



# **BHP**

## **Sustainability briefing**

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# Health and Safety

## Our 2018 safety performance

- Tragically, in FY18 two colleagues died, one at Goonyella Riverside (August 2017) and another at Permian Basin (November 2017).
- Tragically an incident resulted in a fatality at our Cerrejon Non-Operated Joint Venture (January, 2018). BHP led an investigation into the incident.
- The Sustainability Committee, as well as the full Board, considered in detail the findings of investigations into these fatalities. Findings have been shared with our teams and externally with other mining companies.
- Following both events, Group-wide actions have been taken and organisational improvements to prevent similar events occurring again were identified.
- FY18 TRIF of 4.4 per million hours worked.
- Field leadership program fully operational with record number of safety engagements held during the year.
- In line with our priority to eliminate fatalities, the number of high potential injuries (HPI) decreased by 8%. We see this as a leading indicator of future safety performance.

## Caring for the wellbeing of our workforce

- Expanded the mental health program to include peer-led resilience sessions.
- Rolled out the mental health toolkit, equipping leaders to support our people.
- Continuous monitoring and evaluation of occupational exposure limits (OELs) to more stringent than applicable health regulations. Exposure reduction projects across the group has seen number of exposures above OELs our threshold decrease by 31% in FY18.
- 15% decrease in employee occupational illness frequency rate.

# Water Stewardship

## Enhancing our water stewardship

- Our stewardship strategies include improving risk management; leveraging technology; effectively valuing water; improving transparency; and collective action with other stakeholders.
- Reporting is fundamental for better water stewardship and governance, and is a step towards increasing transparency and making water usage more socially equitable and environmentally sustainable.
- Our inaugural water report was released in August 2018 at World Water Week.
- We have provided information by region and asset, to demonstrate that good water stewardship is region dependent and stewardship strategies should differ depending on the local context.

## FY18 performance and longer term targets

- We have set a 5 year target to reduce fresh water withdrawal by 15% from FY17 levels, with 2% reduction achieved in FY18.
- Surface water and groundwater accounted for 51% of water inputs in FY18 (FY17: 67%), with commissioning of the desalination plant at Escondida.
- Sea water is now the largest contributor – accounting for 49% of total water inputs – an increase of 16% relative to FY17. Groundwater remains a significant input at 35.6%– contributed by Escondida, WAIO and Olympic Dam.
- The total volume of water recycled or reused increased by 2%, to 265,720 megalitres.
- Our longer-term goal is to enable integrated water resource management in all catchments where we operate by FY30.

## Next Steps

- Continue journey towards better water stewardship. As our data improves, through new techniques and better processes, we will update the way in which we set targets and performance. We will continue to strengthen water management and governance across all our assets.
- We welcome feedback about how we can improve our water reporting and future reports.

# Community

## Strengthening our social licence

- A Group-wide review of our approach to social licence began in FY18 presenting an opportunity close the gaps between our performance and societal expectations. Recommendations will be implemented in FY19 and beyond.
- In FY18 we voluntarily invested ~US\$77 million in community programs.
- We now have Indigenous Peoples plans in Australia, North America and South America with targets related to employment, social and cultural support, advocacy and governance.
- In FY18 24% of our total procurement was with local suppliers, enabled through our local buying plans.

## Enhancing our approach to human rights

- We have seen progress in our identified areas for enhancement of human rights.
  - Human Rights at Sea: we completed a project related to the human rights and ethics risks to which seafarers may be exposed on our charter vessels.
  - Supply chain due diligence: our new Global Contract Management System includes a human rights assessment matrix assessing suppliers.
  - Training: in FY18 Ethics leaders within the company received training to develop their ability to identify, investigate and escalate any modern slavery concerns at BHP or in our supply chain.
- In September 2018 we published our third UK Modern Slavery Act Statement.

# Climate Change

## Delivering against our emissions reduction targets

- Target to maintain operational emissions in FY22 at or below FY17 levels.
- FY18 emissions were 16.5 Mt, 1% above the baseline, primarily due to increased production at Escondida and Pampa Norte.

## Investing in low emissions technologies

- Focused on reducing operational emissions from electricity consumption, fuel use and fugitive emissions (e.g. electric vehicles at Olympic Dam, project with CSIRO to address fugitive methane from open cut coal mines).

## Managing our value chain emissions

- Enhanced disclosure of Scope 3 emissions in our Sustainability and Annual Reports.
- Plan to improve how we measure and track emissions in our value chain and identify additional opportunities to work with others to influence emissions reductions (e.g. in the steel sector).

## Stakeholder engagement

- Aligned disclosures in our financial filings with the Task Force on Climate-related Finance Disclosures (TCFD's) recommendations for the second year.
- Completed Industry Association Review and implemented actions.
- Contributed to development of energy and climate policy (e.g. National Energy Guarantee).

## Promoting market mechanisms to reduce global emissions

- Launched Finance for Forests initiative based on the first-of-a-kind Forests Bond.

We continue to review our approach in light of the latest scientific knowledge. The IPCC's 1.5°C report highlights the criticality of action on climate change and reinforces our commitment to carbon dioxide removal e.g. forests and CCS.

## Electric vehicle trial at Olympic Dam



# Governance and Transparency

## Board changes

- Wayne Murdy (mining industry experience) has decided to retire from the Board after the AGMs.
- We expect to appoint a Non Executive Director (NED) with mining experience in early CY19.

## Skills matrix refreshed

- Revised matrix takes into account the skills and experience the Board requires for the future, including an emphasis on technology and commodity value chain expertise.
- Fewer Directors meet each of the skills and experience contained in the updated matrix than was the case previously. This is intentional, but all Directors satisfy an 'overarching statement' of Board requirements and other key attributes.

## Capital Allocation Working Group (CAWG)

- CAWG was established consisting of both Board and management members. It has now completed its work.
- Enhancements in areas of (i) process and requirements for bringing capex proposals to Board and (ii) capex monitoring and evaluation.

## Remuneration

- CEO – salary continues to be unchanged since appointment in 2013, STI at 90% of target (60% of maximum), and LTIP lapsed (0% vesting).
- STI and fatalities – this is 40% of the HSEC scorecard and it was reduced to zero.
- NED base fees continue at reduced level set in 2015, and Chairman fee at reduced level set in 2017.
- Fee introduced for members of the Nomination & Governance Committee, recognising increased workload (US\$18,000 per annum).

# Samarco and Renova Foundation

## Resettlement, Remediation and Compensation

- Bento Rodrigues licenses obtained for the resettlement. Land clearing, physical infrastructure and house design are in progress.
- Paracatu urban plan approved on 13 September and regulatory approvals will now be sought. Gesteira land selected.
- All dam structures remain stable, with no tailings remobilised from Fundão Valley despite heavy rainfall during FY18 wet season.
- Water quality in the Gualaxo River has achieved the turbidity target set in the Framework Agreement a year earlier than required.
- Tailings management pilot studies show the river is rapidly recovering, and leaving tailings in situ may present the best long term environmental outcome.
- Renova Foundation, BHP and Vale are prioritising actions to lift fishing bans still in place and enable fishing communities to resume their economic activities.
- Compensation for interruption to water concluded with 260,000 payments completed.
- Compensation for other damages continues with over 7,300 payments made of 12,900 eligible for the program.

## Legal developments

- New Governance Agreement with Federal and State Prosecutors (concluded on 25 June 2018) increases participation of impacted people through representation on Renova Foundation Board and Interfederative Committee and new Local Committees & Regional Chambers.
- BRL20billion case settled; and a process to renegotiate programs over 2 years to progress settlement of the BRL155billion case review established.

## Samarco mine restart

- Restart remains a focus but is subject to separate negotiations with relevant parties and will occur only if it is safe, economically viable and has the support of the community.
- Licence for tailing storage in Alegria Sul Pit obtained; Mining operating licence submitted. Expect to obtain necessary licences throughout CY19.

# Bento Rodrigues resettlement



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# Sustainability targets and longer-term goals

	Target	Target date	FY18 performance <sup>6</sup>
<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	2 fatalities 4.4 (5% increase)
<b>Health</b>	50 per cent reduction in the number of workers potentially exposed to our most material exposures of respirable silica, diesel particulate matter and coal mine dust, as compared with the FY17 baseline.	30 June 2022	31% reduction in FY18
<b>Community</b>	Zero significant community events <sup>1</sup> .	Annual	Zero achieved
	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	US\$77.1m invested
	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	Plans developed
<b>Climate Change</b>	Maintain FY22 greenhouse gas (GHG) emissions at or below FY17 <sup>2,3</sup> levels while we continue to grow our business.	30 June 2022	1% increase. Steps taken to achieve longer term reductions.
	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	N/A
<b>Environment</b>	Zero significant environmental events <sup>1</sup> .	Annual	Zero achieved
	Reduce FY22 fresh water withdrawal <sup>4</sup> by 15 per cent from FY17 <sup>2</sup> levels.	30 June 2022	2% reduction in FY18
	In line with SDG 6 <sup>5</sup> , BHP will collaborate to enable integrated water resource management in all catchments where we operate by FY30.	By FY30	Water policy assessments complete
	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	Commenced development of framework to evaluate and measure benefits of our actions
	Longer-term goal: In line with SDGs 14 <sup>5</sup> and 15 <sup>5</sup> , BHP will, by FY30, have made a measurable contribution to the conservation, restoration and sustainable use of marine and terrestrial ecosystems in all regions where we operate.	By FY30	Commenced framework development

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. FY17 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.

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

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

5. SDG 6: Ensure access to water and sanitation for all; SDG 14: Conserve and sustainably use the oceans, seas and marine resources; SDG 15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

6. Data includes Continuing and Discontinued operations for the financial years being reported.

# Board skills matrix

Skills and experience Total Directors	10
<b>Mining</b> Senior Executive who has deep operating or technical mining experience with a large company operating in multiple countries; successfully optimized and led a suite of large, global, complex, operating assets that have delivered consistent and sustaining levels of high performance (related to cost, returns and throughput); successfully led exploration projects with proven results and performance delivered large capital projects that have been successful in terms of performance and returns; and a proven record in terms of health, safety and environment results.	3
<b>Oil and Gas</b> Senior Executive who has deep technical and operational oil and gas experience with a large company operating in multiple countries; successfully led production operations that have delivered consistent and sustaining levels of high performance (related to cost, returns and throughput); successfully led exploration projects with proved results and performance; delivered large capital projects that have been successful in terms of performance and returns; and a proven record in terms of health, safety and environmental performance and results.	2
<b>Global experience</b> Global experience working in multiple geographies over an extended period of time, including a deep understanding of and experience with global markets, and the macro political and economic environment.	6
<b>Strategy</b> Experience in enterprise wide strategy development and implementation in industries with long cycles, and developing and leading business transformation strategies.	8
<b>Risk</b> Experience and deep understanding of systemic risk and monitoring risk management frameworks and controls, and the ability to identify key emerging and existing risks to the organization.	10
<b>Commodity value chain expertise</b> End-to-end value or commodity chain experience – understanding of consumers, marketing demand drivers (including specific geographic markets) and other aspects of commodity chain development.	5
<b>Financial expertise</b> Extensive relevant experience in financial regulation and the capability to evaluate financial statements and understand key financial drivers of the business, brining a deep understanding of corporate finance, internal financial controls and experience probing the adequacy of financial and risk controls.	10/2 <sup>1</sup>
<b>Relevant public policy expertise</b> Extensive experience specifically and explicitly focused on public policy or regulatory matters, including ESG (in particular climate change) and community issues, social responsibility and transformation, and economic issues.	2
<b>Health, safety, environment and community</b> Extensive experience with complex workplace health, safety, environmental and community risks and frameworks.	7
<b>Technology</b> Recent experience with the development, selection and implementation of leading and business transforming technology and innovation, and responding to digital disruption.	2
<b>Capital allocation and cost efficiency</b> Extensive direct experience gained through a senior executive role in capital allocation discipline, cost efficiency and cash flow, with proven long-term performance.	6

1. Ten Directors meet the criteria of financial expertise outlined above. Two of these Directors also meet the criteria for recent and relevant financial experience as outlined in the UK Corporate Governance Code, competence in accounting and auditing as required by the UK, Financial Conduct Authority's Corporate Governance Rules in DTR, and the audit committee financial expert requirements under the US Securities and Exchange Commissions rules.