ELLIOTT

# ELLIOTT: SHAREHOLDERS AGREE, CHANGE IS NEEDED AT BHP

**(Hong Kong, June 14, 2017) –** Elliott, a large investor in BHP, today released the following statement regarding growing calls for change from BHP shareholders as the company prepares to announce a new chairperson.

Over the past few weeks, BHP's shareholders have made clear that substantial and meaningful change is needed. That shareholder frustration is understandable considering BHP's sustained underperformance:

- **Over the past 2, 5 and 10 years, BHP has underperformed its closest peer Rio Tinto by 31%, 44% and 11% respectively.**

- **Over the past 2, 5 and 10 years, BHP has underperformed the ASX 200 Index by 21%, 78% and 39% respectively.**

- **And even over the longer term, BHP has underperformed Rio Tinto by a staggering 148% and 628% over 20 and 30 years respectively.**

BHP's weak shareholder returns do not exist in isolation. Current BHP management has used its owners' capital unwisely – destroying tens of billions of dollars in shareholder wealth on an ill-advised expansion into the U.S. onshore petroleum business. Billions more have been destroyed on share buybacks at inflated prices.

## BHP's Shareholders are Demanding a New Direction

In a note to investors, **AMP Capital**, the A$165 billion Australian fund manager, and one of BHP's largest shareholders, called on BHP to conduct an "*independent assessment*" of Elliott's proposal to unify BHP's legacy dual-listed company structure and to *"prove the worth of its US onshore business and why it is compatible in the BHP portfolio."*

And AMP Capital is just the latest example of a shareholder calling for change:

*"BHP's dual listed structure is a vestige of the diabolical Billiton transaction whilst the US shale gas foray has been even more painful. As in the case of many large companies, being big and being good are uncomfortable bedfellows."*

- **Schroders Investment Management**

*"BHP…should stick to the knitting, not flirt with diversification for its own sake (such as Potash) …It is important that…clients who are BHP shareholders and wish to signal to the Board that they want the company to urgently consider reforms which are in the best long-term interests of the company, do so in a constructive manner. That starts with accepting responsibility for the decisions of the past and resetting the Board culture and personnel for the future."*

- Note to investors from **Escala Partners**, a leading Australian wealth management firm

*"As is well known, the Chairman [Jac Nasser] is soon to retire. This provides a critical opportunity to reset the culture to one that covets capital efficiency and earnings per share growth and we hold high hopes that this opportunity will not be wasted. Further, we wonder whether enough change has taken place at the board level more broadly to make tough decisions and steer BHP back to a path of success."*

- **Tribeca Global Natural Resources**, an Australian-based alternative investment fund

*"What we would look for is purely a refreshing of the board, refreshing the board is something that needs to go on all the time and I suspect the chairman's role is key in that."*

- **Aberdeen Asset Management**

*"Shareholders have long held concerns about BHP's oil-and-gas assets. The emergence of activist investors calling for changes has encouraged healthy debate, and it is clear that BHP is taking it seriously."*

- **BT Investment Management**

**The Task of the New Chairperson: A Mandate for Change**

The impending selection of a new chairperson is an opportunity for BHP to heed the calls of its shareholders and conduct a thorough and independent re-examination of its business and its governance. Among other things, the new chairperson should have the mandate to:

- Initiate an independent review of BHP's petroleum business and explore the separation of the Company's undervalued U.S. oil and gas operations.

- Unlock BHP's massive US$10 billion franking credit balance by unifying BHP's dual-listing while maintaining BHP's Australian domicile, Australian tax residence, primary ordinary ASX share listing, and Australian headquarters.

- Develop a capital return plan that ensures that future capital allocation protects the balance sheet over the long term and prioritizes shareholder returns for BHP's owners.

- Reconstitute and refresh the BHP Board of Directors.

**Next Steps**

BHP's Board is entrusted with a task of considerable responsibility. BHP's owners are not just large funds, but hundreds of thousands of individual shareholders who own BHP shares directly or through their superannuation funds. Protecting and growing their investment is a weighty charge. For years, this BHP Board has failed in that task. BHP recently rolled out a $10 million branding campaign called "Think Big." We would prefer BHP to "Think Smart" by addressing the company's underperformance holistically and putting shareholders first.

The appointment of a strong, experienced, and visionary chairperson would be a welcomed first step for BHP. But it would only be a first step. BHP has an entrenched board, with long-tenured directors having approved the disastrous acquisitions and poorly timed share buybacks that are at the root of much of today's underperformance. A significant upgrade in directors is needed.

The way forward for the next chairperson is clear. That person will need to address the company's poor capital allocation and underperformance, nominate diverse and qualified directors, and review the executive management team. BHP's shareholders have sent a clear message to the board and management team: it is time for change at BHP.

We hope the Board will listen.

www.fixingBHP.com

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**About Elliott:**

Founded in 1977, Elliott manages two funds, Elliott Associates, L.P. and Elliott International, L.P., with assets under management totaling more than US$32.7 billion.

Elliott's investors include pension plans, sovereign wealth funds, hospital and university endowments, charitable foundations, funds-of-funds, individuals and families, and employees of the firm.

With tens of millions of beneficiary stakeholders located on five continents, Elliott's primary focus is on risk control, stability, and steady growth of capital. With 40 years of experience, it is one of the oldest hedge funds under continuous management. Today, Elliott has offices in New York, London, Hong Kong and Tokyo and employs a staff of 410 people, including 145 investment professionals.

Elliott is a multi-strategy hedge fund, carrying out a diverse range of investment activities. Its strategies include actively managed equity investments in which Elliott's objectives include promoting shareholder value and good corporate governance for the benefit of all shareholders.

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