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Dear Shareholder,

## BHP Annual General Meetings

In the lead-up to BHP's AGMs, I am writing regarding recent developments and the resolutions in our Notice of Meeting.

In particular, I want to draw your attention to the Board's view on three shareholder-requisitioned resolutions. These relate to cultural heritage protection and membership of industry associations.

In light of the current circumstances relating to COVID-19 and travel restrictions, we will unfortunately not be holding this year's AGMs in person in the usual way, and further information is set out in the Notice of Meetings on the virtual arrangements. However, shareholder engagement is a key part of BHP's overall approach to governance and as a result, alternative engagement opportunities are being provided this year:

- UK Retail Shareholders Forum: 23 September
- Sustainability Roundtables Investor meetings: 22 and 23 September
- BHP Live Shareholder event: 7 October

UK shareholders are also invited to participate in, and ask questions at, the Limited virtual AGM.

## Shareholder resolutions

The Company has received three resolutions from shareholders in BHP Group Limited representing approximately 0.01% of the shares on issue in BHP Group Limited (and approximately 0.006% of the shares on issue in the combined BHP Group). The resolutions request:

- an amendment to BHP Group Limited's constitution to allow for 'advisory' resolutions;
- BHP take certain interim steps in relation to Indigenous cultural heritage in Australia; and
- a review of advocacy activities undertaken by BHP's industry associations relating to economic stimulus measures in response to COVID-19 and a suspension of membership of industry associations where the review demonstrates, on balance, a record of advocacy inconsistent with the Paris Agreement's goals.

The Board has formed the view that, in their entirety, the resolutions are not in the interests of shareholders of BHP as a whole and therefore recommends that shareholders vote **against** Items 23-25. Some of the key considerations are set out below.

### Constitutional amendment

The proposed amendment to the Constitution of BHP Group Limited would allow advisory resolutions to be put forward without the level of limitations, thresholds and regulatory oversight required in other jurisdictions. For example, in the United States, rules adopted by the Securities and Exchange Commission provide a framework to ensure that shareholder resolutions are regulated (e.g. to prevent duplicate resolutions, resolutions designed to redress a personal grievance against the company, and resolutions dealing with a matter that the company has already substantially implemented). In the United Kingdom, under widely used constitutional provisions, shareholder resolutions must be structured as special resolutions (requiring a 75 per cent majority vote) and must be 'directive' rather than 'advisory'.

We believe that a change in the requirements relating to shareholder-requisitioned resolutions is a matter for the Australian Government, taking into account appropriate limitations and thresholds and with any change applying to all Australian companies. I note that the Australian Council of Superannuation Investors (ACSI) has similarly concluded that this matter is best addressed through law reform rather than company-by-company constitutional amendments.

#### Resolution on cultural heritage protection

The Board and the Company have a deep respect for Indigenous peoples and their cultures and believe that strong partnerships with Indigenous peoples are essential for BHP's business. The Board acknowledges the critical importance of the protection of Indigenous cultural heritage.

BHP's approach to cultural heritage reflects its overall approach to social value<sup>1</sup> and is driven by the commitments that it has made in BHP's Indigenous Peoples Policy Statement<sup>2</sup>, the BHP Indigenous Peoples Strategy<sup>3</sup> and BHP's Reconciliation Action Plan<sup>4</sup>, and by BHP's support for the Uluru Statement from the Heart.

BHP supports the reform of cultural heritage laws in ways that enhance the consideration of the views of traditional owners, and has expressed this view in formal submissions to relevant government inquiries and reviews in Australia.<sup>5</sup>

BHP has listened to Australian Indigenous leaders at a local, state and national level. We have clarified our commitment and approach to cultural heritage management and have taken on board lessons that will strengthen that approach.<sup>6</sup>

BHP has confirmed to relevant Traditional Owners that, consistent with usual practice, we will not act on existing section 18 approvals from the WA Government without further extensive consultation with Traditional Owners. This includes heritage surveys and engagement with Traditional Owners in the early stages of mine planning to ensure that our agreements – in particular on the areas where BHP can and cannot mine – are based on informed consent. It also includes ongoing consultation with Traditional Owners as the project develops, including after any section 18 approval. Consistent with this, and as our track record demonstrates, the grant of a section 18 approval does not mean that a site will be disturbed – we continue to consult on avoidance and mitigation of these sites.

In relation to BHP's most recent section 18 approval, the South Flank project in Western Australia, BHP and the Traditional Owners of this land have reached a mutually acceptable way forward regarding the management of cultural heritage, consistent with our agreement with those Traditional Owners.<sup>7</sup> We have also confirmed that all Traditional Owners have the right to speak freely and publicly on matters relating to their culture and their cultural heritage.

BHP is also engaging directly with the First Nations Heritage Protection Alliance, who supported the resolution, to agree a set of principles that further refine BHP's approach to partnering with Indigenous Peoples consistent with the principle of self-determination, and management of cultural heritage including objects and artefacts. BHP continues to work with the Alliance on these principles and in support of law reform.

These actions reflect BHP's longstanding commitment to effective partnership with Indigenous Peoples and Traditional Owners and will further strengthen these relationships and our joint efforts to manage cultural heritage to the highest possible standards.

Some investors have asked "how is our approach different?" While we are by no means complacent, and will continue to look for opportunities to enhance or approach, our Notice of Meeting outlines key aspects of BHP's approach in three areas which are different from what appears to have occurred at Juukan Gorge:

<sup>1</sup> <https://www.bhp.com/media-and-insights/reports-and-presentations/2019/10/social-value-briefing/>

<sup>2</sup> <https://www.bhp.com/our-approach/operating-with-integrity/indigenous-peoples/bhp-indigenous-peoples-policy-statement/>

<sup>3</sup> [https://www.bhp.com/-/media/documents/ourapproach/operatingwithintegrity/indigenouspeoples/170622\\_bhpbillitonindigenouspeoplesstrategy.pdf?la=en](https://www.bhp.com/-/media/documents/ourapproach/operatingwithintegrity/indigenouspeoples/170622_bhpbillitonindigenouspeoplesstrategy.pdf?la=en)

<sup>4</sup> [https://www.bhp.com/-/media/documents/ourapproach/operatingwithintegrity/indigenouspeoples/180717\\_bhpconciliationactionplan.pdf?la=en](https://www.bhp.com/-/media/documents/ourapproach/operatingwithintegrity/indigenouspeoples/180717_bhpconciliationactionplan.pdf?la=en)

<sup>5</sup> <https://www.aph.gov.au/DocumentStore.ashx?id=006636ed-0a3b-48bb-a5ce-b40b7d587e31&subId=690867> and <https://www.dplh.wa.gov.au/getmedia/e007e7e9-8e14-4d28-a883-36b6dd18698f/Stage-2-Submission-061-BHP#:~:text=BHP%20supports%20the%20proposal%20to%20create%20a%20tiered%20assessment%20process.an%20impact%20on%20heritage%20values.&text=This%20decision%20should%20provide%20a,on%20any%20Aboriginal%20heritage%20values.>

<sup>6</sup> <https://www.bhp.com/media-and-insights/news-releases/2020/09/bhp-agreements-with-traditional-owners-in-australia/>

<sup>7</sup> <https://www.bhp.com/media-and-insights/news-releases/2020/09/banjima-elders-to-advise-on-south-flank-heritage/>

1. **Structure:** BHP's Heritage team sits within a broader Planning and Technical team within the Operations, which is also responsible for mine planning. This structure is designed to ensure that heritage matters are closely integrated with the Operations and, in particular, the mine and project planning processes.
2. **New information:** BHP maintains heritage information databases that record detailed information in relation to heritage sites and consultations with Traditional Owners. These databases are updated in real time to reflect new information and allow for up to date information to be shared with other teams that rely on heritage data. In Western Australia, BHP has had a long-standing requirement for an internal approval from the Heritage team before any land disturbance occurs (irrespective of prior consultation or approvals). This internal approval is only valid for a period of 12 months, after which it must be refreshed. This refresh process acts as an ultimate backstop to ensure that any new information – that emerges after an approval to disturb a heritage site is granted (including information that increases the significance of a heritage site) – is taken into account before any impact occurs.
3. **Consultation and Approvals:** BHP has introduced a requirement for more senior level approval, including from the Asset President and Head of Indigenous Engagement, before any impact may occur and, consistent with our normal processes, BHP has confirmed that it will continue to consult with Traditional Owners on any existing section 18 approvals.

In these circumstances, the Board does not support the resolution put forward. The Board has a particular concern that the moratorium sought through the resolution has the effect of overriding, or seeking to apply irrespective of, agreements between Traditional Owners and BHP on the management of cultural heritage, such as the agreement referred to above with the Traditional Owners of the land on which the South Flank project is located. The Board also considers that parts (b) and (c) of the Resolution are not necessary given BHP has confirmed that Traditional Owners have the right to speak freely and publicly on matters relating to their culture and their cultural heritage, and have confirmed their expectations with Industry Associations on advocacy in relation to cultural heritage.

#### Resolution on industry association lobbying relating to COVID-19 recovery

As many investors will be aware, following publication of our 2019 industry association review, we commenced a process to understand how we could:

- Further enhance our overall approach to industry associations to ensure we maximise the value of our memberships; and
- Take further steps to address investor expectations around climate-related advocacy by industry associations.

To help inform our thinking in this regard, we engaged on a number of occasions with a broad range of stakeholders from across the world, including investors and investor ESG organisations, civil society groups, other multi-national companies and industry associations. We used these consultations as a source of insight, and to test and shape key concepts, and the final outcome was welcomed by both the Australian Council of Superannuation Investors and Climate Action 100+.

Following this consultation process, we announced on 14 August 2020 a series of changes to our approach: In summary, the changes are:

- We published our [Global Climate Policy Standards](#), which are intended to provide greater clarity on how the Company's policy positions should be reflected in association advocacy. Key aspects of the standards include:
  - support for Paris-aligned emissions reduction targets, with a focus on achieving net zero global emissions by 2050;
  - achieving abatement at least cost (e.g. through carbon pricing, market mechanisms and technology neutral frameworks); and
  - ensuring advocacy is balanced (i.e. not emphasising costs of emissions reduction without giving due consideration to the costs of inaction) and fact-based, and avoids areas that may be seen to unduly exacerbate policy tensions (e.g. the use of 'Kyoto carryover credits').

- Asking the minerals sector associations of which we are a member in Australia to agree a Protocol for the allocation of advocacy accountabilities at the national and state levels.
- Asking key associations in Australia to each publish an Annual Advocacy Plan, outlining their advocacy priorities for the coming year.
- Enhancing our own disclosures on industry associations – including adopting a model of ‘real time’ disclosure if material departures from the Standards are identified.

Our Principles for Participating in Industry Associations provide for a range of actions that BHP could take if we identify a material departure, up to and including exiting from an association. This range of actions is consistent with that set out in ‘European Investor Expectations on Corporate Lobbying on Climate Change’. Further detail is available [here](#).

We therefore consider that the substance of the third shareholder resolution incorporates what the Company has been doing since 2017 and has promised to do following this extensive recent engagement process.

In addition, the resolution does not provide a complete or accurate account of benefits that BHP has received from its membership of industry associations during the COVID-19 pandemic.

### **COVID-19**

The COVID-19 pandemic continues to have a profound impact in our host nations and markets around the world.

Despite the unpredictable nature of the pandemic, BHP’s response has remained strong. Our people stepped up and quickly adopted measures to keep themselves, their families and the communities where we operate, safe and well. Their steadfast commitment has meant we have been able to keep our operations running safely and continue to contribute to local economies, through the jobs we create and the taxes and royalties we pay.

As a result, in FY2020, BHP has not needed to furlough any employees without pay, has not sought any government assistance, and has continued to deliver strong and consistent returns to shareholders. In addition, BHP has been especially conscious of contributing to the communities in which we operate, by doing all we can to keep employees, their families and their communities safe and healthy. BHP took action to slow the spread of COVID-19 into the workforce by investing in more transportation capacity, restricting travel to the operations and protecting at-risk workers. BHP has also created hundreds of additional operational jobs across our Minerals Australia business, funded local health and social programs in the communities where BHP operates, and for the Company’s small, local and Indigenous suppliers, BHP reduced the time taken to pay their invoices to help address the financial stress they might otherwise face as a result of the pandemic.

### **Remuneration outcomes**

There were significant costs and other impacts of COVID-19 to BHP’s financial results for FY2020. The direct costs have been recorded as an exceptional item in the financial statements. Nevertheless, the Remuneration Committee concluded that, while these COVID-19 related costs were outside the control of management, they, together with the volume impacts of COVID-19, should flow through to the financial measures for annual scorecard purposes, thereby reducing the remuneration outcome for executives. The Committee considered this was appropriate in light of the global impacts of the COVID-19 pandemic.

In relation to the annual scorecard outcomes, HSEC performance was strong, with no fatalities as well as improvements in all key safety indicators. However, while operational and financial performance was strong, performance fell slightly short of the stretching targets set at the commencement of the year.

Overall, the CEO annual scorecard outcome was determined at 96% of target (or 64% of maximum). The short-term incentive pool applicable to the majority of BHP employees below the ELT level for FY2020 was above target. This was considered appropriate and due recognition, given the excellent performance across BHP’s whole workforce in the face of the COVID-19 pandemic, including strong safety performance and operational continuity.

The vesting outcome for the 2015 Long-term Incentive Plan against the relative TSR performance conditions was 48%, and this is the first vesting under the program since 2014. BHP outperformed the sector peer group significantly, but did not meet the performance threshold for vesting against the MSCI World index.

Consistent with prior practice, the Board and Remuneration Committee have conducted a holistic review of performance over the prior five years since grant to ensure this level of vesting was appropriate.

We believe the remuneration outcomes for FY2020 reflect an appropriate alignment between pay and performance during the year, and are also fair in terms of the global context in which decisions have been made. Further information on remuneration is set out in a shareholder letter from Susan Kilsby, Remuneration Committee Chair, which is available [here](#).

### **Succession planning**

The Board currently has 11 members, including the CEO. I am a proponent of a relatively small Board. However, for a company like BHP, which has four key Board committees, a Board size of 10 to 12 is appropriate. In addition, diversity remains a focus, and BHP has an aspirational goal to achieve gender balance by 2025.

We have previously stated that we were searching for an additional Non-executive Director with mining experience. Gary Goldberg, who has more than 35 years of global mining industry experience, including in executive, operational and strategic roles, joined the Board on 1 February 2020.

When we updated our Board Skills and Experience Matrix in 2018, we identified a need to further deepen the understanding of technology on our Board, and we focused on attracting that experience. As a result, in May 2020 we announced the appointment of Dion Weisler and Xiaoqun Clever.

Dion Weisler was appointed with effect from 1 June 2020. Dion has extensive global executive experience, including in chief executive officer and operational roles. He served as the President and Chief Executive Officer of HP Inc. from 2015 to 2019. He has public company board experience, having recently joined the board of Intel Corporation and as a Director of Thermo Fisher Scientific, Inc. since 2017 and HP Inc. from 2015 until 2019.

Xiaoqun Clever will join the Board on 1 October 2020. Xiaoqun has over 20 years of global experience in technology with a focus on software engineering, data and analytics, cybersecurity and digitalisation. She held various roles with SAP SE, Ringier AG and ProSiebenSat.1 Media SE. She currently serves on the board of Capgemini SE, Infineon Technologies AG and Amadeus IT Group SA. This experience in technology, including in China, will enable her to make significant contributions in relation to the execution of BHP's strategy and risk management.

We also recently announced that Christine O'Reilly will join the Board effective 12 October 2020. Christine has broad strategic, financial and operational experience from her extensive executive and non-executive roles across diverse industries. Her executive career included 30 years' experience in both financial and operational entities, including as the Chief Executive Officer of the GasNet Australia Group and as Co-Head of Unlisted Infrastructure Investments at Colonial First State Global Asset Management. Ms O'Reilly is currently a Non-executive Director of CSL Limited, Stockland Limited, Medibank Private Limited and the Transurban Group, and will retire from the Boards of Transurban Group and CSL Limited at the conclusion of each of their 2020 Annual General Meetings.

### **Further information**

Should you wish to discuss any of these issues in greater depth, please contact our governance team (details below).

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Yours sincerely,



**Ken MacKenzie**  
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