

BHP

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Positioned for the future

Thank you. It's great to have the opportunity to join you again.

Just before I turn to the main topics I am going to speak to today, I want to start by saying how pleased I am with how the company is performing.

We are safer and delivering more reliable performance. This, coupled with the quality of our assets and our disciplined cost control, is allowing us to secure maximum benefit from the record high iron ore and copper prices.

We have delivered a number of major projects in the past twelve months – the 185 thousand tonne per annum expansion at the Spence copper asset, Atlantis Phase 3 and the Ruby project in Petroleum, and in the next few days we will announce first production at the 80 million tonne per annum South Flank iron ore project, with its higher grade and lump fraction. All brought in on time and on budget in spite of COVID-19, and perfectly timed given where copper and iron ore prices are at.

We had the counter-cyclical acquisition of an extra stake in the Shenzi asset in Petroleum. And we have secured more exploration partnerships and early stage growth opportunities in copper and nickel. Finally, we have made marked progress on our efforts to reduce operational emissions and have signed a number of partnerships with others in the value chain targeted at reducing Scope 3 emissions. So overall, the company is really going well at the moment.

Building upon this strong near term performance though, today I want to talk about two things:

- Firstly, the critical need for resources in meeting the world's decarbonisation challenge and to support global economic growth and development.
- And secondly, BHP's commitment to playing a leading role in ensuring these demands get met sustainably.

We are optimistic for the future. We believe the world can both decarbonise and achieve the higher living standards that people aspire to. We are at the centre of both these aims.

Recent times have seen greater uncertainty and volatility in markets and geopolitics, and growing expectations on the part of shareholders, communities and broader society. In addition, there are increasing technical and financial challenges in finding and developing the fresh supply required in some commodities.

Successful companies will be those with a clear strategy and sense of purpose, who are exceptional operators and allocators of capital, are in tune with the changing world around them and who focus on bringing this all together to create long-term value for all their stakeholders. This is BHP. We have built the organisational capability, relationships and balance sheet strength to allow us to thrive in this environment.

The outlook for our commodities is compelling.

Government stimulus and pro-growth agendas, which are expected to remain in place for an extended period, are anticipated to lead to robust growth, a lift in inflation and solid demand for mineral resources and oil and gas.

This is occurring at a time when our industry's capital discipline and decline in exploration success over a number of years means there are fewer high quality growth projects in the industry pipeline to meet this demand.

The drive to more rapidly decarbonise the globe may also accelerate demand for many of the products we produce. A growing number of governments are committing to tackling climate change with greater ambition and are cooperating to do so.

A transition to a world where warming is limited to no more than 1.5 degrees above pre-industrial levels is positive for BHP and would allow us to create significant value.

In a Paris-aligned scenario¹, we expect a more than doubling of the amount of primary copper and a quadrupling of the amount of primary nickel demand over the next 30 years, as was produced over the last 30. Demand for steel will almost double on this basis, and potash will be vital for more efficient agricultural practices. And as the shift to cleaner energy sources occurs, the world will still need oil and gas to power mobility and everyday life on its pathway to decarbonisation.

¹ This speech should be read in conjunction with the BHP [Climate Change Report 2020](#) available at [bhp.com](#) which details our planning cases and portfolio analysis under a 1.5°C Paris-aligned Scenario.

The world is going to need more supply of some commodities in order to continue to grow and to make the transition to cleaner energy.

The level of global effort, innovation and coordination to limit warming to 1.5 degrees is massive. However, the commitment and intention for the future is becoming clearer.

At BHP for over 130 years we have been reliably providing our customers with high quality supply of the commodities they need and for the world to grow. Like our purpose says, we have been bringing people and resources together to build a better world.

The world is continuing to evolve and it is doing so in a way that plays to BHP's strengths.

We are running our operations exceptionally well. We are safer, more reliable, and more productive than ever before. We have now had almost two and a half years fatality free, an exceptional result. And our two largest assets, Western Australia Iron Ore and our Escondida copper mine, have continued to set production and throughput records, while delivering excellent cost performance.

We remain hungry to improve. We have redoubled our focus on becoming even safer. We are systematically unlocking even greater performance from our equipment and infrastructure. We are enabling our people and are investing in capability – be it in trade skills, through our FutureFit Academy and Operations Services, or technical skills, through our centres of excellence. And we are underpinning this by ensuring we have an inclusive and diverse workforce.

Our portfolio is well-positioned. We produce commodities essential to everyday life, global economic growth and the energy transition. Around 60 per cent² of our production is in commodities that support steel-making, which we anticipate will see strong demand as the world decarbonises.

Around one quarter² of our portfolio is currently in 'future facing commodities', which for us are copper, nickel and potash, and we expect to grow this over the coming years. This includes an increase in average copper production over the next five years of more than 300 thousand tonnes per annum³, equivalent to adding another Spence to the portfolio.

Given our rock-solid foundations of a strong balance sheet and disciplined approach to capital allocation, we are positioned well to be able to continue to pursue new opportunities for growth.

As we have done for over a century, we will continue to meet the world's changing and growing demand for commodities.

There is though an obvious tension between the world's need for more resources and the need to make the world more sustainable: both for people and for the environment. It is essential that both are achieved. Growing demand must be met ever more sustainably.

This requires alignment between resources companies like BHP, investors and society on how best to navigate this tension. Better alignment will enable the transition to be achieved more sustainably, quickly and cost effectively. Conversely, a lack of alignment will result in poorer sustainability outcomes, and slower and more costly progress on the energy transition.

BHP is committed to continuing to create value for shareholders and all of its stakeholders. We will continue to demonstrate leadership on sustainability, including on climate change.

We have been taking real action on climate for decades. Most of our assets are already at the lower end of their respective emissions intensity curves, and we are working to lower them further.

Consistent with our commitment to reduce operational emissions by at least 30 per cent by 2030⁴ and be net zero by 2050, a number of our assets are on the way to having a substantial portion, or even all, their electricity provided by renewables.

² Based on FY20 copper equivalent production at FY20 average realised prices.

³ Represents average copper production from our existing operations over the next five years, relative to mid-point of FY21 guidance.

⁴ FY2020 baseline will be adjusted for any material acquisitions and divestments based on greenhouse gas emissions at the time of the transaction. Carbon offsets will be used as required.

Beyond greening our electricity supplies, we will decarbonise our mining equipment, through displacing diesel. This is a much more complex task but we are partnering with industry and equipment manufacturers to drive this transition.

Outside our operations, we are working with others in our value chain to develop solutions for hard-to-abate emissions.

For example, we are working with some of the world's leading steel makers, and with technology start-ups, to identify pathways and develop technologies to reduce steel-making emissions. Over the past six months, we have established partnerships with three major steelmakers in China and Japan, whose combined output equates to around 10 per cent of global steel production – more than that produced in all of Europe.

And, as one of the world's largest bulk freight charterers, we are working with the maritime industry to support greener freight. We have pioneered the world's first tender for LNG-fuelled bulk carriers; successfully completed a trial of marine biofuels; and, just last month, were the only resources company to become a founding member of the Maritime Decarbonisation Centre to be set up in Singapore.

These actions are aligned with our commitment to addressing climate change by reducing our own emissions and by working with partners to reduce emissions in the value chains in which we operate.

We believe the future is increasingly clear and our strategy, portfolio, capabilities and approach to social value position us to play an important role in meeting the twin objectives of an accelerated energy transition, and continued economic development and improvement in living standards. We are committed to doing so sustainably. And we are well-placed to generate great returns and value for shareholders and to support others to grow and prosper.

Thank you.