over the past four years, we have delivered a total shareholder return of 84 per cent, which has exceeded both the sector index and the Morgan Stanley Capital International world index.

In January we were deeply saddened by the tailings dam failure at Brumadinho in Brazil, a site owned by resource company Vale.

The result was a significant loss of life and immense environmental damage; consequences that have deeply impacted all who work in this industry.

We are determined to play our part in making sure these tragic events don't happen again and to that end have supported the work of the International Council on Mining and Metals to develop an international standard for safe tailings management.

In June we released our Tailings Storage Facilities Management Report, in line with the Investor Mining and Tailings Safety Initiative, that details our approach.

Our Purpose makes it clear that we aim to make a difference by developing natural resources and, as a result, make people's lives better now and for generations to come.

We cannot do that unless we create value through social and environmental leadership at the same time as we deliver returns to shareholders.

An example of this is the way in which we are addressing the impact of climate change including changing weather patterns, increased regulation, shifts in technology and the growing expectation from the community at large and our shareholders that we will play our part.

This is a journey we have been on for some time.

In September we published the third of our reports called Our Approach to Climate Change.

This report meets the recommendations of the Task Force on Climate-related Financial Disclosures and outlines three areas of focus.

The first, is the climate change opportunity – which outlines how we aim to manage our portfolio in a way that ensures our products remain in demand and resilient, including by providing raw materials that support action on climate change.

Many of our commodities will have an important role to play as we shift towards a low carbon economy.

Silver, for example, is used in solar panels, nickel in stainless steel, and aluminium is becoming an increasingly popular choice for sustainable buildings.

The second, is how we work towards climate resilience for our communities and our operations, and the third, is how we reduce emissions to support the transition to net zero carbon emissions by 2050.

We have set targets and goals and we report against these annually. We also align remuneration outcomes to those targets and goals.

Our decarbonisation plans are aligned with the Paris Agreement, and our long-term goal of net zero emissions from our operations by 2050 reflects this commitment.

Overall, we remain on-track to achieve our 2021 Financial Year Scope 1 target to maintain emissions at or below our baseline set in the 2015 Financial Year.

By working to avoid and manage climate change risks, as well as taking advantage of the opportunities we have, we can meet our Purpose by creating a more prosperous future for our business, society and future generations.

These goals are not mutually exclusive. Beyond safe and financially successful operations we must also focus on the lives of the people surrounding them, working together to create healthier, stronger and more resilient communities.

If we do this well it means not only meeting the aspirations in our Purpose but also creating a legacy for generations to come.

I spoke earlier about the role that all our people play in our success.

As a global organisation we are working hard to build a diverse workforce that is representative of the countries and communities we operate in.

Together we aspire to create an inclusive workplace where our people feel respected, safe and empowered to raise concerns and perform to their full potential.

We've made a concerted effort to increase the percentage of women across all levels of our organisation, and black people in our South African workforce.

Progress on all these critical issues depends on quality leadership and Graham will talk shortly about the investment we have made in leadership development during the year.

We have initiated a review of our Executive Reward Framework, which will continue into 2020 and will include consultation with our shareholders. As this work is ongoing, we have not made any material changes to our approach to Executive reward in 2019.

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

Our short-term incentive outcomes for the 2019 Financial Year are below target, primarily because controllable costs were short of target and the impact of lower production volumes at South Africa Energy Coal and Worsley Alumina resulted in Adjusted Return on Invested Capital not being met.

The first South32 Long-Term Incentive award granted to our Executives, was tested for performance to 30 June 2019. Our strong Total Shareholder Return performance over the four-year vesting period has meant that all equity from this first grant vested in August. The 66 per cent growth in our share price over the same period has also contributed to a substantial increase in the value of this award at vesting, resulting in a material uplift to year-on-year Actual Pay.

Looking to the future, we are confident we are building the foundations for long-term success.

We will focus on what matters most. This includes running our operations to their full potential and maximising return on investment. We will continue to focus on improving return on invested capital and prioritising a strong balance sheet to ensure we remain in control through economic cycles.

We will strive to make a difference to the communities where we operate, creating value through our environmental and social leadership. We will use technology and innovation to lift our performance.

But most importantly, we will all work to ensure everyone goes home safe and well at the end of every shift.

On behalf of the Board and all shareholders, I want to thank Graham, his Lead Team and all of the people who make up the South32 family for their individual and collective contributions. They are valued by us all.

And finally, to you, our shareholders, I want to thank you for your continuing support.

I'll now hand over to Graham.

Graham Kerr, Chief Executive Officer

Thank you Karen. Good morning everyone. It's great to see you all here today.

Before I take you through our 2019 performance I would like to reflect on safety.

As Karen mentioned, our commitment to improving safety at our operations was reflected in a 12 per cent year-on-year reduction in our total recordable injury frequency. Employee Occupational Illness rates also declined in the year.

We will continue to focus on creating an inclusive workplace where our people are supported to speak up and share their concerns or ideas about safety.

Moving now to our operational performance and we saw some solid results for the year.

Our overall Group production increased by three per cent and we maintained a leadership position in alumina and manganese.

Australia Manganese achieved record ore sales, while Hillside Aluminium delivered record production as the smelter continued to test its maximum technical capacity.

Worsley Alumina finished the year well, with an increase in calciner availability contributing to a 12 per cent production increase in the June quarter.

At Illawarra Metallurgical Coal production increased by 57 per cent, following work to improve longwall and development performance.

In line with our growth agenda, we have created a pipeline of high-quality development opportunities in commodities we believe will have strong fundamentals into the future.

In June, we reached an important milestone for our Hermosa project, declaring a Mineral Resource for the Taylor Deposit in accordance with the JORC Code.

Work undertaken since the acquisition has significantly increased our confidence in the project and confirmed its ability to deliver strong returns to shareholders.

We have also progressed study work for our Eagle Downs metallurgical coal project in Queensland's Bowen Basin, and maintained our option with Trilogy Metals in Alaska for the third and final year.

We continue to invest in greenfield exploration and we have a pipeline of partnerships with junior companies as we undertake exploration in Australia, Europe and the Americas.

As we look to improve our portfolio we have assessed our current operations against our view for the future. Divesting South Africa Energy Coal is an important next step.

Our intention is that the business becomes black-owned and operated, consistent with the South African government's transformation agenda.

In the 2018 and 2019 Financial Years we invested US\$377 million dollars of capital expenditure while we progressed the divestment process.

This included US\$185 million dollars to advance the Klipspruit Extension project as part of the investment to extend the life of the Klipspruit colliery by at least 20 years.

These investments set SAEC up to be a sustainable business over the long term.

Following a comprehensive and competitive process we have entered into exclusive negotiations with Seriti Resources as we work to finalise the offer.

We also made the decision to review our manganese alloys smelters, TEMCO and Metalloys, as changes in the market dynamics for manganese alloys have reduced the attractiveness of our exposure.

No decision on the path forward has been made, but our people, suppliers, customers and the local communities are top of mind as we consider which path to take.

Moving to environmental management, where we work hard to be responsible stewards of the environment and treat natural resources with care so that they are available for future generations.

We continued our progress towards our five-year emissions reduction target, advancing decarbonisation studies at Worsley Alumina and Illawarra Metallurgical Coal.

We actively participate in a number of industry associations. Membership of these associations provides valuable access to information, insight and industry influence, helping us make more informed decisions and positive contributions to industry-wide issues in the areas we operate in.

We regularly monitor our memberships' positions on key issues such as climate change, and engage and collaborate to facilitate alignment with South32's interests and positive industry outcomes.

Our first Water Stewardship Report was released this year and this details how we manage water consumption and the steps we're taking to safeguard future water supply.

We also released our 2019 Tailings Storage Facilities Management Report and we remain committed to international best practice in the management and disposal of tailings at our operations.

Our operations are just one part of a bigger picture. Wherever we operate, we understand the responsibility we have to get behind our communities, and we are proud to do so.

You will see this take shape in a variety of ways – through support for community programs and infrastructure, and the promotion of jobs and business opportunities.

In 2019 our total community spend was US\$17.3 million dollars and we will invest up to US\$125 million dollars over the next five years.

To make a difference for those in need, we contributed US\$800,000 dollars in response to the floods in Townsville, Australia, as well as US\$250,000 dollars to support the recovery from Cyclone Idai in Mozambique. We matched the donations which our employees made to these causes.

Underpinning our success is the strength and diversity of our people.

We saw year on year increases in the representation of women on our Board, Senior Leadership Team and overall workforce. There was also an improvement in the representation of Black People in management roles in our South African operations.

Our leaders play a critical role in creating an inclusive and diverse culture, and we've invested more than 10 million Australian dollars in leadership development over the past two years.

Looking ahead to 2020 and the outlook for South32 is positive.

We expect to see production increases across the group, with Illawarra Metallurgical Coal returning to a three-longwall configuration and Worsley Alumina achieving nameplate capacity.

Weaker currencies, lower raw material costs and our efforts to mitigate inflation, particularly in energy, labour and materials, should result in lower operating costs for most of our operations.

We will remain focused on sustainably improving our operational performance to capture higher margins, while making disciplined capital allocation decisions and prioritising a strong balance sheet so we retain flexibility through economic cycles.

Our portfolio will include high returning options with a bias to base metals and the potential to deliver meaningful growth in shareholder value over the medium-term.

Our approach and strong financial position leaves us well positioned to maintain our momentum to reshape and improve our portfolio further, and grow value per share.

At the same time, ensuring our workplace is safe and inclusive remains core to everything we do, and we will continue our unwavering focus on ensuring all of our people go home safe and well.

Thank you for your ongoing support for South32. I'll now hand back to our Chair.

The Chairman then conducted the formal items of business.

Karen Wood, Chair

Closing remarks

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

This brings us to the end of the 2019 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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