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BHP Billiton Plc – Economic Contribution and Payments to Governments Report 2016

Introduction

Our Economic Contribution and Payments to Governments Report for the year ending 30 June 2016 was released today.

BHP Billiton has a long-standing commitment to transparency. In 2000, we first disclosed our aggregate payments of taxes and royalties around the world. Since then, the detail of our disclosure in relation to payments to governments has continually increased.

In 2015, we publicly supported the EU Accounting Directive and voluntarily produced our Economic contribution and payments to governments Report, disclosing our payments to governments on a country-by-country and project-by-project basis in advance of any mandatory requirements to do so.

This year, we have prepared 'Our payments to governments' in accordance with the UK Regulations which implement the EU Accounting Directive, and which is now a mandatory report. We also support the Australian Voluntary Tax Transparency Code with which our Report complies. In addition, the disclosures in our report are in line with the UK Large Business tax compliance proposals.

Our Economic Contribution and Payments to Governments Report for 2016 has today been submitted to the National Storage Mechanism and will shortly be available for inspection at: www.morningstar.co.uk/uk/NSM. It is also available to be downloaded on the BHP Billiton website at <http://www.bhpbilliton.com/~media/bhp/documents/investors/annual-reports/2016/bhpbillitoneconomiccontributionandpaymentstogovernments2016.pdf>.

BHP Billiton is proud of the contribution that we make to our host countries. In FY2016, our total economic contribution was US\$26.7 billion which included payments to suppliers, wages and employee benefits, dividends, taxes and royalties. This includes our voluntary contributions to our host communities. In FY2016, we invested US\$179 million in communities.

In FY2016, we paid US\$3.7 billion globally in taxes, royalties and other payments. Our global adjusted effective tax rate was 35.8 per cent. Once royalties are included, this rate increases to 58.6 per cent.

Below are extracted sections of our full Economic Contribution and Payments to Governments Report 2016 that together meet the UK Regulations.

Our payments to governments

Payments made by country and level of government

Taxes paid by classification and country are presented in this section and have been prepared on the basis set out in the 'Basis of report preparation' section of this Report. BHP Billiton has prepared the following Report on payments to governments in accordance with the UK Regulations. Our Report addresses BHP Billiton's reporting obligations under DTR 4.3A of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. The 'Basis of preparation' and 'Glossary' contain information about the content of our Report and form part of our Report.

US\$ millions	Corporate income taxes	Royalty-related income taxes	Taxes levied on production	Total taxes paid	Royalties	Production entitlements	Fees	Payments for infrastructure improvements	Total payments as defined by the UK Regulations	Other payments	Total payments to governments
Total payments to governments	1,219.90	424.7	160.2	1,804.80	1,484.90	81.2	113.2	24.5	3,508.60	230.4	3,739.00
Algeria ⁽¹⁾	–	–	–	–	–	45	–	–	45	–	45
Government of Algeria	–	–	–	–	–	45	–	–	45	–	45
Australia ⁽²⁾	634.7	333.7	35.3	1,003.70	1,300.80	–	22.1	1.6	2,328.20	192.9	2,521.10
Government of Australia	634.7	333.7	35.3	1,003.70	100	–	1	–	1,104.70	27.7	1,132.40
State of Western Australia	–	–	–	–	753	–	8.4	1.6	763	90.4	853.4
Town of Port Hedland (Western Australia)	–	–	–	–	–	–	3.1	–	3.1	2.8	5.9
Shire of East Pilbara (Western Australia)	–	–	–	–	–	–	0.1	–	0.1	2.6	2.7
Shire of Ashburton (Western Australia)	–	–	–	–	–	–	–	–	–	0.3	0.3
Shire of Wiluna (Western Australia)	–	–	–	–	–	–	–	–	–	1.2	1.2
Shire of Leonara (Western Australia)	–	–	–	–	–	–	–	–	–	0.7	0.7
Shire of Meekatharra (Western Australia)	–	–	–	–	–	–	–	–	–	0.1	0.1
State of Queensland	–	–	–	–	333.9	–	5.7	–	339.6	24.5	364.1
Isaac Regional Council (Queensland)	–	–	–	–	–	–	–	–	–	8.7	8.7
Mackay Regional Council (Queensland)	–	–	–	–	–	–	–	–	–	0.5	0.5
State of New South Wales	–	–	–	–	62.7	–	2.8	–	65.5	8.8	74.3
Shire of Muswellbrook (New South Wales)	–	–	–	–	–	–	0.1	–	0.1	1	1.1

State of South Australia	-	-	-	-	51.2	-	0.9	-	52.1	12.9	65
State of Victoria	-	-	-	-	-	-	-	-	-	7.4	7.4
Central Highlands Regional Council	-	-	-	-	-	-	-	-	-	3.3	3.3
Brazil	9.2	-	0.4	9.6	-	-	-	-	9.6	4.4	14
Government of Brazil	9.2	-	0.4	9.6	-	-	-	-	9.6	4.4	14
Canada	9.6	-	-	9.6	-	-	8.6	22.9	41.1	3.1	44.2
Government of Canada	9.6	-	-	9.6	-	-	0.1	-	9.7	0.4	10.1
Government of Saskatchewan	-	-	-	-	-	-	8.2	18.6	26.8	0.1	26.9
Rural Municipality of Leroy (Saskatchewan)	-	-	-	-	-	-	0.1	4	4.1	2.6	6.7
Rural Municipality of Prairie Rose (Saskatchewan)	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Government of Ontario	-	-	-	-	-	-	0.1	-	0.1	-	0.1
Government of Quebec	-	-	-	-	-	-	0.1	-	0.1	-	0.1
Chile⁽⁹⁾	488.5	88	-	576.5	-	-	10.5	-	587	9.6	596.6
Government of Chile	488.5	88	-	576.5	-	-	10.5	-	587	8.7	595.7
Municipalidad De Pozo Almonte	-	-	-	-	-	-	-	-	-	0.1	0.1
Municipalidad De Sierra Gorda	-	-	-	-	-	-	-	-	-	0.3	0.3
Municipalidad De Antofagasta	-	-	-	-	-	-	-	-	-	0.5	0.5
China	0.3	-	-	0.3	-	-	-	-	0.3	-	0.3
China Tax Bureau	0.3	-	-	0.3	-	-	-	-	0.3	-	0.3
India	-0.2	-	-	-0.2	-	-	4.5	-	4.3	-	4.3

United Kingdom⁽⁶⁾	-17.6	3	-	-14.6	-	-	-	-	-14.6	5	-9.6
Government of United Kingdom	-17.6	3	-	-14.6	-	-	-	-	-14.6	1.7	-12.9
City of Westminster	-	-	-	-	-	-	-	-	-	3.3	3.3
United States of America	58.7	-	124.5	183.2	178.1	-	49	-	410.3	10.8	421.1
Government of United States	43.6	-	-	43.6	142.2	-	44.3	-	230.1	4.9	235
State of Texas	13	-	89.6	102.6	32	-	-	-	134.6	-	134.6
State of Louisiana	-	-	26.2	26.2	2.2	-	-	-	28.4	5.9	34.3
State of Arkansas	-	-	5.4	5.4	0.5	-	-	-	5.9	-	5.9
State of New Mexico	2.1	-	3.3	5.4	0.1	-	0.1	-	5.6	-	5.6
State of Arizona	-	-	-	-	-	-	0.7	-	0.7	-	0.7
Commissioner of the Texas General Land Office	-	-	-	-	-	-	3.9	-	3.9	-	3.9
Navajo Nation Council	-	-	-	-	1.1	-	-	-	1.1	-	1.1

(1) Production entitlements of 1.0 million barrels of oil equivalent (boe) paid in-kind.

(2) The corporate income tax paid in Australia in FY2016 was US\$634.7 million. This comprised corporate income tax instalments of US\$1,029 million paid and payments of US\$135 million in relation to disputed amended assessments for prior years, with US\$529 million refunds received from prior years. These refunds relate to overpayments of income tax instalments in FY2015 and changes to tax positions for prior years as a result of updated information.

(3) Income and mining taxes are paid in Chile on a calendar year basis. However, for the purpose of this Report, taxes paid are included for BHP Billiton's financial year (1 July 2015 to 30 June 2016). For reference, income tax and specific tax on mining activities paid by Escondida and Pampa Norte for CY2015 amount to US\$712.0 million and US\$84.9 million respectively. Refunds of US\$83.5 million were received during FY2016 primarily in relation to CY2015 and were included in the FY2016 net corporate income taxes paid to Chile of US\$488.5 million.

(4) Production entitlements of 0.9 million boe paid in-kind.

(5) Net negative amounts paid to United Kingdom of US\$9.6 million comprise US\$24.4 million of refunds offset by taxes and other amounts paid of US\$14.8 million. The refunds comprise almost entirely of US\$23.6 million received in FY2016 in respect of corporate income taxes paid for the years FY2001 to FY2010. Corporate income taxes due and paid in respect of those years was approximately US\$1.4 billion.

Payments made on a project-by-project basis

Taxes paid by classification and project are presented in this section and have been prepared on the basis set out in the 'Basis of report preparation' section of this Report.

US\$ millions	Corporate income taxes	Royalty-related income taxes	Taxes levied on production	Total taxes paid	Royalties	Production entitlements	Fees	Payments for infrastructure improvements	Total payments as defined by the UK Regulations	Other payments	Total payments to governments
Total payments to governments	1,219.90	424.7	160.2	1,804.80	1,484.90	81.2	113.2	24.5	3,508.60	230.4	3,739.00
Petroleum	177.4	336.7	156.9	671	271.1	81.2	67.4	–	1,090.70	13.4	1,104.10
Australia Production Unit – Western Australia	0.4	172.6	–	173	–	–	0.5	–	173.5	4.6	178.1
Australia Production Unit – Victoria	6.5	17.7	–	24.2	–	–	–	–	24.2	–	24.2
Bass Strait	73.1	143.4	–	216.5	–	–	–	–	216.5	–	216.5
North West Shelf	232.7	–	35.3	268	100	–	0.1	–	368.1	–	368.1
Gulf of Mexico	13.1	–	–	13.1	134.1	–	42.7	–	189.9	5	194.9
Onshore US (Fayetteville)	2.8	–	5.4	8.2	0.6	–	–	–	8.8	–	8.8
Onshore US (Haynesville)	–	–	26.2	26.2	2.2	–	–	–	28.4	1.5	29.9
Onshore US (Permian Basin, Eagle Ford)	–	–	89.6	89.6	32	–	3.9	–	125.5	0.1	125.6
Trinidad and Tobago Production Unit ⁽¹⁾	–	–	–	–	–	36.2	14.9	–	51.1	0.3	51.4
Algeria Joint Interest Unit ⁽²⁾	–	–	–	–	–	45	4.5	–	49.5	–	49.5
UK Production Unit ⁽³⁾	-19.9	3	–	-16.9	–	–	–	–	-16.9	–	-16.9
Head Office – BHP Petroleum (Pakistan) Pty. Ltd.	12.5	–	–	12.5	–	–	–	–	12.5	–	12.5
Head Office – BHP Billiton Petroleum International Pty. Ltd. ⁽⁴⁾	-157.1	–	–	-157.1	–	–	–	–	-157.1	–	-157.1
Head Office – BHP Billiton Brasil Investimentos Ltda.	0.7	–	0.4	1.1	–	–	–	–	1.1	1.6	2.7
Closed Mines	9.1	–	–	9.1	–	–	0.8	–	9.9	0.3	10.2
Pakistan Production Unit (divested)	3.5	–	–	3.5	2.2	–	–	–	5.7	–	5.7

Copper	436.4	88	–	524.4	51.2	–	14.8	–	590.4	23.4	613.8
Escondida	439.9	88	–	527.9	–	–	5.3	–	533.2	8.5	541.7
Pampa Norte	60.2	–	–	60.2	–	–	1.5	–	61.7	1	62.7
Olympic Dam ⁽⁴⁾	-78.1	–	–	-78.1	51.2	–	1.2	–	-25.7	13.8	-11.9
Head Office – BHP Chile Inc	4.9	–	–	4.9	–	–	6.8	–	11.7	0.1	11.8
Head Office – RAL Cayman Inc.	9.5	–	–	9.5	–	–	–	–	9.5	–	9.5
Iron Ore	984.1	–	–	984.1	743	–	9	1.6	1,737.70	100.7	1,838.40
Western Australia Iron Ore	975.6	–	–	975.6	743	–	9	1.6	1,729.20	97.9	1,827.10
Head Office – BHP Billiton Brasil Ltda	8.5	–	–	8.5	–	–	–	–	8.5	2.8	11.3
Coal	-57.6	–	3.3	-54.3	409.6	–	10.9	–	366.2	58.1	424.3
Queensland Coal ⁽⁴⁾⁽⁵⁾	-73	–	–	-73	333.9	–	5.7	–	266.6	38.5	305.1
New Mexico	14.3	–	3.3	17.6	9.2	–	1	–	27.8	4	31.8
New South Wales Energy Coal	–	–	–	–	62.7	–	2.9	–	65.6	10.1	75.7
IndoMet	–	–	–	–	3.8	–	1.3	–	5.1	4.6	9.7
Head Office – BHP Billiton MetCoal Holdings Pty Ltd	1.1	–	–	1.1	–	–	–	–	1.1	0.9	2
Group & Unallocated	-320.4	–	–	-320.4	10	–	11.1	22.9	-276.4	34.8	-241.6
Corporate Head Office ⁽⁴⁾	-304.5	–	–	-304.5	–	–	–	–	-304.5	15.1	-289.4
Marketing Offices	13.5	–	–	13.5	–	–	–	–	13.5	3.8	17.3
Nickel West ⁽⁴⁾	-29.9	–	–	-29.9	10	–	2.7	–	-17.2	13.2	-4
Potash	0.5	–	–	0.5	–	–	8.4	22.9	31.8	2.7	34.5

(1) Production entitlements of 0.9 million boe paid in-kind.

(2) Production entitlements of 1.0 million boe paid in-kind.

(3) Net negative amounts paid in relation to the UK Production Unit of US\$16.9 million comprise US\$24.4 million of refunds offset by taxes paid of US\$7.5 million. The refunds comprise almost entirely of US\$23.6 million received in FY2016 in respect of corporate taxes paid for the years FY2001 to FY2010. Corporate income taxes due and paid in respect of those years was approximately US\$1.4 billion.

(4) The corporate income tax amount does not represent a refund from a government. Instead, it represents the allocation of the Australian corporate income tax payment among members of the Australian tax consolidation group. For further information, refer to 'Basis of report preparation' section.

(5) Royalties, fees and other payments made by BHP Billiton Mitsubishi Alliance Coal Operations Pty Ltd have been included in total payments to the extent of BHP Billiton's ownership of the operating entity, being 50%.

Basis of report preparation

We have prepared this Report in accordance with the UK Regulations.

Taxes, royalties and other payments to governments are presented in this Report on a cash paid and cash received basis for the year ended 30 June 2016.

This Report includes all such amounts paid and received by BHP Billiton in respect of each of our operations. For our controlled operations, amounts included in our total payments to governments are 100 per cent of the operations' payments to governments. For our joint operations, amounts included in our payments to governments are 100 per cent of the amounts paid by BHP Billiton and, in the case of BHP Billiton Mitsubishi Alliance (BMA), 50 per cent of payments made by the operating entity for BMA in which BHP Billiton has a 50 per cent ownership. For our investments in joint ventures and associates that are equity accounted by BHP Billiton, no amounts have been included in our total payments to governments as BHP Billiton is not the operator and does not make payments on behalf of the operation. For information purposes, payments made by our significant equity accounted investments, Samarco, Cerrejón and Antamina, have been shown in our report even though no amounts have been included in our total payments to governments.

Taxes, royalties and other payments, both cash and in-kind (non-cash), to governments, net of refunds, are collectively referred to in this Report as 'Total payments to governments' and include the following payment categories:

Corporate income taxes

Payments to governments based on taxable profits under legislated income tax rules. This also includes payments made to revenue authorities in respect of disputed claims and withholding taxes on dividends and royalties.

Royalty-related income taxes

Payments to governments in relation to profits from the extraction of natural resources, including Petroleum Resource Rent Tax (PRRT) in Australia and Specific Tax on Mining Activities (STMA) in Chile. Royalty-related income taxes are presented as income tax in the Consolidated Income Statement in the BHP Billiton Annual Report 2016.

Taxes levied on production

Payments to governments in relation to crude excise, carbon tax and severance tax on the extraction of natural resources. Taxes levied on production are presented as expenses, not income tax, in the Consolidated Income Statement in the BHP Billiton Annual Report 2016.

Royalties

Payments to governments in relation to revenue or production generated under licence agreements. This also includes payments to revenue authorities in respect of disputed claims. Royalties are presented as expenses, not income tax, in the Consolidated Income Statement in the BHP Billiton Annual Report 2016. Royalty-related income taxes are excluded from Royalties.

Production entitlements

Payments to governments entitled to a share of production under production sharing agreements. Production entitlements are most often paid in-kind. In-kind payments are

measured based on the market value of the commodity on the date of delivery to the government.

Fees

Payments to governments in the form of fees typically levied on the initial or ongoing right to use a geographical area for exploration, development and/or production. Includes licence fees, rental fees, entry fees and other payments for licences and/or concessions.

Payments for infrastructure improvements

Payments to governments for the construction of public infrastructure such as roads, bridges and port facilities.

Dividend payments

Payments to governments with ownership interests in specific assets; not payments to governments as holders of ordinary shares in BHP Billiton. There were no dividend payments to governments for the year ended 30 June 2016.

Signature, discovery or production bonuses

Payments to governments upon signing an oil and gas lease, when discovering natural resources, and/or when production has commenced. There were no payments of signature, discovery or production bonuses to governments for the year ended 30 June 2016.

Other payments

Payments to governments under other legislated tax rules such as payroll tax, fringe benefits tax, customs and excise duties, property tax, land tax, stamp duties, and black lung tax. These payments are not specifically required to be disclosed by the UK Regulations.

Excluded amounts

The following are not included in total payments to governments:

Taxes collected

Tax payments made to governments on behalf of our employees.

Indirect taxes

Tax payments made to, or received from, governments in the nature of Sales Tax, Value Added Tax and Goods and Services Tax.

Penalties and interest

Payments to governments resulting from the imposition of penalties, fees or interest.

Other

Any payment, whether made as a single payment or as a series of related payments below US\$100,000 (being a lower amount than the £86,000 threshold set out in the UK Regulations).

Projects

Payments made on a project-by-project basis ('Payments made on a project-by-project basis' section of this Report) present payments by entity when not specifically attributable to a project.

Payments in relation to Corporate Head Office and Marketing Offices have been included in the total payments to governments as defined by the UK Regulations. The payments are not attributable to specific projects. Corporate Head Office and Marketing Offices comprise functional support for the Group that in FY2016 comprises entirely of projects that undertake relevant activities as defined by the UK Regulations.

The 'Payments made on a project-by-project basis' section presents corporate income tax amounts for each project/entity taking into account the effects of tax consolidation in Australia. These include the following:

- Losses from one entity can be offset against taxable income of another entity within the same tax consolidated group.
- Only the head entity of a tax consolidated group is liable to make corporate income tax payments to the Australian Tax Office (ATO).
- Typically, corporate tax groups allocate the aggregate corporate income tax payments made by the head entity to the ATO amongst entities within the Australian tax consolidated group.

In relation to BHP Billiton, the aggregate of all positive and negative allocations to members of the BHP Billiton Australian tax consolidated groups, together with tax payments made by stand-alone Australian entity taxpayers, totals US\$634.7 million in FY2016.

Reporting Currency

All payments to governments in the 'Our payments to governments' section have been reported in US dollars. Payments denominated in currencies other than US dollars are translated for this Report at the exchange rate at the date of the payment.

Glossary

Australian adjusted effective tax rate (corporate tax)

Total Australian corporate income tax expense excluding exceptional items and exchange movements included in taxation expense divided by Profit before taxation and exceptional items.

Australian adjusted effective tax rate (corporate tax) including PRRT and royalties

Total Australian corporate income tax expense and royalty-related income tax expense excluding exceptional items and exchange movements included in taxation expense plus royalty expense divided by Profit before taxation, royalties and exceptional items.

BHP Billiton or the Company

Being both companies in the Dual Listed Company structure, BHP Billiton Limited and BHP Billiton Plc and their subsidiaries.

Current tax expense

The amount of corporate income tax and royalty-related income tax and production entitlements currently payable and attributable to the year, measured at rates enacted or substantively enacted at year-end, together with any adjustment to those taxes payable in respect of previous years.

Deferred tax expense

The amount of corporate income tax and royalty-related income tax and production entitlements attributable to the current year but payable in future years provided using the balance sheet liability method.

Global adjusted effective tax and royalty rate

Total income tax expense excluding exceptional items and exchange movements included in taxation expense plus royalty expense divided by Profit before taxation, royalties and exceptional items.

Global adjusted effective tax rate

Total taxation expense excluding exceptional items and exchange rate movements included in taxation expense divided by Profit before taxation and exceptional items.

Group

BHP Billiton Limited, BHP Billiton Plc and their subsidiaries, being entities controlled by BHP Billiton Limited or BHP Billiton Plc.

Government

Government means any national, regional or local authority of a country, and includes a department, agency or undertaking that is a subsidiary undertaking where the authority is the parent undertaking.

Income tax expense

The total of current tax expense and deferred tax expense.

Low-tax jurisdictions

In classifying which countries are 'low-tax jurisdictions' we have applied the list of so-called 'tax haven' countries released by the European Commissioner on 17 June 2015. This list comprises those so-called 'tax haven' countries that have been included on the list of at least 10 individual countries of the European Union. The countries currently included on this list are: Andorra, Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Brunei, Cayman Islands, Cook Islands, Grenada, Guernsey, Hong Kong, Liberia, Liechtenstein, Maldives, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Nieu, Panama, Seychelles, St Kitts and Nevis, St Vincent and the Grenadines, Turks and Caicos, US Virgin Islands, Vanuatu. This list does not include Singapore. We will continue to monitor international developments in this area.

Project

Consistent with the UK Regulations, a project is defined as the operational activities that are governed by a single contract, licence, lease, concession or similar legal agreements and form the basis for payment liabilities with a government. If multiple such agreements are 'substantially interconnected' they may be considered a project. For these purposes 'substantially interconnected' means forming a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities.

Report

The Report has been prepared for the financial year from 1 July 2015 to 30 June 2016 of BHP Billiton.

UK Regulations

The Reports to Payments to Governments Regulations 2014, as amended by the Reports on Payments to Governments (Amendment) Regulations 2015. The UK Regulations implement the EU Accounting Directive in the United Kingdom.

BHP Billiton Plc Registration number 3196209

Registered in England and Wales

Registered Office: Neathouse Place London SW1V 1LH United Kingdom

A member of the BHP Billiton Group which is headquartered in Australia