



# BHP

## Sustainability roundtable

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# Health Safety Environment and Community

## **Our Charter Value of Sustainability is core to our strategy**

- Tragically, we had a fatality at Escondida (October 2016), and more recently at Goonyella Riverside (August 2017)
- TRIF of 4.2 per million hours worked, down 2%
- Field leadership program implemented during the year; ongoing technology initiatives to drive safety performance
- New sustainability targets continue to strive for year-on-year TRIF improvements; implementation of a global framework for hazard and safety event investigation and learning

## **Caring for the wellbeing of our workforce**

- 76% reduction in worker exposures compared with our FY12 baseline
- Increase in reported occupational illness frequency rate due to increased disclosure of existing cases by the regulator in Chile
- Implemented a comprehensive mental health and wellbeing program globally including an e-learning module for all leaders of people
- New five-year target to achieve a 50% reduction in the number of workers potentially exposed to respirable silica, DPM (diesel particulate matter) and coal mine dust compared with FY17 baseline

## **Dedicated to responsible stewardship of our natural environment**

- Committed over US\$50 million to conservation in last five years
- New five-year water management target to reduce FY22 fresh water withdrawal by 15% from FY17 levels, supported by a water stewardship improvement project being implemented in all Assets

## **US\$80.1 million voluntarily invested in community programs in FY17**

- Voluntarily invested 1% of our pre-tax profit in community programs since 2001, amounting to more than US\$2.3 billion

# FY2018–FY2022 targets and longer-term goals

	Target	Target date
<b>Safety</b>	<ul style="list-style-type: none"> <li>• Zero work-related fatalities.</li> <li>• Year-on-year improvement of our TRIF.</li> </ul>	Annual Annual
<b>Health</b>	For our most material exposures of respirable silica, diesel particulate matter and coal mine dust, we will achieve a 50 per cent reduction in the number of workers potentially exposed as compared with the FY2017 baseline.	30 June 2022
<b>Community</b>	Zero significant community events <sup>1</sup> .	Annual
	Our social investment will contribute to improved quality of life in host communities and support achievement of the UN Sustainable Development Goals. We will invest not less than one per cent of pre-tax profit (three-year rolling average) in meeting these objectives.	30 June 2022
	Regional Indigenous Peoples Plans will be developed, which support implementation of BHP's Indigenous Peoples Strategy. Plans will include all geographically relevant assets.	30 June 2022
<b>Environment</b>	Zero significant environmental events <sup>1</sup> .	Annual
	Reduce FY2022 fresh water withdrawal <sup>2</sup> by 15 per cent from FY2017 <sup>3</sup> levels.	30 June 2022
	Longer-term goal: In line with SDG 6 <sup>4</sup> , BHP will collaborate to enable integrated water resource management in all catchments where we operate by FY2030.	By FY2030
	Improve marine and terrestrial biodiversity outcomes by: <ul style="list-style-type: none"> <li>• developing a framework to evaluate and verify the benefits of our actions, in collaboration with others;</li> <li>• contributing to the management of areas of national or international conservation significance exceeding our disturbed land footprint.</li> </ul>	30 June 2022
	Longer-term goal: In line with SDGs 14 <sup>5</sup> and 15 <sup>6</sup> , BHP will, by FY2030, have made a measurable contribution to the conservation, restoration and sustainable use of marine and terrestrial ecosystems in all regions where we operate.	By FY2030
<b>Climate Change</b>	Maintain FY2022 greenhouse gas (GHG) emissions at or below FY2017 <sup>3,7</sup> levels while we continue to grow our business.	30 June 2022
	Longer-term goal: In line with international commitments, BHP aims to achieve net-zero operational GHG emissions in the second half of this century.	In the second half of this century

1. A significant event, resulting from BHP operated activities, is one with a severity rating of four and above, based on our internal severity rating scale (tiered from one to seven by increasing severity) and aligned to the Our Requirements for Risk Management standard.

2. Where 'withdrawal' is as defined in 'A Practical Guide to Consistent Water Reporting', ICM (2017); and 'fresh water' is defined as 'waters other than sea water'.

3. FY2017 baseline will be adjusted for any material acquisitions and divestments based on asset water withdrawal and/or GHG gas emissions at the time of transaction.

4. SDG 6: Ensure access to water and sanitation for all.

5. SDG 14: Conserve and sustainably use the oceans, seas and marine resources.

6. SDG 15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

7. With the use of carbon offsets, as required.

# Climate Change

## Mitigation – reducing our operational GHG emissions

- GHG emissions were 16.3 million tonnes, 21% lower than the adjusted FY06 baseline
- Supported the world’s first Forests Bond, which aims to stimulate the global market by enabling investors to receive interest in cash or REDD+ credits

## Adaptation – focusing on the future

- Take a robust, risk-based approach to adapting to the physical impacts of climate change
- All businesses required to consider physical impacts as part of planning

## Technology

- Participating in the Lakeland Solar and Storage Project, a 13 MW solar photovoltaic installation with associated grid-scale storage of 5.3 MWh
- Continued partnerships in Canada and China to accelerate deployment of carbon capture and storage (CCS) technology in power generation and industrial applications
- Established a research collaboration with the Universities of Melbourne, Cambridge and Stanford to support research into the long-term sub-surface storage of CO<sub>2</sub>

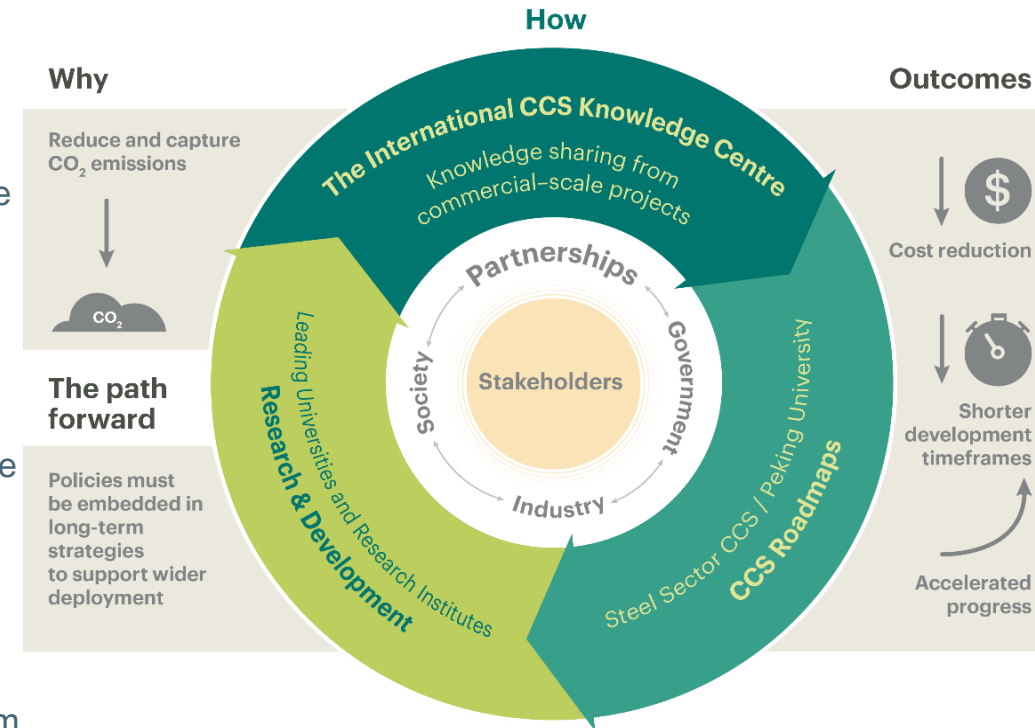
## Portfolio evaluation

- Released ‘Views After Paris’ report which describes how we use signals tracking to inform our climate change scenario analysis

## Stakeholder engagement

- Participated in the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) and aligned the disclosures in our financial filings with the TCFD’s recommendations

## Our carbon capture and storage investments



# Governance and Transparency

## Board changes

- Ken MacKenzie succeeded Jac Nasser as Chairman on 1 September 2017
- NEDs joining – Terry Bowen and John Mogford / NEDs leaving – Malcolm Brinded and Grant King

## Remuneration

- CEO – salary continues to be unchanged since appointment in 2013, STI at 86% of target (57% of maximum), and LTIP lapsed (0% vesting)

Year	Salary	Benefits	STI	LTI	Pension	Total (US\$)
FY2017	1,700,000	90,000	2,339,000	0	425,000	4,554,000
FY2016	1,700,000	116,000	0	0	425,000	2,241,000
FY2015	1,700,000	145,000	2,312,000	0	425,000	4,582,000
FY2014	1,700,000	92,000	3,136,000	2,635,000	425,000	7,988,000

- NED fees continue at reduced level set in July 2015, and Chairman fee reduced by 8%
- AGM agenda includes the three-yearly approval of (i) remuneration policy (a UK requirement), and (ii) leaving entitlements

## Audit tender

- Risk & Audit Committee led a tender of the external audit contract
- EY the successful tenderer; will commence 1 July 2019

## UK reforms

- Pay ratio disclosure
- Employee interests to be represented by (i) an existing NED; (ii) a workforce nominee; or (iii) an employee advisory council
- Greater disclosure of how employee, customer, supplier interests are taken into account by Boards

# Shareholder Resolutions

## Two resolutions filed by shareholders with support of ACCR

- First, to amend BHP Billiton Limited's constitution to permit the filing of 'advisory' *ordinary* resolutions
- Second, (i) a review of BHP's direct and indirect advocacy on energy policy and climate change, and the impacts on BHP of 'continued energy and climate policy uncertainty in Australia'; (ii) a report on that review; and (iii) termination of industry association membership in certain circumstances
- The Board has considered both resolutions and has recommended a vote against them

## Board is aware of investor concerns around industry associations and consistency of advocacy

- Until now, BHP's approach has focused on (i) stating clearly our own position, and (ii) seeking to influence from 'inside the tent'
- We have now made two additional commitments (see below under 'Second resolution')

## First resolution: Constitutional amendment to permit 'advisory' resolutions

- Advisory ordinary resolutions are common in the United States
  - But the US has a well-established SEC framework that provides checks and balances. Australia has no such regulatory framework
- Advisory ordinary resolutions are extremely uncommon in the United Kingdom, contrary to the ACCR's supporting statement
  - The ability to propose an 'advisory' ordinary resolution has not been clearly established by UK law
  - UK company articles of association commonly provide for special resolutions (75% majority) *directing* the board to act. For example, the BP, Shell, Rio Tinto, Anglo American, Pearson shareholder resolutions in recent years – all special resolutions; none advisory
- Many other differences between the U.S. system of corporate governance & shareholder rights, and those in Australia and the UK – e.g. voting on director elections / engagement with investors on ESG matters (e.g. the engagement that led to our scenario analysis reports being published)

## Second resolution: Public policy advocacy on climate change and energy

- BHP has committed to two actions by 31 Dec 2017: (i) review of industry association membership, (ii) publication of material differences
- One limb of the resolution covers similar ground to the work that lies behind our two scenario analysis reports

# Samarco and Renova Foundation

## Social and environmental rehabilitation and compensation

- Dams stabilised, tailing releases controlled last wet season. 2018 Rainy Season Plan complete
- Turbidity returned to pre-dam failure levels. Renova/environmental agencies monitoring 115 points
- Interfederative Committee has provided conditional approval to proceed with the Tailings Management Plan. The plan incorporates a process to assess the impact and benefit of selective removal along sections of the river above Candonga Dam
- Priority erosion control almost complete. Moving from stabilisation to comprehensive vegetation activities
- Compensation program in operation: >220,000 compensation payments accepted (of 400,000) for water damages. Negotiated compensation for general damages payments more complex and less advanced
- Communities resettlement progressing however delays to Bento Rodrigues due licensing issues. Earthworks now expected to commence in March 2018 but remain committed to end date of March 2019

## Legal developments

- Negotiations underway with federal and state prosecutors to settle BRL20 billion and BRL155 billion cases
- Discussions centered on process and governance, technical assistance to communities and expert social and environmental technical advice to prosecutors to review program progress and identify gaps

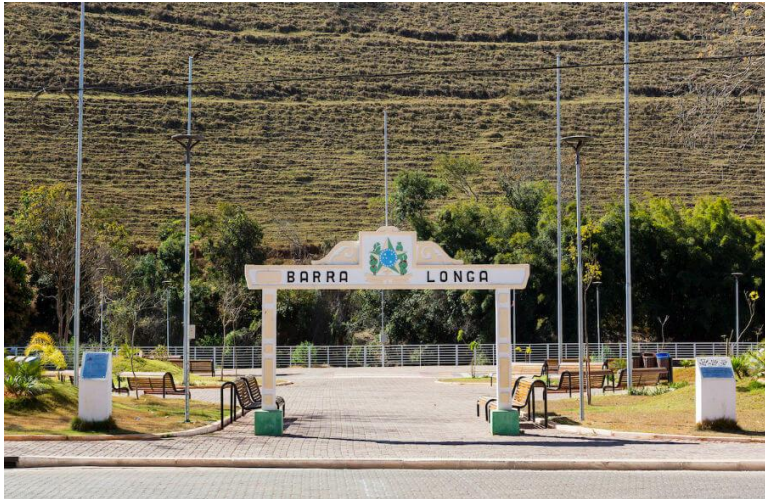
## Samarco mine restart

- Restart important but must be safe and economically viable
- Requires state and federal approvals, municipal conformity declarations and community support



# Rio Doce: Nov 15 – Aug 17

Barra Longa



Governador Valadares



Colatina



**BHP**