

Voting Bulletin: BHP Group Plc/Limited

As part of our fiduciary duty, BlackRock’s Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our [engagement priorities](#) based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The BIS team’s key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions on key votes at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	BHP Group Plc/Limited
Market	Dual-listed in the United Kingdom and Australia
Meeting Date	BHP Group Limited: 14 th October 2020 and BHP Group Plc: 15 th October 2020
Key Resolutions ¹	Item 23: Amend Constitution of BHP Group Limited Item 25: Approve Review of Advocacy Activities and Suspension of Memberships of Industry Associations where COVID-19 related Advocacy is Inconsistent with Paris Agreement Goals
Board Recommendation	The board recommends shareholders vote AGAINST these proposals
BlackRock Vote	BIS voted AGAINST Item 23 and voted FOR Item 25

¹ Meeting information can be accessed at: <https://www.bhp.com/investor-centre/shareholder-information/meetings/>

Overview

BHP Group Plc/Limited (BHP) engages in the exploration, development, production and processing of iron ore, metallurgical coal, copper, oil and natural gas. BHP is headquartered in Melbourne, Australia, and operates under a dual-listed Company structure with two parent companies (BHP Group Limited and BHP Group Plc), but functions as a single economic entity.

BIS regularly reviews BHP's governance structure and risk profile. We have engaged with members of BHP's board and management over a dozen times since 2018. We have discussed a range of material environmental, social and governance issues, including climate-related risks and opportunities, operational sustainability, human capital management and industry associations. BIS acknowledges BHP's leadership position on many of these issues.

BHP received three shareholder proposals at this year's annual general meetings (AGMs) submitted by the Australian Center for Corporate Responsibility (ACCR): Item 23 to Amend Constitution of BHP Group Limited; Item 24 to Adopt Interim Cultural Heritage Protection Measures which has subsequently been withdrawn; and Item 25 to Approve Suspension of Memberships of Industry Associations where COVID-19 Related Advocacy is Inconsistent with Paris Agreement Goals.²

Item 23: Amend Constitution of BHP Group Limited

As required under Australian voting rules, a resolution calling for an amendment to the company's constitution is first necessary to allow for the subsequent non-binding resolution (25) to be voted upon. A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution.

Item 25: Approve Suspension of Memberships of Industry Associations where COVID-19 Related Advocacy is Inconsistent with Paris Agreement Goals

Shareholders request that the Board undertake, as soon as practicable, a review of advocacy activities undertaken by our company's Industry Associations relating to economic stimulus measures in response to COVID-19. Shareholders recommend that our company suspend, for a period deemed suitable by the Board, membership of Industry Associations where the review demonstrates, on balance, a record of advocacy inconsistent with the Paris Agreement's goals. Nothing in this resolution should be read as limiting the Board's discretion to take decisions in the best interests of our company.

Rationale for BlackRock's vote

Item 23: Amend Constitution of BHP Group Limited (AGAINST)

BlackRock is not generally supportive of this type of constitutional amendment resolution, as the relative ease of the filing process increases the risk that these types of proposals are potentially distracting, time-consuming or are submitted by shareholders whose interests may not be necessarily aligned with those of the broader shareholder base.

Item 25: Approve review of advocacy activities and suspension of memberships of industry associations where COVID-19 related advocacy is inconsistent with Paris Agreement Goals (FOR)

The expectations of, and material implications for, companies with respect to the energy transition and climate change continue to evolve rapidly. There is ever greater recognition of the increased investment risk presented by climate-related risks, and the urgency needed to address them. BIS' engagement and voting policies are

² See <https://www.bhp.com/-/media/documents/investors/annual-reports/2020/bhpnoticeofmeetingplc2020.pdf>

consequently focused on encouraging companies to continue to develop their disclosures and corporate strategies in line with these imperatives.

The proposal asks the company to be rigorous in its assessment of the policy positions of the industry associations of which it is a member, encouraging it to develop and further enhance its “climate leadership” strategy. Given the global pandemic and resulting economic uncertainty, this is increasingly an important matter for companies’ resilience and long-term financial performance.

In BIS’ [vote bulletin](#) on the 2019 BHP AGM, we highlighted BHP as “an industry leader on climate-related issues.” That view remains unchanged. BHP’s climate standards go beyond the Paris Agreement Goals.³ The company is also investing in technologies to help customers reduce emissions, making it one of the few mining companies to actively address Scope 3 emissions.

The company has also demonstrated leadership among its peers regarding transparent management of industry associations. Since 2017, it has conducted regular and comprehensive reviews of industry associations on climate and energy policies in which it holds an active position.⁴ This process includes explicitly naming the industry associations of which it is a member and identifying any misalignment on key positions.

In 2017, BHP left the World Coal Association after identifying material differences with its own climate and energy policy positions.⁵ More recently, the company suspended its membership of the Queensland Resources Council.⁶ These actions demonstrate BHP’s willingness to act when it identifies material dissonance between its position and those of its industry associations. BIS believes these actions, and the company’s continued efforts to monitor its trade associations,⁷ show that BHP recognizes the business risk of policy position misalignment.

On balance, BIS supported the shareholder proposal (Item 25) to signal the importance of the opportunity for BHP to continue to use its leadership position to constructively influence its trade associations to further advance the global energy transition. As support for this resolution is not a signal of dissatisfaction, BIS has not voted against any members of BHP’s Board of Directors, which would typically be our approach to flag significant concerns around a company’s management of material ESG issues.

BlackRock Fundamental Active Equity (FAE) Vote Rationale

BIS is strategically positioned as an investment function and interfaces with BlackRock’s various portfolio management groups, including the fundamental active equity (FAE) team. BIS confers with, and engages alongside, FAE portfolio managers where an issue is closely related to long-term shareholder value, e.g. deciding how to vote on a material financial transaction. To enable FAE portfolio managers to execute votes in a manner consistent with their view of what is in the best interests of the clients invested in their funds, they have full discretion to vote the shares in the funds they manage based on their own analysis of the economic impact of a particular ballot item.

³ BHP supports the aim of the Paris Agreement to limit global warming to well below 2°C above pre-industrial levels, and pursue efforts to limit warming to 1.5°C. See <https://www.bhp.com/media-and-insights/news-releases/2020/09/bhp-climate-change-briefing/>

⁴ See https://www.bhp.com/-/media/documents/ourapproach/operatingwithintegrity/industryassociations/171219_bhpindustryassociationreview.pdf?la=en

⁵ See <https://www.bhp.com/media-and-insights/news-releases/2017/12/bhp-releases-industry-association-review/>

⁶ BHP suspended its membership in the Queensland Resources Council because of its disagreement with the association’s “anti-green party” advertising approach during the current Queensland Election Campaign. For more information, see https://www.bhp.com/-/media/documents/ourapproach/operatingwithintegrity/industryassociations/201006_statementonthequeenslandresourcescouncil.pdf?la=en

⁷ BHP recently published a new Global Climate Policy Standards, which detail a mechanism to disclose its determination about possible misalignment between key positions of an association and the company in real time. For more information, see https://www.bhp.com/-/media/documents/ourapproach/operatingwithintegrity/industryassociations/200814_globalclimatepolicystandards---aug20.pdf?la=en

The FAE team voted against Item 23 for the reasons consistent with those outlined above.

The FAE team was also aligned with the views of BIS regarding BHP's track record relating to Item 25, in terms of the company's industry-leading approach to climate risk management, its Global Climate Policy Standard, and its transparent communication around how it manages relationships with industry associations, in particular how it has shown that it will take action when an association acts counter to its policies.

FAE has confidence in BHP's strong credentials and industry leadership on the issues in question under Item 25, and voted the shares held in its portfolios against the proposal.