

# Voting bulletin

BlackRock Investment Stewardship (“BIS”) will publish statements on our analysis, engagements, and vote(s) in relation to certain high-profile resolutions at company shareholder meetings. Our decisions are made public on or shortly after the day of the meeting, so interested parties can be aware of the vote when it is current.

Company	<b>BHP Group (“BHP”), dual-listed in UK and Australia</b>
Meeting Dates	BHP Group Plc Oct 17, 2019; BHP Group Ltd Nov 7, 2019
Resolution 22	Lobbying inconsistent with the goals of the Paris Agreement
Board recommendation	AGAINST
BlackRock Vote	AGAINST
Rationale	<p>BlackRock voted against the shareholder resolution because:</p> <ol style="list-style-type: none"> <li>1. BHP is an industry leader on climate-related issues;</li> <li>2. BHP’s track record, and our engagements with their management and board, give us confidence in their judgment on these issues;</li> <li>3. The ultimate goal of this resolution appears to be more targeted at the industry associations than at driving positive outcomes at BHP.</li> </ol>

## Overview

On behalf of our clients, the BIS team advocates for sound corporate governance and sustainable business practices that result in long-term value creation. We recognize that climate change presents significant business risks and opportunities that have the potential to impact the long-term value of many companies.

BHP is a natural resources company that extracts and processes minerals, oil and gas. Shareholders have over the years submitted a number of resolutions in the extractive and energy sectors relating to climate risk management and their memberships of industry associations. BHP is dual-listed in Australia and the UK; it has a shareholder meeting in each market after which voting results are aggregated.

The aims of our climate risk engagements remain two-fold: (1) to promote effective management of material climate risks, and (2) to understand how these risks are likely to impact the company’s business over time. More information on BIS’ approach to stewardship in relation to [climate risk](#) and [corporate political activities](#) are set out on our website.

## The shareholder resolution

The resolution submitted by the Australasian Centre for Corporate Responsibility (ACCR) and co-filing shareholders recommends that BHP suspends memberships of industry associations where:

- a) a major function of the industry association is to undertake lobbying, advertising and/or advocacy relating to climate and/or energy policy; and
- b) the industry association's record of advocacy since January 2018 demonstrates, on balance, inconsistency with the Paris Agreement's goals.

The validity of this shareholder resolution is conditional on the proposed amendment of the Constitution of BHP Group Ltd (resolution 21) being passed by the required majority (75%).

## Rationale for BlackRock vote

### BHP is an industry leader on climate-related issues

BIS has been in regular dialogue with BHP for many years on a wide range of governance issues, including climate risk and lobbying activities. In line with our stated approach<sup>1</sup>, we have engaged with representatives of both BHP and the shareholder proponents on several occasions as part of our analysis.

Recognizing the importance of climate-related risks, BHP discloses how it monitors and analyzes the potential impacts on its business<sup>2</sup>. Upon analysis and engagement, our assessment is that BHP is taking steps to both manage and, where possible, mitigate climate-related business risks and monitor portfolio resilience. The company is a recognized leader<sup>3</sup> in the mining industry for its commitments to climate-risk management.

BHP significantly strengthened its climate-related ambitions in July 2019 through a series of commitments that include:

- a USD400m Climate Investment Program to develop technologies to reduce emissions from its own operations as well as those generated from the use of its resources;
- a new medium-term, science-based target for scope 1 and 2 emissions in line with the Paris Agreement;
- a new climate-risk portfolio analysis report;
- a strengthening of the link between executive remuneration and greenhouse gas emissions performance; and,
- a commitment to set public goals to address scope 3 emissions.

### BHP's track record, and our engagements with their management and board, give us confidence in their judgment on these issues

BHP has shown us that it takes a balanced approach to its affiliations with industry associations. BHP has committed to undertake another review of the lobbying positions relating to climate and energy policy by the industry associations in which it participates<sup>4</sup>. Membership of industry associations, including the Minerals Council of Australia (MCA) and the US Chamber of Commerce, affords BHP the ability to positively influence these organizations and share insights into best practice on a wide range of issues, including environmental management, community and social development, and employee health and safety.

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1. For more information about our process and perspective on shareholder resolutions, refer to page 10 of [BlackRock Investment Stewardship 2018 annual report](#).  
2. <https://www.bhp.com/our-approach/operating-with-integrity/climate-change-portfolio-analysis>  
3. BHP achieved a place on the 2018 CDP Climate Change A List and is rated 4 (highest level) by the Transition Pathway Initiative (April 2019).  
4. 2019 Industry Association Review: <https://www.bhp.com/our-approach/operating-with-integrity/industry-associations-bhps-approach/2019-industry-association-review>

BHP has not ruled out cutting ties with some industry associations in the future if necessary, as it did with its exit from the World Coal Association in 2017, and has acknowledged some differences between its views and those of some industry associations in relation to their respective positions on climate change, including the Minerals Council of Australia and Coal 21.

Acknowledging investors' feedback, BHP will include Coal 21 in its next industry association review to be published in Q4 2019 while also working to strengthen the association's oversight by seeking board representation. BHP has introduced an expectation that industry associations: (1) publish a statement (to be updated annually) outlining its climate and energy policy position; and (2) update BHP on steps taken in line with the policy position.

Finally, the implementation of the resolution does not consider the comprehensive benefits of participation in these industry bodies and the policy implications of not actively participating in these types of industry-wide collaborative dialogues.

The ultimate goal of this resolution appears to be more targeted at the industry associations than at driving positive outcomes at BHP

Requiring BHP to leave an industry association on a policy-related misalignment could lead to unintended consequences for BHP. Taking such a simplistic and binary approach would deprive the associations and the industry of benefitting from BHP's leadership on these issues, to re-align the associations' policies more closely with the ultimate objective of tackling climate change.

## Conclusion

For these three reasons, BIS did not support the shareholder resolution on lobbying activities (resolution 22) at the BHP 2019 annual general meetings.

We will continue to engage with the management and board of BHP on a range of material issues of economic relevance, not just limited to climate-related risks, and regardless of whether the company receives a shareholder resolution. BIS will continue to encourage BHP – and all the companies with which we engage – to make further progress on climate-related issues, holding them to their commitments through our ongoing dialogue with the management and board of directors.

## Our climate risk engagements in the year to June 2019<sup>5</sup>

**207** Total number of companies BlackRock's investment stewardship team met with globally on climate risk

**34** Companies engaged multiple times globally

**11** Global Industry Classification Standard (GICS®) sectors engaged

### Additional resources

[2019 BIS Engagement priorities](#)

[2019 BIS Approach to engagement on climate risk](#)

[2019 BIS Annual Stewardship Report](#)

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5. [2019 Investment Stewardship Annual Report August 2019](#)