

BHP

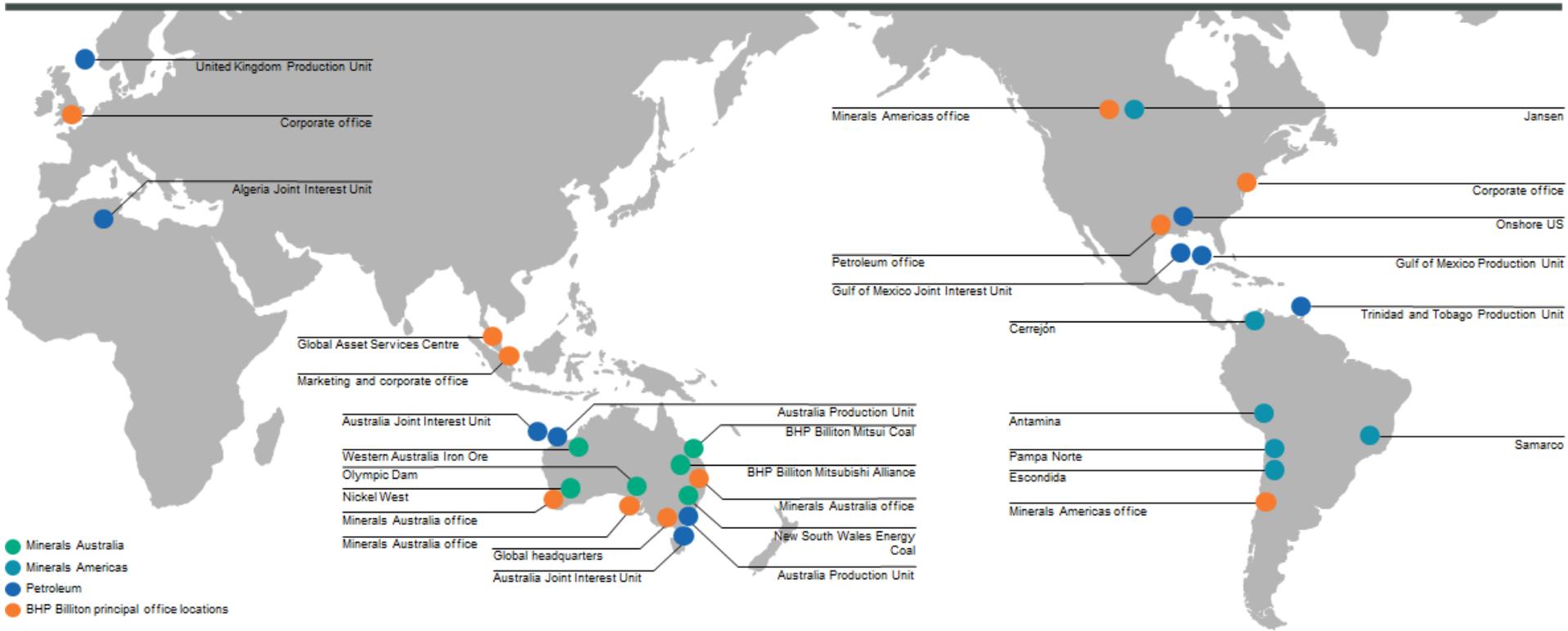
BHP's approach to climate change risk management

Dr. Fiona Wild

Vice President, Sustainability and Climate Change

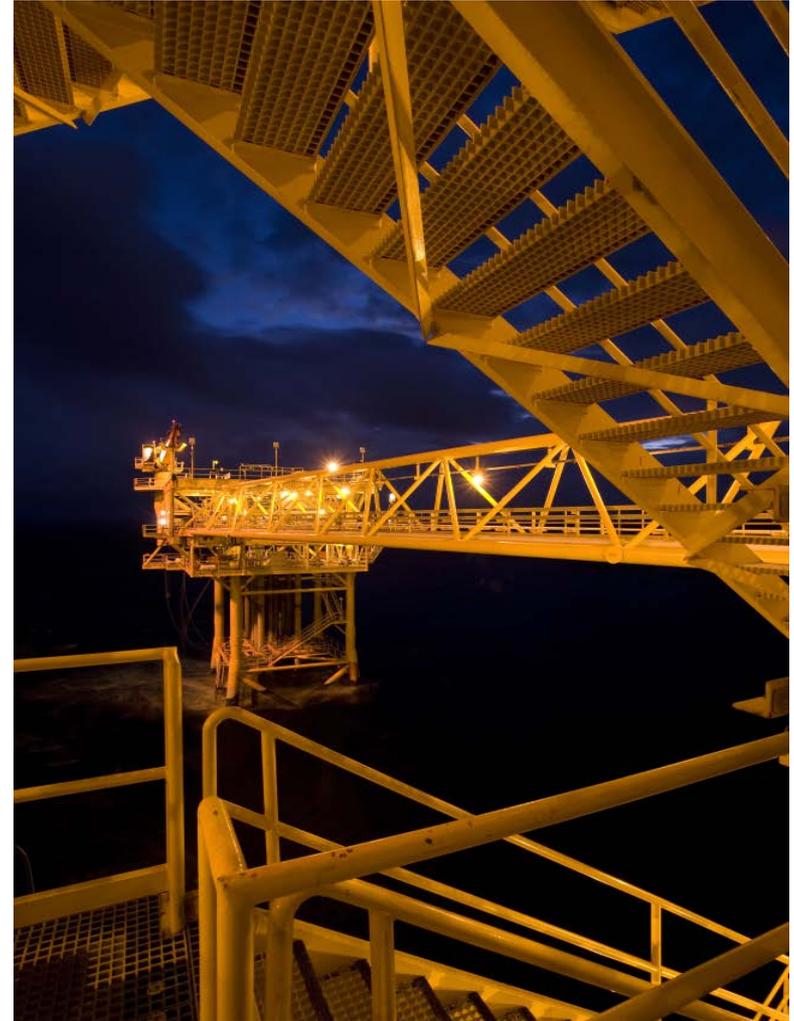


BHP global locations



About BHP

- We are a leading global resources company.
- Our purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.
- Our strategy is to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.



Our portfolio

Large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market

Minerals Australia



Western
Australia IO



Queensland Coal



NSW Energy Coal



Olympic Dam

Minerals Americas



Escondida



Pampa Norte



Jansen



Antamina



Cerrejón



Samarco

Petroleum



Onshore US



Shenzi



Angostura



Pyrenees



Macedon



Atlantis



Mad Dog



Bass Strait



North West
Shelf

Note: Represents BHP Billiton's core portfolio.

Our Charter

Our Values

- **Sustainability** – Putting health and safety first, being environmentally responsible and supporting our communities.
- **Integrity** – Doing what is right and doing what we say we will do.
- **Respect** – Embracing openness, trust, teamwork, diversity and relationships that are mutually beneficial.
- **Performance** – Achieving superior business results by stretching our capabilities.
- **Simplicity** – Focusing our efforts on the things that matter most.
- **Accountability** – Defining and accepting responsibility and delivering on our commitments.



Our Charter

**We are BHP Billiton,
a leading global resources company.**

Our Purpose
Our purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.

Our Strategy
Our strategy is to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.

Our Values

Sustainability
Putting health and safety first, being environmentally responsible and supporting our communities.

Integrity
Doing what is right and doing what we say we will do.

Respect
Embracing openness, trust, teamwork, diversity and relationships that are mutually beneficial.

Performance
Achieving superior business results by stretching our capabilities.

Simplicity
Focusing our efforts on the things that matter most.

Accountability
Defining and accepting responsibility and delivering on our commitments.

We are successful when:

Our people start each day with a sense of purpose and end the day with a sense of accomplishment.
Our teams are inclusive and diverse.
Our communities, customers and suppliers value their relationships with us.
Our asset portfolio is world-class and sustainably developed.
Our operational discipline and financial strength enables our future growth.
Our shareholders receive a superior return on their investment.

Andrew Mackenzie
Andrew Mackenzie
Chief Executive Officer

September 2016

Total economic contribution



Suppliers

US\$14.0b

Employees

US\$3.6b

Shareholders, lenders
and investors

US\$5.2b³

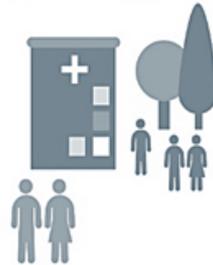
Total payments
to governments



Income taxes
Royalty-related
income taxes
Royalties
Other payments
to governments

US\$3.7b

Social investment¹



US\$178.7m

Total economic contribution

= US\$26.7b²

1. Community contribution includes cash and administrative costs (US\$123.7 million) and funds transferred to BHP Billiton Foundation (US\$55 million). Includes payments made by equity accounted investments.

2. The total economic contribution made during FY2016 of US\$26.7 billion is determined by combining total payments to governments of US\$3.7 billion (determined on a cash basis), payments to suppliers of US\$14.0 billion, employee expenses of US\$3.6 billion, distributions to shareholders and investors of US\$5.2 billion (determined on an accrual basis) and community contribution of US\$178.7 million.

3. Shareholders and investors includes US\$4.2 billion of dividends attributable to members of the BHP Billiton Group and US\$1.0 billion of interest expense.

Our approach to climate change

At BHP Billiton:

- Climate change is a critical, Board-level, governance and strategic issue.
- We accept the IPCC's assessment of climate change science.
- We believe the world must pursue the twin objectives to limit climate change and provide access to reliable and affordable energy.
- We don't prioritise one of these objectives over the other – both are essential to sustainable development.



Our actions

- **We are committed to taking action on climate change by:**
 - Reducing our emissions.
 - Adapting to the physical impacts of climate change.
 - Working in partnership to accelerate the development and deployment of low emissions and renewable technologies.
 - Working with others to enhance the global response.
 - Testing and building the resilience of our portfolio.

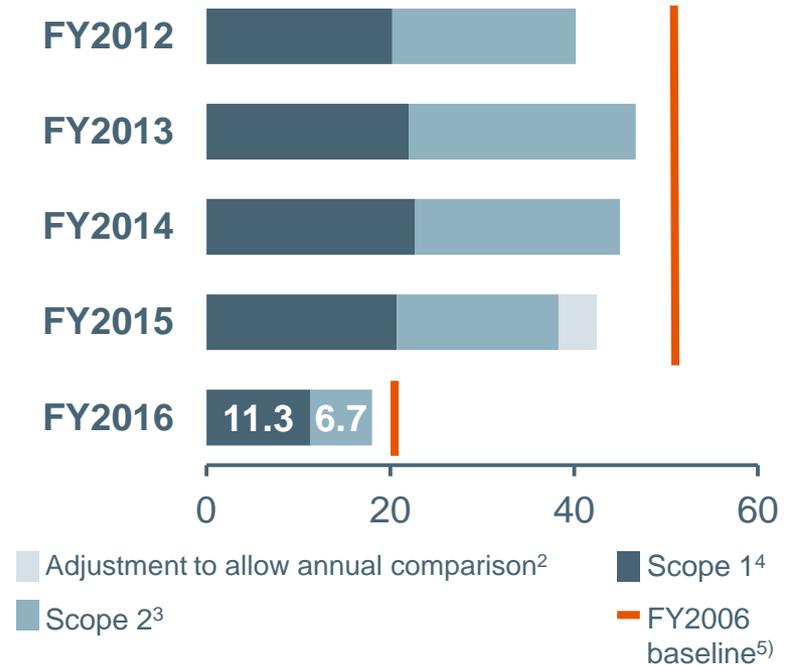


Mitigation

Reducing our operational GHG emissions

- Our target is to keep total operational emissions below FY2006 baseline in FY2017.
- In FY2016, total emissions were 18 MtCO₂-e, 13 per cent lower than the baseline.
- Performance was driven by emissions reduction projects and improved productivity.
- Projects implemented since FY2013 have delivered more than 950 KtCO₂-e of annual abatement at our operations.

Greenhouse gas emissions¹
(million tonnes of CO₂-e)



1. Measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol.
 2. In order to compare the total GHG emissions in FY2015 to prior financial years, GHG emissions (estimated) from South32 assets between the date of demerger and 30 June 2015 have been added to FY2015 GHG emissions as shown above.
 3. Scope 2 refers to indirect GHG emissions from the generation of purchased electricity and steam that is consumed by operated assets (calculated using the market-based method).
 4. Scope 1 refers to direct GHG emissions from operated assets.
 5. Our FY2006 baseline is adjusted as necessary for material acquisitions and divestments based on asset GHG emissions at the time of the applicable transaction.

Mitigation

Reducing emissions from deforestation and forest degradation

- Developed guide to REDD+¹² governance with Baker and McKenzie.
- Made US\$5 million commitment to Alto Mayo in Peru, managed by Conservation International and protecting around 182,000 hectares of globally-significant, threatened forests.
- Supported the world's first Forests Bond, which could stimulate the global market by enabling investors to receive interest in cash or REDD+ credits.



1. Reducing Emissions from Deforestation and Forest Degradation, as well as conservation, sustainable management of forests and enhancement of forest carbon stocks.
2. Image supplied by Conservation International.

Adaptation

Focusing on the future

- Our assets are long-lived, therefore we must take a robust, risk-based approach to adapting to the physical impacts of climate change.
- We require all our operations to assess the potential physical impacts of climate change.
- We are already taking action to build the resilience of our operations.
- We also consider ways to build community and ecosystem resilience to climate impacts.



Low emissions technology



BHP Billiton SaskPower CCS Knowledge Centre

- In 2014, SaskPower's Boundary Dam became the first post-combustion, coal-fired power station with CCS.
- BHP Billiton founded the International CCS Knowledge Centre in February 2016 to share knowledge and learnings from the project.
- It now has significant international profile and engagement with project developers.



Peking University and partners – steel sector CCS

- BHP Billiton, Peking University and the National Centre for Climate Change Strategy and International Cooperation agreed in June 2016 to establish a collaborative centre.
- The centre is focused on addressing policy, economic and technical barriers to the application of CCS to the steel sector.



Lakeland Solar and Storage

- Batteries offer potential to deliver baseload renewable power.
- We are partnering to develop a 13 megawatt solar photovoltaic power plant.
- Incorporates 5.3 megawatt hours of lithium-ion battery storage at a 'fringe of grid' location in Australia.

Portfolio evaluation

- **We have been testing the resilience of our portfolio for many years**
- We develop forecasts based on detailed analysis.
- We have a robust scenario planning process to test the resilience of our portfolio against a range of scenarios and shock events.
- We use signposts to help us understand which scenario is becoming more dominant.



Closed Doors

National self-interest drives economic policy leading to low growth



Global Accord

Unified focus on limiting climate change



A New Gear

Innovation delivers step-change growth in developed economies

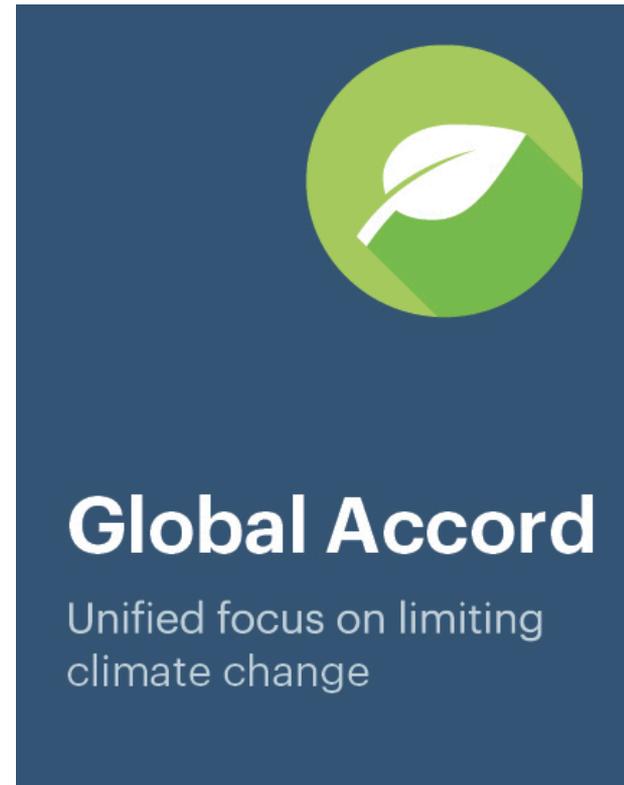


Two Giants

US and China-led hubs drive technology-enabled growth

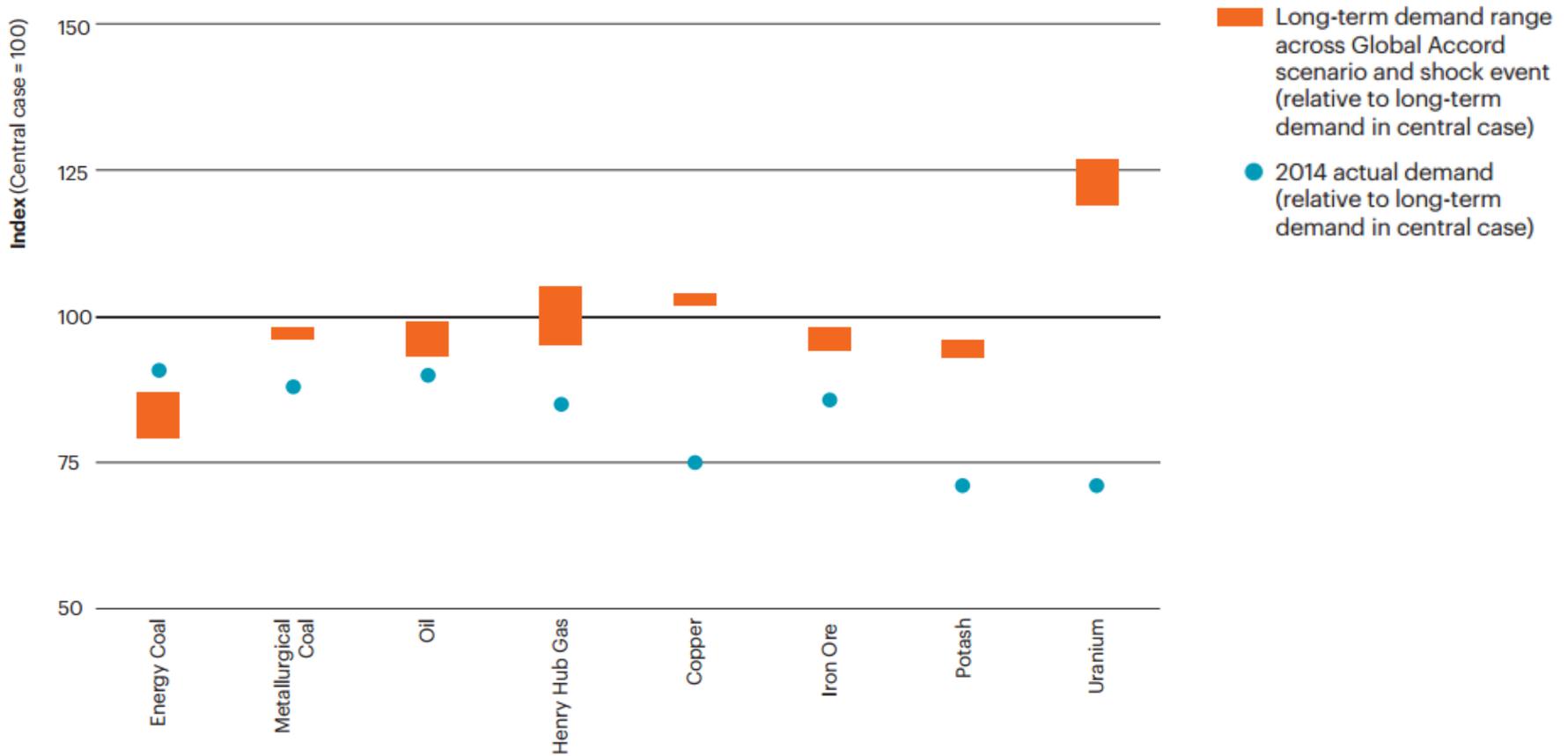
Global Accord

- **Global Accord describes:**
 - Robust global economic growth.
 - Unified action to address climate change – high cooperation and commitment to limit emissions.
 - Breakthroughs in low emission and renewable technologies.
 - There is an orderly transition to a 2°C world.



Demand for BHP Billiton commodities remains strong

Long-term commodity demand range in a 2°C world



Our portfolio is resilient

• Portfolio Resilience

- Our analysis shows that BHP Billiton will continue to create substantial value for shareholders under both an orderly and a more rapid transition to a 2°C world:
 - ✓ Diversified portfolio;
 - ✓ Low cost assets;
 - ✓ High quality products;
 - ✓ Growth options of ~20% IRR¹;
 - ✓ Scenario planning and future optimisation.
- We will continue to adapt and evolve to strengthen the portfolio and deliver long term shareholder value.

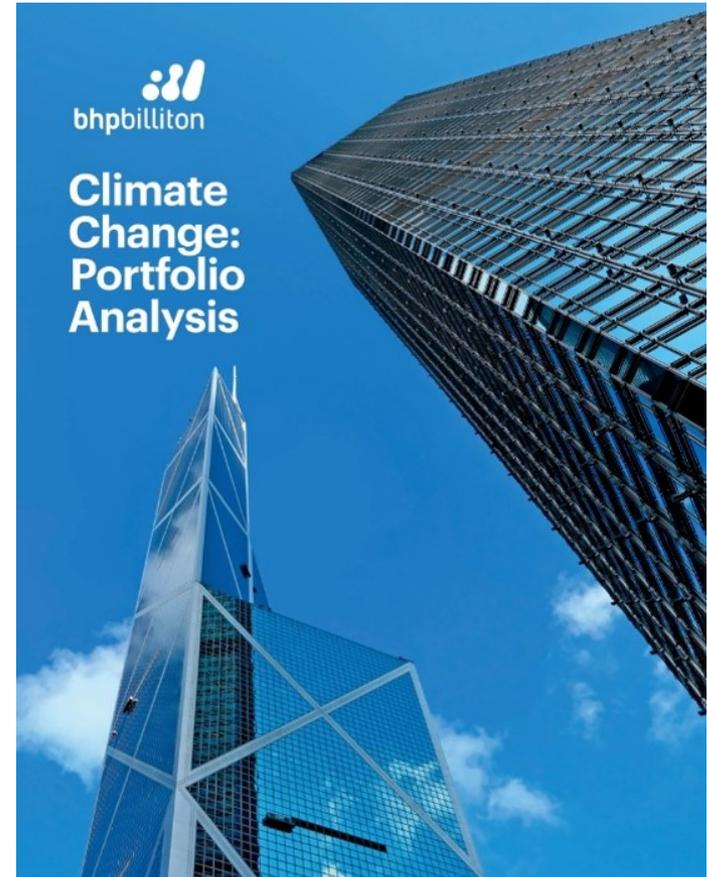


1. Based on the project pipeline in both the Global Accord scenario and shock event. Refer to BHP's 2015 report 'Climate Change - Portfolio Analysis'

Portfolio Analysis

In September 2015, we released our Climate Change: Portfolio Analysis. This report:

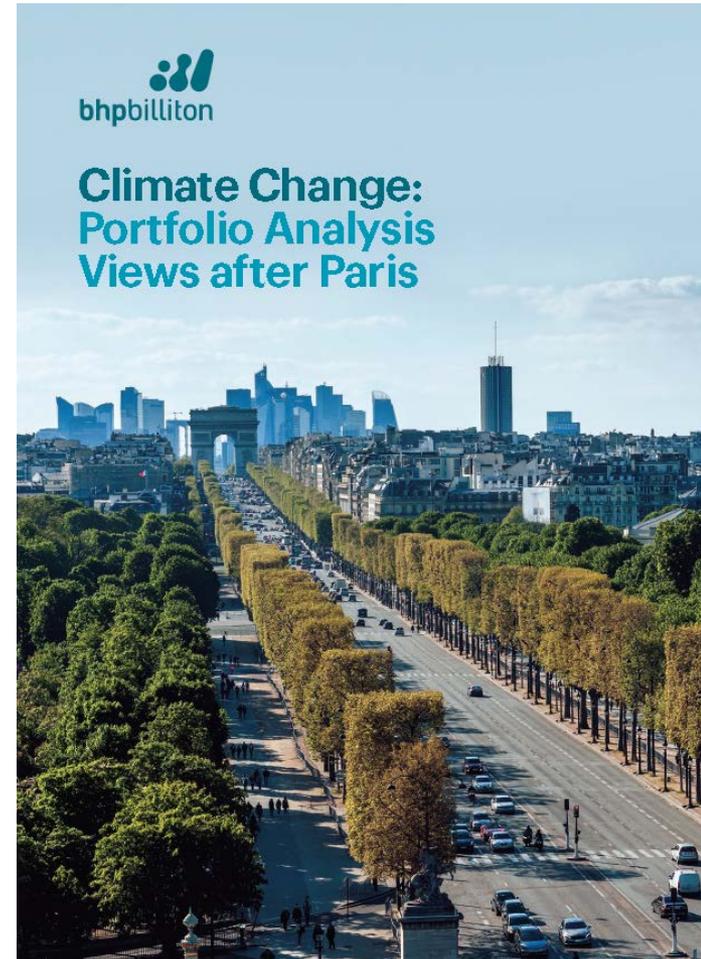
- Provides insight into our approach to scenario analysis.
- Explores the potential implications for our company of both an orderly and a more rapid transition to a 2 degree world.
- Shows that in these scenarios our diverse portfolio is resilient because of its high quality resources, low costs of production and rapid payback periods.



Views After Paris

Views after Paris provides:

- A tangible demonstration of how we monitor the external environment.
- An explanation of how we identify and track signals which provide timely insights into potential impacts on our portfolio.
- An insight into how these inform our strategic decision-making at the highest levels of our company.
- An update on our actions, as part of our integrated approach to climate risk management, over the past 12 - 18 months.



Stakeholder engagement

- **Stakeholder engagement**
- Published CEO COP21 Statement.
- Signed UNFCCC's Paris Pledge.
- Joined Energy Transitions Commission.
- Recognised in CDP's Climate Disclosure Leadership Index.
- Participated in the Financial Stability Board's Task Force on Climate-related Financial Disclosures



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) on December 4, 2015 to develop recommendations for more efficient and effective climate-related disclosures that:

- could “**promote more informed investment, credit, and insurance underwriting decisions**” and,
- in turn, “would enable stakeholders to **understand better** the concentrations of **carbon-related assets in the financial sector** and the financial system’s **exposures to climate-related risks.**”

Industry Led and Geographically Diverse Task Force

The Task Force’s 32 international members, led by Michael Bloomberg, include providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies.



CLIMATE-RELATED RISKS AND OPPORTUNITIES

Type	Climate-Related Risks	Type	Climate-Related Opportunities
Transition Risks	Policy and Legal	Resource Efficiency	– Use of more efficient modes of transport
	– Increased pricing of GHG emissions		– More efficient production and distribution processes
	– Enhanced emissions-reporting obligations	– Use of recycling	
	– Mandates on and regulation of existing products and services	– More efficient buildings	
	– Exposure to litigation	– Reduced water usage and consumption	
Transition Risks	Technology	Energy Source	– Lower-emission sources of energy
	– Substitution of existing products and services with lower emissions options		– Supportive policy incentives
	– Unsuccessful investment in new technologies		– Emergence of new technologies
Transition Risks	– Upfront costs to transition to lower emissions technology	Products and Services	– Participating in carbon market
	Markets		– Energy security and shift towards decentralization
	– Changing customer behavior		– Develop and/or expand low emission goods and services
Transition Risks	– Uncertainty in market signals	Markets	– Climate adaptation and insurance risk solutions
	– Increased cost of raw materials		– R&D and innovation
	Reputation		– Diversify business activities
Physical Risks	– Shift in consumer preferences	Resilience	– Shifting consumer preferences
	– Stigmatization of sector		– New markets
	– Increased stakeholder concern or negative stakeholder feedback		– Public-sector incentives
Physical Risks	Acute	Resilience	– New assets and locations needing insurance coverage
	– Increased severity of extreme weather events such as cyclones and floods		– Participate in renewable energy programs and adopt energy-efficiency measures
	Chronic		– Resource substitutes/diversification
Physical Risks	– Changes in precipitation patterns and extreme weather variability		
	– Rising mean temperatures		
	– Rising sea levels		

DISCLOSURE RECOMMENDATIONS

The four recommendations are supported by **specific disclosures** organizations can include in financial filings to provide decision-useful information about their climate-related risks and opportunities.

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.</p>
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
<p>a) Describe the board's oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
	<p>c) Describe the potential impact of different scenarios, including a 2° c scenario, on the organization's businesses, strategy, and financial planning.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

SCENARIO ANALYSIS

Scenario analysis is an important and useful tool for understanding the **strategic implications of climate-related risks and opportunities**.

The Task Force recommends that organizations describe the potential impact of different scenarios, including a 2°C scenario, on their businesses, strategy, and financial planning.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Recommended Disclosure

- c) Describe the potential impact of different scenarios, including a 2°C scenario, on the organization's businesses, strategy and financial planning.

Guidance for All Sectors

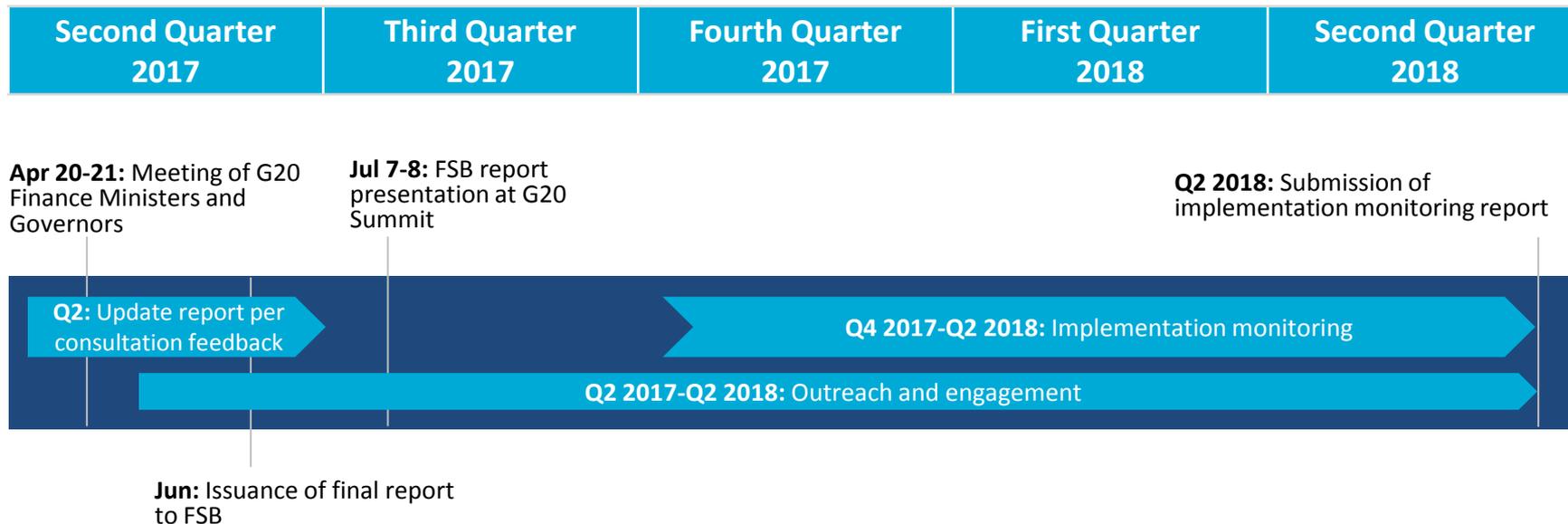
Organizations should describe how their strategies are likely to perform under various forward-looking, climate-related scenarios (e.g., potential effects under different scenarios) and any resulting changes to their strategies and financial plans, risk management activities, or targets/metrics to mitigate risks and take advantage of opportunities.

NEXT STEPS

The Task Force is in the process of evaluating feedback and potential changes to the report, which is scheduled to be finalized and released in June 2017.

The FSB has extended the Task Force through mid-2018 to support and monitor adoption.

Timeline



Conclusion

Addressing climate change is a priority for BHP Billiton

- We have a clear and consistent position.
- Our integrated strategy address a range of climate-related risks and opportunities.
- Transparency is critical – more disclosure will help everyone make informed choices.
- We remain committed to taking action and supporting an effective global response.

BHP

TASK FORCE MEMBERS

Chair and Vice-Chairs

Michael Bloomberg

Chairman
Founder and President
Bloomberg L.P.

Yeo Lian Sim

Vice-Chair
Special Adviser
Singapore Exchange

Denise Pavarina

Vice-Chair
Managing Officer
Banco Bradesco

Graeme Pitkethly

Vice-Chair
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Unilever

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Senior Manager, Group
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Liliana Franco

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Health, Safety, Environment
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Andreas Spiegel

Head Group Sustainability
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Head of Impact Investing
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Michael Wilkins

Managing Director,
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S&P Global Ratings

Martin Skancke

Chair, Risk Committee
Storebrand

Steve Waygood

Chief Responsible
Investment Officer
Aviva Investors

Fiona Wild

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Jon Williams

Partner, Sustainability
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Special Adviser

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Chair, Audit and Risk Committee, LifeSight
Former Group Chief Accounting Officer
HSBC