



BHP

The benefits of transparency for taxpayers: the experience of a global resources company

Jane Michie
Global Head of Tax

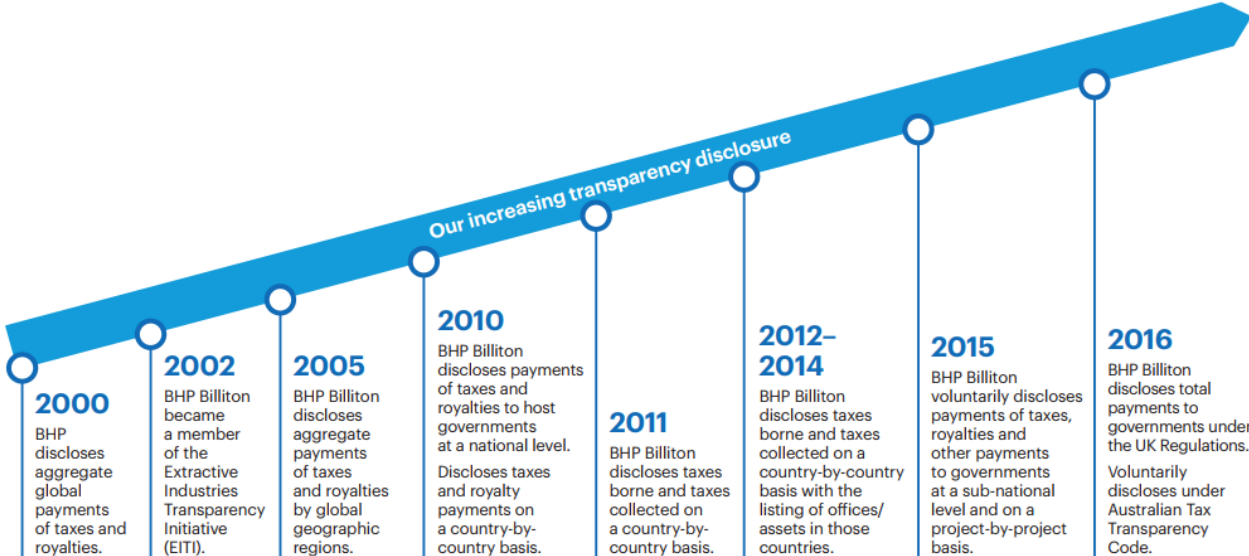
“Transparency is a critical issue for the global resources sector. The link between open governance and accountability, and the link between unaccountable governance, corruption and the loss of license to operate is clear.”

Geoff Healy

BHP Chief External Affairs Officer

Transparency helps us to build trust

We have a long-standing commitment to transparency. We are proud of the value we generate and how this contributes to building trust with the communities in which we operate.

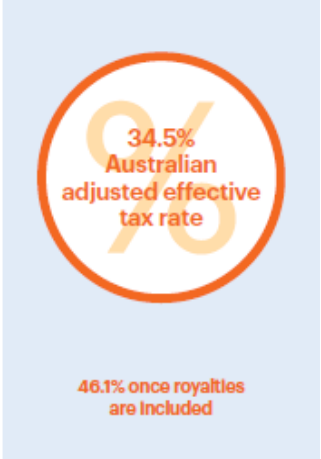


Transparency helps us have more balanced conversations with our stakeholders



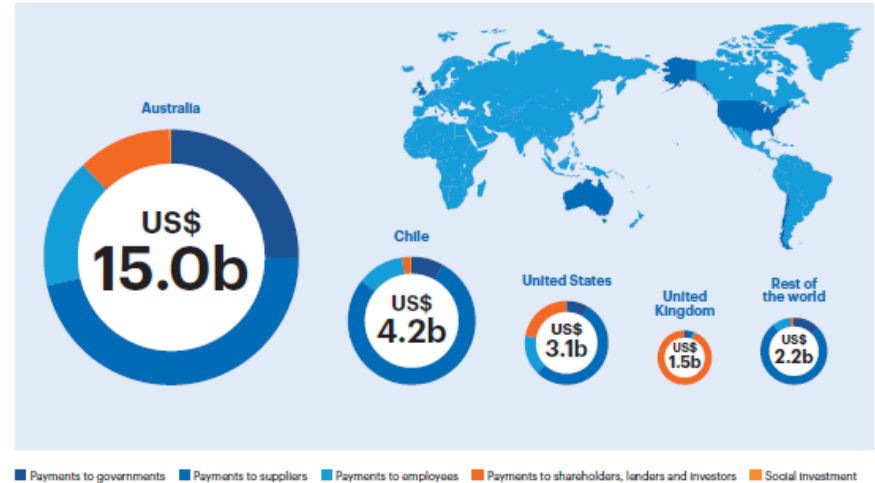
US\$3.8 billion in Australian taxes, royalties and other payments to governments

We anticipate making final corporate income tax payments in CY2017 of approximately US\$1.2 billion relating to FY2017 income. This will increase our total Australian payments to governments for FY2017 to US\$5.0 billion



We all have important roles to play

- Act transparently and report publically
- Ensure information is meaningful, practical and presented well
- Enable analysis and interpretation of the information provided



Name	Incorporation		Income taxed in another country	Nature of activities ⁽¹⁾
	Jurisdiction	Year		
BHP Billiton UK Holdings Limited	British Virgin Islands ⁽²⁾	2004	UK ⁽³⁾	Holding company
BHP Billiton UK Investments Limited	British Virgin Islands ⁽²⁾	2004	UK ⁽³⁾	Holding company
Stein Insurance Company Limited	Guernsey	1991	UK up until 30 June 2013 ⁽⁴⁾	insurance
Global BHP Copper Ltd	Cayman Islands	1994	US ⁽⁵⁾	Holding company (legacy)
RAL Cayman Inc	Cayman Islands	1986	-	Holding company (legacy)
Riocerro Inc	Cayman Islands	1991	-	Holding company (legacy)
Riochile Inc	Cayman Islands	1991	-	Holding company (legacy)
Marcona International S.A.	Panama	1953	US ⁽⁶⁾	Holding company (liquidation planned)
BHP Petroleum (Tankers) Limited	Bermuda	1990	Australia ⁽³⁾	Ownership of LNG Tankers

(1) Holding companies hold shares in other subsidiary companies. Legacy holding companies joined the Group through historic broader acquisitions.
 (2) The incorporation of these holding companies in the British Virgin Islands at that time provided greater flexibility in relation to the payment of distributions for corporations law purposes.
 (3) These companies are tax-resident in either the United Kingdom or Australia and have been since incorporation. This means all their worldwide income is subject to taxation in the United Kingdom or Australia at the normal corporate tax rates as the income is earned (not when it is repatriated).
 (4) The income of Stein Insurance Company Limited was taxed under the UK-controlled foreign company rules until 30 June 2013, when those rules changed. Further details regarding Stein Insurance Company are included in the 'Guernsey insurance company' section below.
 (5) This company is subject to taxation under the US-controlled foreign company rules. In FY2017, all of its income was subject to taxation in the United States as the income was earned (not when it was repatriated).
 (6) The type of income this company normally earns is subject to taxation under the US-controlled foreign company rules. In FY2016, all of its income was subject to taxation in the United States as the income was earned (not when it was repatriated). In FY2017, along with the normal type of income subject to taxation as earned, an uncommon distribution was made by this company out of historic earnings and was subject to US income tax when it was repatriated.

- We support:
 - EITI
 - Introduction of beneficial ownership register
 - Further voluntary disclosures such as tax haven companies

International tax policy

Our positions:

- Tax systems should be sustainable, efficient and internationally competitive
- Tax systems should balance the need for appropriate returns to governments with incentivizing investment
- Tax costs are one of the key considerations taken into account when deciding whether to invest in a project
- We support a reduction in the Australian corporate tax rate to closer to the OECD average (25 per cent)



Approach to transparency and tax

Our tax principles

Our Charter and our Code of Business Conduct define how we work at BHP. Our Charter describes our purpose and values and how we measure our success. It is the single most important means by which we communicate who we are, what we do and what we stand for, and is the basis for our decision-making. Supporting Our Charter is our Code of Business Conduct, which helps guide our daily work. It demonstrates how we practically apply the commitments and values set out in Our Charter. Our approach to tax is underpinned by Our Charter and our Code of Business Conduct and is embodied in our global tax principles. The Risk and Audit Committee of the BHP Board endorsed these principles in FY2016. From FY2018, the Committee will seek assurance each year that we have adhered to our tax principles.

The six principles set out below govern our global approach to tax:

Transparency	We are transparent about the taxes and royalties that we pay to governments because we believe that openness allows our shareholders, employees, contractors, partners, customers and communities to understand the contribution we make and have a greater ability to assess the integrity of the tax systems in the countries in which we operate.
Corporate citizenship	We act with integrity when engaging with revenue authorities to support positive and sustainable relationships. Where possible, for the purposes of obtaining certainty of our tax positions, we engage with revenue authorities on a real-time basis regarding the application of the tax law and to identify and resolve any disagreements on a timely basis.
Risk management and governance	We are committed to strong governance. We seek to identify, assess, control and report tax risks in accordance with our global risk management framework. Risks identified as material are reported to the Risk and Audit Committee.
Business rationale	Our transactions have proper commercial purposes and economic rationale. We locate business activities where value is optimally created. We seek to have a tax charge that contributes to superior business performance and delivers long-term shareholder value. Accordingly, we do not engage in aggressive tax planning.
Compliance	We respect and comply with the laws of the jurisdictions in which we operate. We meet all of our tax compliance obligations on time. Our tax obligations include pricing transactions in our global value chain according to where value is created, and economic activity occurs, in compliance with the Organisation for Economic Co-operation and Development (OECD) guidelines, and based on the arm's length principle.
Advocating reform	We support simple, stable and competitive tax rules and the principle that the taxing rights of countries should be commensurate with where the economic activity occurs. We engage in the reform process of international tax rules (including transfer pricing) and local tax rules in the jurisdictions in which we operate. We do this because we believe that tax systems should be effective, efficient and competitive, in order to support economic growth, job creation and long-term sustainable tax contributions.

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