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DIVERSIFICATION AND COMPETITIVENESS PROVIDE RESILIENCE TO CLIMATE RISK

BHP Billiton today released its Climate Change Portfolio Analysis report which explains how it could continue to create shareholder value in a carbon constrained world.

Chief Commercial Officer Dean Dalla Valle said the Company had published details of its scenario analysis as part of its ongoing program of engagement with investors.

“With the release of this document, we are providing more information than ever before about how we are responding to climate change and how climate risk might affect the portfolio. The opportunities and risks associated with climate change will not be spread evenly between businesses or sectors. More disclosure will allow investors, policy makers and regulators to make more informed decisions. By sharing our analysis of BHP Billiton’s portfolio in a 2°C world, we believe investors will be able to decide how well BHP Billiton is equipped to manage climate risk.”

Helen Wildsmith, Stewardship Director – Climate Change, at charity specialist CCLA, said: “As long-term investors the ‘Aiming for A’ coalition supports diversified miners, oil and gas majors, and electrical utilities as they face the challenge of demonstrating their strategic resilience through the low carbon transition. Today we applaud BHP Billiton for proactively improving their disclosure. In co-ordination with the global Carbon Asset Risk investor initiative, representing over US$3.5 trillion of collective assets, we will be proposing further shareholder resolutions at some of the largest companies in these sectors in 2016 to promote similar stress testing.

“Like BHP Billiton, the ‘Aiming for A’ coalition believes key stakeholders need to work together through periods of systemic change. We encourage BHP Billiton to play an active role in building a cross-sectoral coalition of the willing to accelerate CCS and other low emissions technologies becoming commercially viable at scale."

“BHP Billiton has shown real leadership by publishing its climate change portfolio analysis ahead of COP21 in Paris. This provides an excellent starting point for more detailed dialogue with investors on portfolio stress testing and future cap-ex decisions in a carbon efficient manner." said Stephanie Maier, Head of Responsible Investment Strategy & Research at Aviva Investors, and Chair of the Institutional Investors Group on Climate Change's member-led corporate engagement group.

BHP Billiton’s portfolio in a 2°C world

Speaking in London, Mr Dalla Valle said: “The world faces two critical challenges. As the global population steadily grows, the continued development of emerging economies depends on access to affordable energy and resources. At the same time, responding to climate change requires the global average temperature increase to remain below 2°C relative to pre-industrial levels.

“Achieving these goals would entail substantial changes to the global economy. Companies in all sectors will have new market opportunities, face new competitors and all will need to find new ways of working. In a well-managed transition, the most efficient producers in growth markets will do best.

“In our scenario analysis we consider a range of potential pathways and outcomes. This provides deeper, more valuable insights into the potential impacts on our portfolio and improves our ability to respond and adapt our portfolio where we see key signposts and triggers.

“In a 2°C scenario, we expect the demand for most of BHP Billiton’s products will continue to rise in absolute terms. As the energy mix changes, copper, gas and uranium could see stronger demand than otherwise would have been the case. Measures to reduce emissions in steel manufacturing could also increase prices for the Company’s higher-quality iron ore.

“Together these factors would help offset weaker demand, lower prices or higher costs in other areas of our portfolio such as energy coal. Group margins would remain strong, reflecting BHP Billiton’s focus on low cost production. The average rate of return on investment in our growth projects would fall slightly but remain at approximately 20 per cent. The Company could create value by bringing on production into growing markets.

“This helps ensure the value of BHP Billiton’s portfolio would remain robust if emissions decline to levels consistent with a 2°C world after 2030, as well as in a stress test that models the implications of more rapid change. In both cases, Group EBITDA would continue to grow over the next fifteen years and BHP Billiton’s commodity diversification, competitive production, high quality resource base, and the rapid payback periods of growth projects minimise the risk of stranded assets.”

BHP Billiton has also joined a growing number of leading businesses in disclosing the Company’s assumptions on global carbon price ranges which it applies to its investments and portfolio evaluation to inform decision making.

Our action on climate change

Mr Dalla Valle described how BHP Billiton is supporting the move to limit global temperature increases to 2°C.

“We are investing in the development of low-emissions technologies and supporting market mechanisms that provide financial incentives for emissions reductions and sustainable development.”

“We believe that a range of measures are needed to address climate change. First and foremost we are reducing our own emissions and improving our energy efficiency, with a target of keeping greenhouse gas emissions below our 2006 baseline.

“We also seek to enhance the global response to climate change by actively engaging with governments to provide our perspective while recognising that each government will formulate its own policy to reduce emissions in line with its own circumstances and the need for meaningful action.

Mr Dalla Valle concluded: “As climate change continues to evolve, so too will our approach and we will continue to engage with our investors and other stakeholders to keep improving our disclosure.”

Notes to Editors

Further information on BHP Billiton can be found at: www.bhpbilliton.com.

Further information about the global Carbon Asset Risk investor initiative is available here: http://www.ceres.org/resources/reports/carbon-asset-risk-a-review-of-progress-and-opportunities/view

About 'Aiming for A' in the UK: 'Aiming for A' was launched by CCLA in 2012. The Church Investor Group members currently involved are: the three Church of England National Investing Bodies (the Church Commissioners, the Church of England Pensions Board and the CBF Church of England Funds) and the Central Finance Board of the Methodist Church. The other five partners in this £230bn UK initiative are the Local Authority Pension Fund Forum, Rathbone Greenbank Investments, Sarasin & Partners, Hermes Investment Management, and the Pensions Trust. The last three joined the initiative after supporting the 'Aiming for A' BP and Shell strategic resilience resolutions, which achieved >98% of the vote at the companies' AGMs earlier this year. The 'A' within 'Aiming for A' refers to the best A-E CDP performance band. Within the scoring methodology considerable weight is given to operational emissions management, alongside the strategic and governance issues covered in the 'Aiming for A' 2015 shareholder resolutions.

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