

WELCOME TO THE BRIEFING ON

Recommendations of the Task Force on Climate-related Financial Disclosures

2 – 3 February 2017



Investor Group on
Climate Change

Thank you to our event hosts



NORTON ROSE FULBRIGHT

The logo for Norton Rose Fulbright, featuring a white upward-pointing arrowhead above the letter 'N', followed by the words 'NORTON ROSE FULBRIGHT' in a bold, sans-serif font.



twitter hashtags and handles

#ClimateRisk

#TCFDRecs

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Agenda

- Welcome
- Presentation from Dr Fiona Wild
- Panel discussion
- Q&A

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Dr Fiona Wild

*Vice President, Climate
Change and Sustainability*
BHP Billiton

MAICD



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Task Force on Climate-related Financial Disclosures

Dr. Fiona Wild

Vice President, Sustainability & Climate Change



Our approach

At BHP Billiton:

- Climate change is a critical, Board-level, governance and strategic issue
- We accept the IPCC's assessment of climate change science and believe the world must pursue the twin objectives to limit climate change and to provide access to reliable and affordable energy
- We don't prioritise one of these objectives over the other – both are essential to sustainable development.

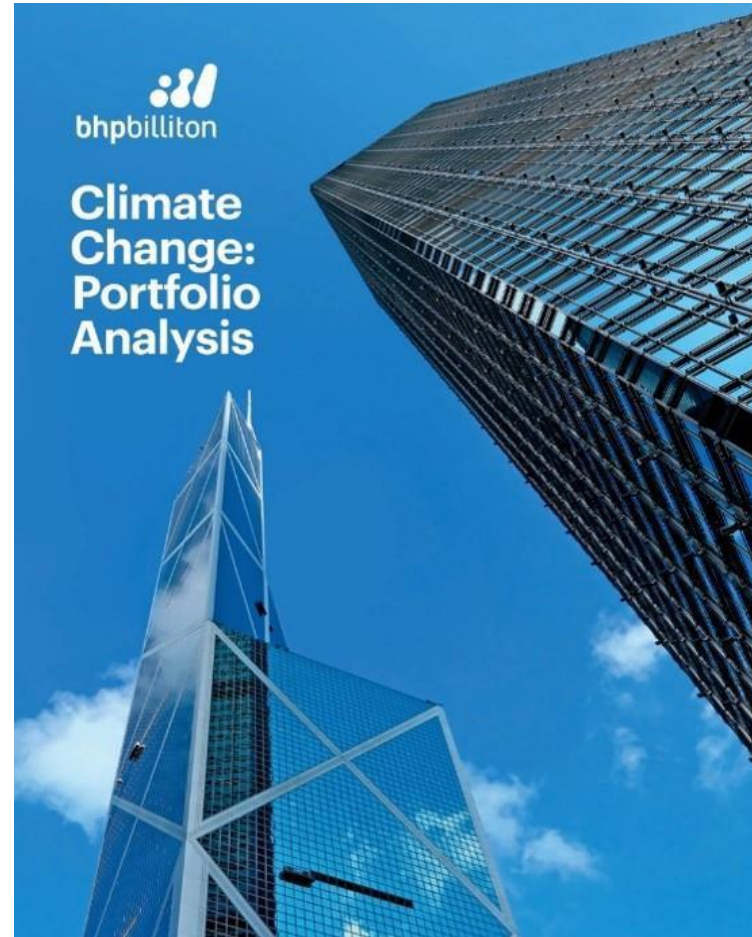


Portfolio analysis

In September 2015, we released our Climate Change: Portfolio Analysis.

This report:

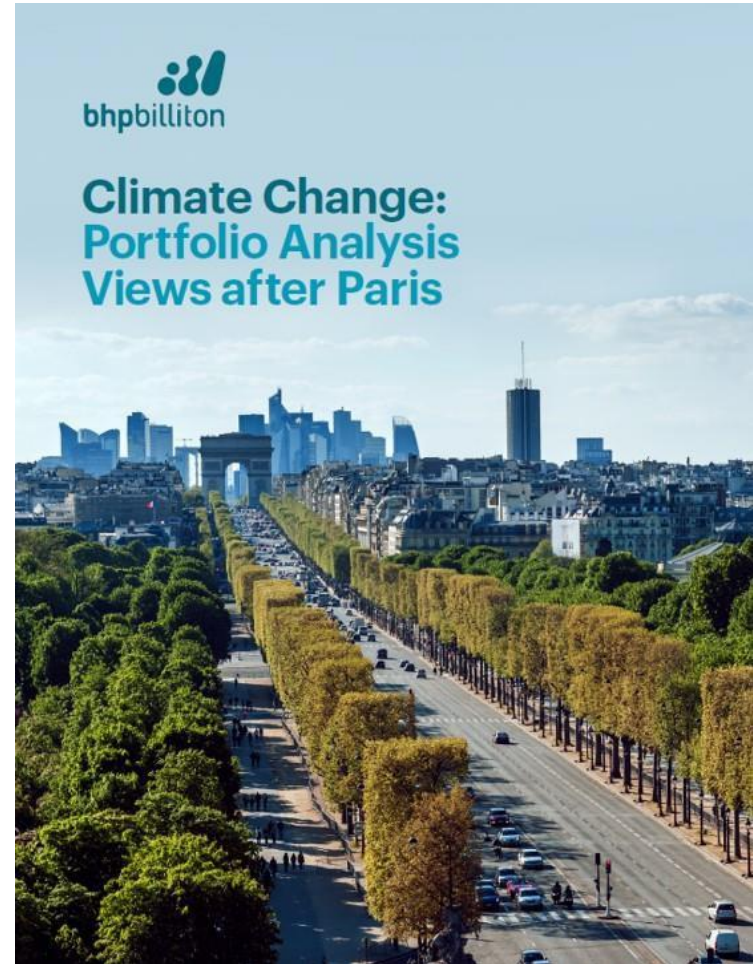
- Provides insight into our approach to scenario analysis
- Explores the potential implications for our company of both an orderly and a more rapid transition to a 2 degree world
- Shows that in these scenarios our diverse portfolio is resilient because of its high quality resources, low costs of production and rapid payback periods.



'Views after Paris'

Views after Paris provides:

- An explanation of how we identify and track signals which provide timely insights into potential impacts on our portfolio
- An insight into how these inform our strategic decision-making at the highest levels of our company
- An update on our actions, as part of our integrated approach to climate risk management, over the past 12 months.



Our actions

We are committed to taking action on climate change by:

- Reducing our emissions
- Building the resilience of our operations, communities and ecosystems to the impacts of climate change
- Working in partnership to accelerate the development and deployment of low emissions and renewable technologies
- Working with others to enhance the global response.

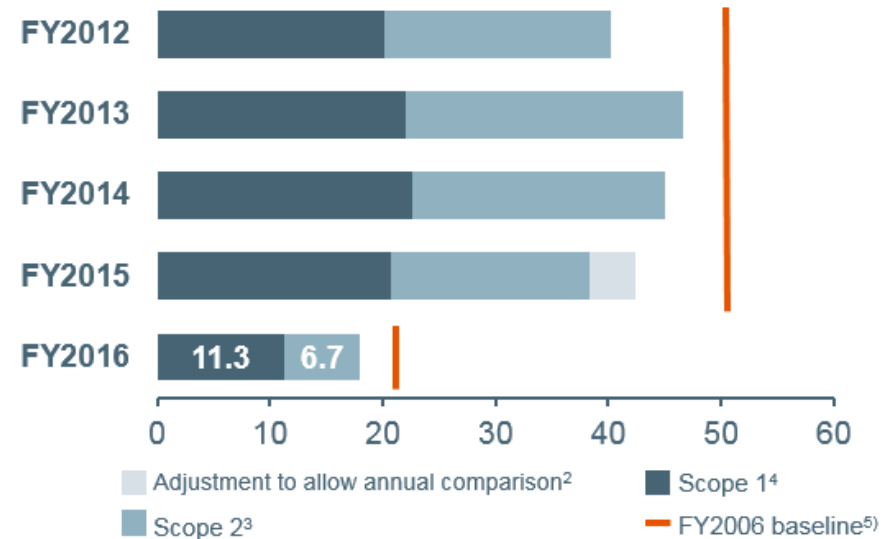


Our actions

Reducing our operational GHG emissions

- Our target is to keep total operational GHG emissions below our FY2006 baseline in FY2017
- In FY2016, the Company's total GHG emissions were 18 MtCO₂-e, 13 per cent lower than the baseline
- Projects implemented since FY2013 have delivered more than 950,000 tCO₂-e of annual reductions at our operations.

Greenhouse gas emissions¹ (million tonnes of CO₂-e)



1. Measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol.
 2. In order to compare the total GHG emissions in FY2015 to prior financial years, GHG emissions (estimated) from South32 assets between the date of demerger and 30 June 2015 have been added to FY2015 GHG emissions as shown above.
 3. Scope 2 refers to indirect GHG emissions from the generation of purchased electricity and steam that is consumed by operated assets (calculated using the market-based method).
 4. Scope 1 refers to direct GHG emissions from operated assets.
 5. Our FY2006 baseline is adjusted as necessary for material acquisitions and divestments based on asset GHG emissions at the time of the applicable transaction.

Our actions



REDD+^{1 2}

- US\$5 million commitment to Alto Mayo in Peru, managed by Conservation International and protecting around 182,000 hectares of globally-significant, threatened forests.
- The world's first Forests Bond, which could stimulate the global market by enabling investors to receive interest in cash or REDD+ credits.



Carbon capture and storage³

- US\$7 million commitment to a project with Peking University to address barriers to CCS deployment for steelmaking in China.
- Establishment of the BHP Billiton SaskPower International Knowledge Centre in Canada.



Lakeland Solar and Storage⁴

- A 13 megawatt solar photovoltaic power plant, incorporating 5.3 megawatt hours of lithium-ion battery storage, at a 'fringe of grid' location in Australia.

1. Reducing Emissions from Deforestation and Forest Degradation, as well as conservation, sustainable management of forests and enhancement of forest carbon stocks.

2. Image supplied by Conservation International.

3. Image supplied by SaskPower.

4. Image published and supplied by Lakeland Solar & Storage Pty Ltd – A Conergy Group company.



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Task Force on Climate-related Financial Disclosures

Overview of Report
and Implementation Guidance

February 2017

BACKGROUND

The Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) on December 4, 2015 to develop recommendations for more efficient and effective climate-related disclosures that:

- could “**promote more informed investment, credit, and insurance underwriting decisions**” and,
- in turn, “would enable stakeholders to **understand better** the concentrations of **carbon-related assets in the financial sector** and the financial system’s **exposures to climate-related risks.**”

Industry Led and Geographically Diverse Task Force

The Task Force’s 32 international members, led by Michael Bloomberg, include providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies.



THREE PROBLEMS: ONE SOLUTION

In the current climate-related disclosure landscape, challenges are faced by:

- **Issuers** who generally have an obligation under existing law to disclose material risks, but lack a coherent framework to do so for climate-related risk,
- **Lenders, insurers, and investors** who need decision-useful climate-related risk information in order to make informed capital allocation and financial decisions, and
- **Regulators** who need to understand risks that may be building in the financial system.

The Task Force aims to provide the solution:

a clear, efficient, and voluntary disclosure framework that improves the ease of both producing and using climate-related financial disclosures

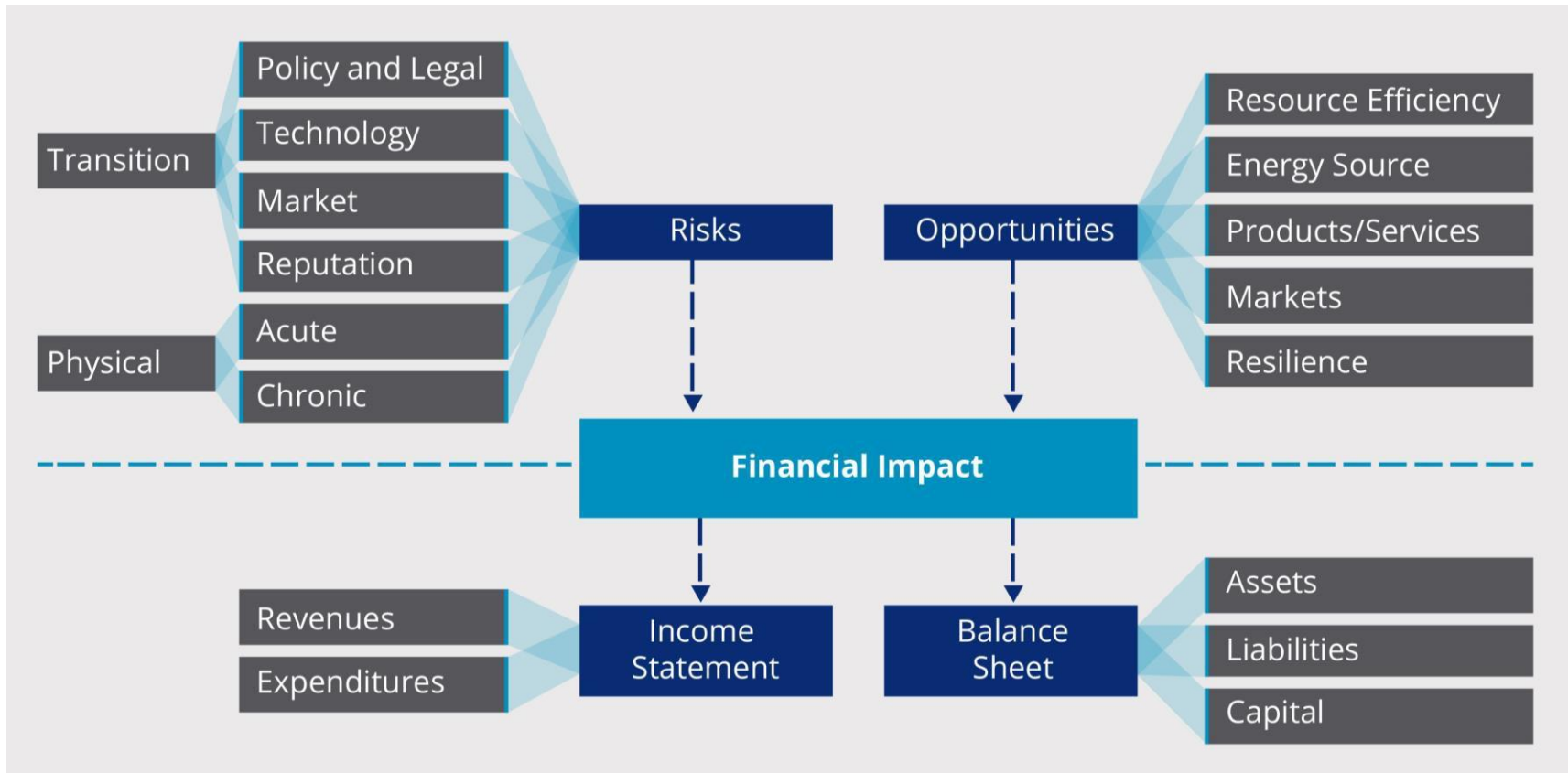
KEY INNOVATIONS

The Task Force's recommendations and guidance:

- Can apply to **any company in the world** and can be scaled to any level of sophistication
- Should be addressed in **financial filings**
- Are designed to solicit **decision-useful information** for investors and others
- Encourage forward-looking information through **scenario analysis**
- Provide **additional guidance** to sectors and industries most impacted by climate change
- Apply to organizations across the financial sector to address the full **investment chain**
- Place greater emphasis on risks and opportunities related to the **transition** to a lower-carbon economy
- Represent **consensus** of Task Force members, who come from the financial sector and various non-financial sectors

EVALUATING FINANCIAL IMPACT

Climate-related risks and opportunities can impact organizations' financial performance.



DISCLOSURE RECOMMENDATIONS

The four recommendations are supported by specific **recommended disclosures** organizations can include in financial filings to provide decision-useful information about their climate-related risks and opportunities.

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.</p>
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
<p>a) Describe the board's oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
	<p>c) Describe the potential impact of different scenarios, including a 2° c scenario, on the organization's businesses, strategy, and financial planning.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

SUPPLEMENTAL GUIDANCE FOR CERTAIN SECTORS

For the financial sector and certain non-financial sectors and industries, the Task Force provides **supplemental guidance** to highlight important sector-specific considerations.

Industries and Groups		Governance		Strategy			Risk Management			Metrics and Targets		
		A	B	A	B	C	A	B	C	A	B	C
Financial	Banks			■			■			■		
	Insurance Companies				■	■	■	■			■	
	Asset Owners				■	■	■	■		■	■	
	Asset Managers				■		■	■		■	■	
Non-Financial	Energy	■			■			■		■	■	
	Transportation				■	■				■	■	■
	Materials and Buildings				■	■				■	■	■
	Agriculture, Food, and Forest Products				■	■				■	■	■

SCENARIO ANALYSIS

Scenario analysis is an important and useful tool for understanding the **strategic implications of climate-related risks and opportunities**.

The Task Force recommends that organizations describe the potential impact of different scenarios, including a 2°C scenario, on their businesses, strategy, and financial planning.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

Recommended

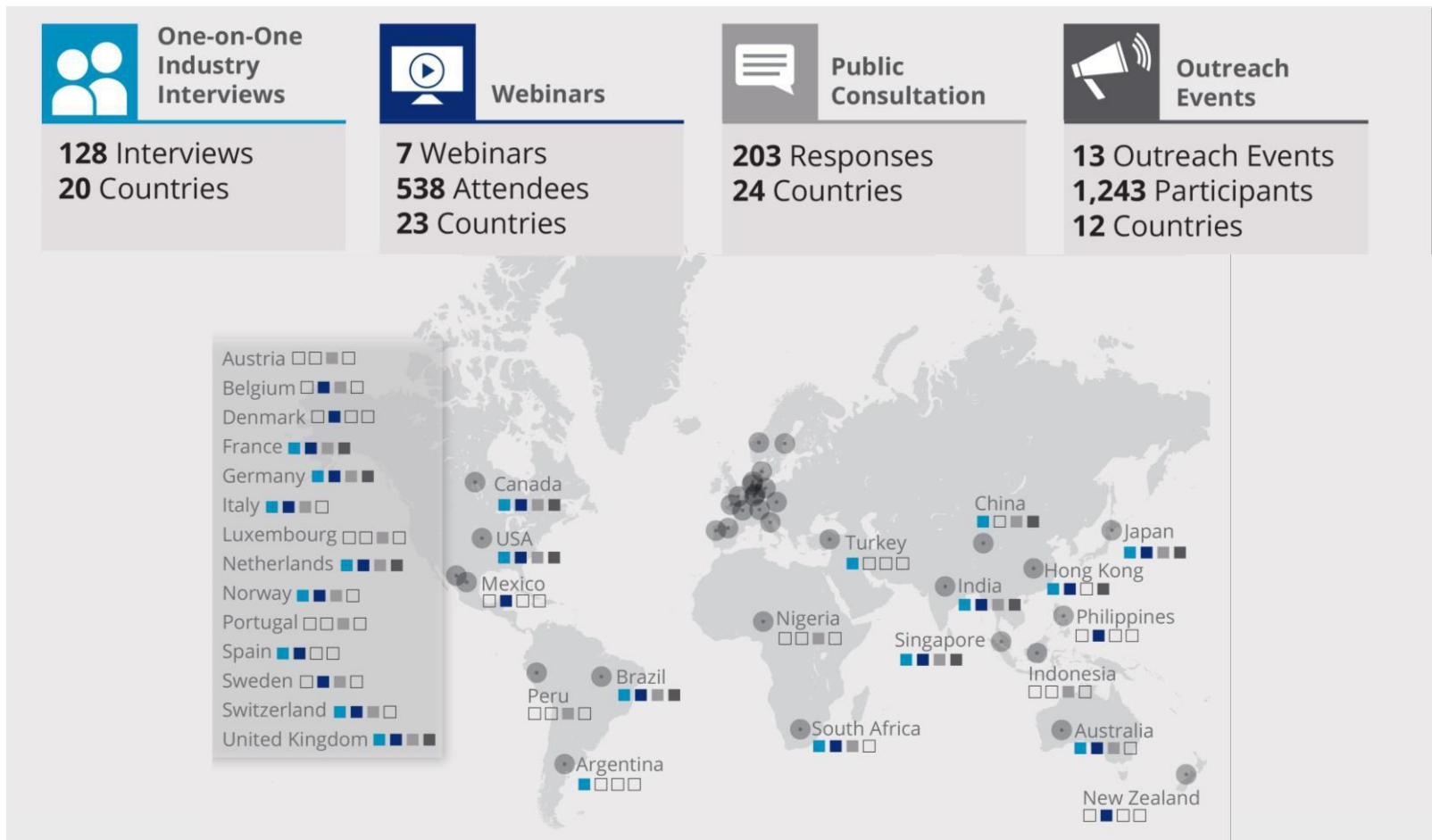
- c) Describe the potential impact of different scenarios, including a 2°C scenario, on the organization's businesses, strategy and financial planning.

Guidance for All Sectors

Organizations should describe how their strategies are likely to perform under various forward-looking, climate-related scenarios (e.g., potential effects under different scenarios) and any resulting changes to their strategies and financial plans, risk management activities, or targets/metrics to mitigate risks and take advantage of opportunities.

OUTREACH AND ENGAGEMENT

The Task Force engaged a broad range of external stakeholders through interviews, webinars, and other forums.

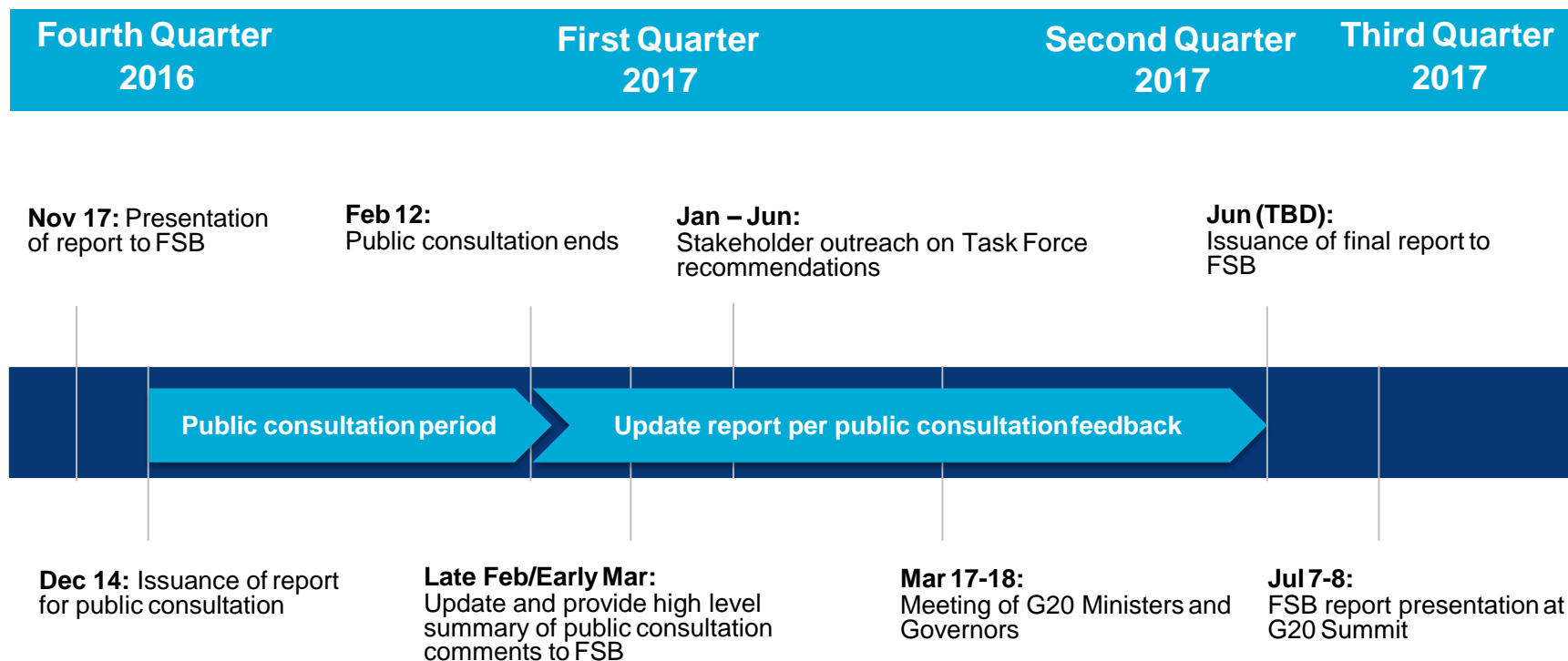


EXAMPLES OF AREAS FOR FURTHER WORK

The Task Force also identified certain areas where further work can contribute to the evolution of climate-related financial disclosures.

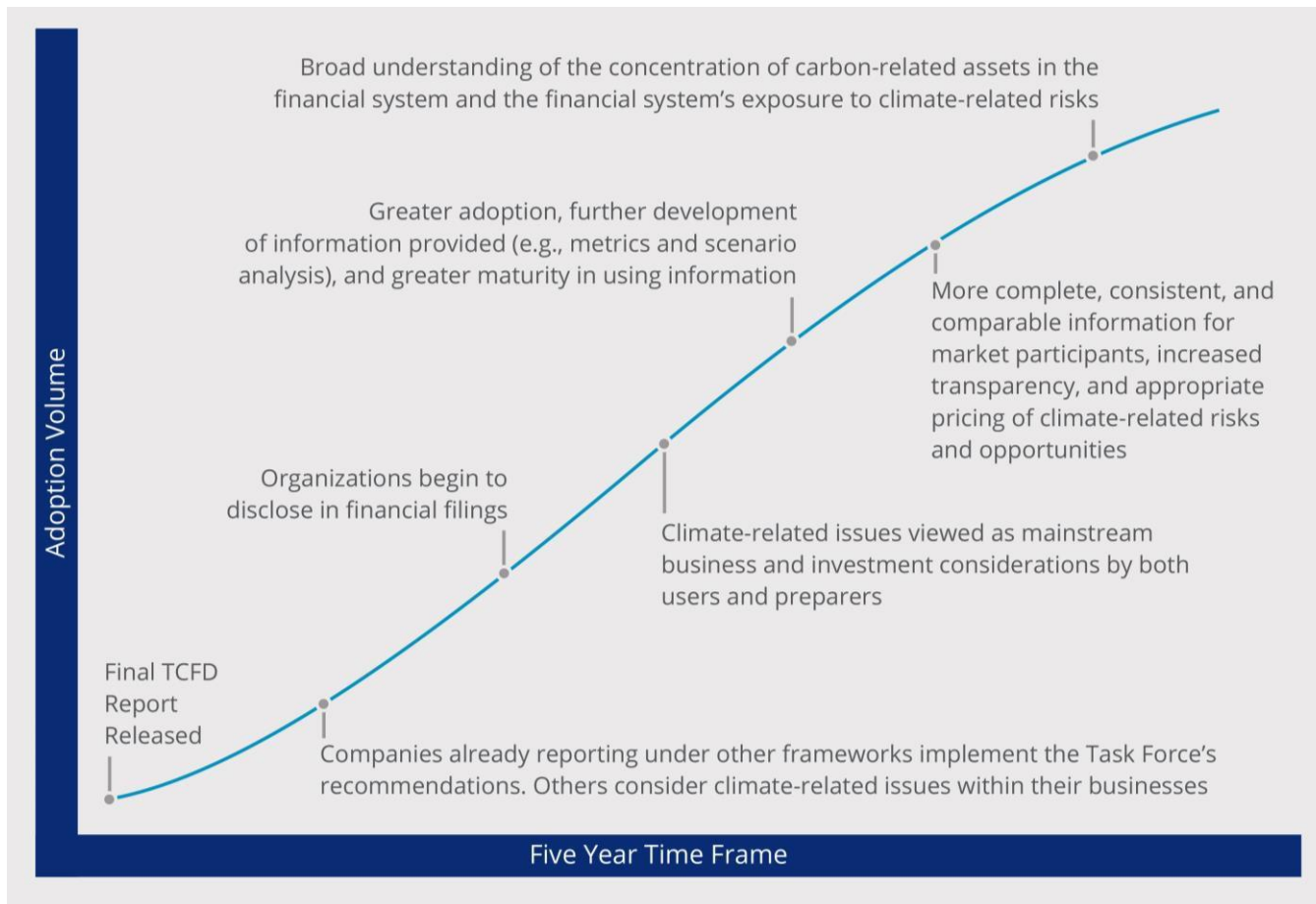
Relationship to Other Reporting Initiatives	<ul style="list-style-type: none">– Encourage standard setting organizations and others to actively work toward greater alignment of frameworks and to support adoption
Data Quality and Financial Impact	<ul style="list-style-type: none">– Undertake further research and analysis to better measure and understand how climate-related issues translate into potential financial impacts
Reporting GHG Emissions Associated with Investments	<ul style="list-style-type: none">– Develop methodologies for allocating emissions in asset classes beyond equities, including non-corporate bonds, property/real estate, infrastructure, private equity, and alternative assets– Improve data quality, increase understanding of climate-related risks and opportunities, and enhance risk measurement methodologies broadly
Scenario Analysis	<ul style="list-style-type: none">– Further develop applicable 2°C (or lower) transition scenarios and supporting outputs and tools/user interfaces– Develop broadly accepted methodologies, datasets and tools for scenario-based evaluation of physical risk by organizations– Make datasets and tools publicly available and provide commonly available platforms for scenario analysis

TASK FORCE TIMELINE



ILLUSTRATIVE IMPLEMENTATION PATH

The Task Force expects that **reporting of climate-related risks and opportunities will evolve** over time as organizations, investors, and others contribute to the quality and consistency of the information disclosed.



Panel discussion - Sydney

Moderator: Dr Peter Holt, Associate, Energetics

Panellists:



Pablo Berrutti

*Head of Responsible
Investment Asia-Pacific,
Colonial First State Global
Asset Management*
CFSGAM



Dr Tim Nelson

Chief Economist
AGL



Michael Chen

*Head of Sustainability,
Institutional*
Westpac



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Panel discussion - Melbourne

Moderator: Emma Herd, CEO, IGCC

Panellists:



Danielle Welsh-Rose

Head of ESG
Victorian Funds
Management Corporation
(VFMC)



Cameron Reid

*Manager - Carbon &
Renewable Energy Policy*
AGL Energy



Elisa De Wit

Partner
Norton Rose Fulbright



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