Social value in action

Presentation & speech

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Caroline Cox, Chief Legal, Governance and External Affairs Officer

I start by acknowledging the traditional custodians of the land I’m on today, the Wurundjeri people of the Kulin Nation, and acknowledge that across the world, our operations are on or near the custodial lands of First Nations people.

I pay my respects to their Elders, past and present, and extend that respect to any First Nations people joining us today.
Three years ago, we introduced to the market the initial details of our commitment to social value.

Today I’ll update you on our progress in embedding that commitment into our thinking, planning and performance; and share with you important new initiatives that further sharpen our focus, and provide transparency on our goals and outcomes.

There are three key developments I will cover:

1. the first, is our new social value framework which sets out 6 social value priorities based on where we can have the most impact, and what will deliver business and shareholder value;

2. second, I will take you through our first ever social value scorecard which includes 2030 goals, metrics and milestones, which we will report against annually; and

3. finally, I’ll update you on how we are integrating social value into everything we do at BHP.

I believe strongly in the criticality of this work.

I grew up in small town Alberta, Canada, and experienced first-hand the very real impact that corporates can have on the landscape, and people’s lives. I saw that again a couple of weeks ago when I was back in Canada visiting our Jansen project in Saskatchewan, and spent time with community members, suppliers and government.

These engagements reinforced my experience and belief that listening and working in partnership can produce outcomes that benefit people, the planet, and our business. While I was there, the Premier of Saskatchewan, Scott Moe, reflected on the Jansen project.

He said, ‘BHP’s presence means opportunity – opportunity that will ripple through the province for generations to come’.

All driven by a spirit of genuine partnership, not transactional interactions.

This lies at the heart of what we’re here to talk about today, and reflects our move from social licence to social value. It’s about running our business in a way that delivers long term, sustainable value and opportunity; for BHP, our shareholders, and the broader community.
Purpose

Social value starts with our Purpose: to bring people and resources together to build a better world.

The commodities we produce are essential to everyday life.

From infrastructure that connects us globally, to providing the fundamental ingredients for renewable energy and decarbonisation, and food security.

Beyond supporting these critical global needs, we provide significant economic contribution to the communities and countries where we operate.

In FY21, we contributed more than 40 billion US dollars in wages, taxes, royalties, dividends, and payments to suppliers.

The benefits derived from BHP’s commodities, and how we produce them are the cornerstone of our Purpose, and social value.
Social value

Social value is:

- BHP’s positive contribution to society – to our people, partners, the economy, the environment, local communities and shareholders.

- All anchored in enduring, mutually beneficial and trusting relationships.

This commitment is being built into our strategy, and the thousands of decisions we make every day.

We recognise that decisions we make have the potential to positively or negatively impact those around us, and the environment.

Our aim with social value is to be deliberate and proactive in taking into account social and financial impact in the choices we make.

Doing this well is essential to better business outcomes and long-term shareholder value.
Some of you will have seen this slide in our previous social value briefing.

On the right, you will see the outcomes – the competitive advantage – that comes from embedding social value.

In short, it comes down to access. I’ll give you a couple of recent examples:

• First, on access to resources
  – We recently received approval from the Western Australian water and environmental regulator to increase capacity of our iron ore operations up to 330 million tonnes per annum. The application considered the views and interests of communities, the environment, and the workforce. Gaining this licence gives us flexibility to execute options for growth in response to positive market scenarios.
  – Another very recent example is the 100 million Canadian dollar commitment we received two weeks ago from the Canadian Federal Government for innovation at our Jansen project. In doing so, the Canadian Prime Minister and his Minister of Innovation, Science and Industry, made the link between this funding and our commitment to low greenhouse gas emissions, sustainable mining and Indigenous partnerships.

• Second, access to partners and markets
  – Producing some of the lowest carbon intensity nickel in the world, has allowed us to enter into supply agreements with customers like Tesla and Toyota.

• Thirdly, access to the best talent
  – People are at the core of our business.
  – Diversity unlocks better safety, productivity and innovation and… our commitment to sustainability attracts talent and drives higher levels of engagement.

• Finally, on access to capital
  – We know all these elements are important to our investors, and will increase our access to equity and debt markets.

Essentially, the commodities we produce and how we produce them are our resume – they will open the door to future opportunities, partnerships, capital and talent.
Our commitment to sustainability is not new. It is one of our Charter values.

This slide reflects the steps we have taken over a number of years.

Take climate – in 1998, we were one of the first large companies to publish our operational greenhouse gas emissions performance; and a year ago, we were the first company in Australia to put forward a ‘Say on Climate’ vote on our climate transition action plan (or CTAP), which received close to 85% shareholder support.

On diversity, we were the first resources company to set an aspirational goal of gender balance by 2025.

When we set this goal in 2016, we had around 17% women – today, we are sitting at 32%.

As you will see on the slide – over the same period, we have continued to deliver strong returns to shareholders.
And we have delivered tangible outcomes.

On safety, we have been fatality free for over three years.

On environment, our freshwater withdrawals have reduced by nearly 30% since FY17, approximately double our target.

On decarbonisation, our operational greenhouse gas emissions have dropped 20% since FY20 and we expect to spend around four billion US dollars through to 2030 to further reduce our emissions.

We also continue to work across the value chain to reduce scope 3 emissions including partnering with four steel producers in Asia representing around 12% of reported global steel production on research and development aimed at decarbonising the steel sector.

And finally, over and above our other contributions, we continue to set aside at least 1% of profits for local community and environment projects, and to support the BHP Foundation which invests in sustainable development projects around the world.

A highlight of the Foundation’s work is the 10 Deserts project which is the largest network of Indigenous-led conversation areas in the world, covering an area one third of the size of Australia.
With this strong foundation, I saw how social value resonated with employees and broader stakeholders when I came into my role.

I also saw the opportunity to take this to the next level.

We can have more impact, and move faster with greater discipline and consolidation of our efforts, focussing on where we can 1) have the most impact and 2) what will drive business outcomes, such as access to customers and resources.

Taking this into account, and feedback from stakeholders and investors, we identified 6 focus areas which form the basis of our new social value framework approved by our Board.

The 6 pillars as you will see are:

- Decarbonisation
- Healthy environment
- Indigenous partnerships
- Safe, inclusive and future ready workforce
- Thriving, empowered communities; and
- Responsible supply chains

This new framework provides direction.

Direction to all of us at BHP on where to focus our efforts and investments in order to deliver positive social value impact, and business value.

This is a step forward and adds rigour and discipline to our efforts.
Building on this framework, I am delighted to launch our new social value scorecard.

This is a first for us. It provides clarity to our teams on our ambitions and importantly, allows us to measure progress, transparently report, and hold ourselves to account.

At its core, this scorecard represents an emphasis on partnership, listening and co-design recognising that it is not for us alone to decide what is of value to communities or the environment, and that addressing challenges like climate change require collaboration.
The scorecard has three components.

On the top line here, you see the new 2030 goals. Each contributes to relevant UN Sustainable Development Goals. Decarbonisation will be familiar to you from the CTAP we released last year and encompasses our existing targets and goals.

The rest, however, are new, including our 2030 goal to create nature positive outcomes on 30% of the land and water we steward, and our goals to co-create plans with communities and Indigenous partners.

Under each goal, we have defined key metrics to map progress. These metrics are not targets, but rather indicators to show how we’re tracking against the goals.

A few key points about these metrics:

- First – this is an initial iteration – these metrics will evolve and mature over time.
- Second – as mentioned, we are capturing partner views as a metric (for example communities and customers), rather than just self-assessing.
- Third – some are future metrics. For example, under the Healthy Environment pillar, we’ve outlined that we will establish natural capital accounts to measure our performance towards our nature positive outcomes goal. So while this isn’t there now, it shows where we are headed.
- Finally – we have included initial milestones for FY23 and FY24. These will also continue to evolve, with new milestones added as we progress.

We will disclose our performance against this scorecard each year as part of our Annual Report.

I now want to provide more detail on a couple of these pillars – Healthy Environment and Indigenous Partnerships.

I am pleased to introduce you to Vice President Environment Anne Dekker who has over 30 years’ experience in environmental management.

Anne will give you an overview of our healthy environment goal. Over to you Anne.
Anne Dekker, Vice President Environment

Thanks Caroline, it is great to be here today.

BHP has an aspiration to become a nature positive company.

There are a number of actions we would take to underpin this.

Today, I’m excited to announce one of the most significant actions we will take on this journey – our 2030 healthy environment goal.

We will focus on the creation of nature positive outcomes by having at least 30% of the area of land and water we steward under nature positive management practices.

So why are we focusing on ‘nature positive’?

The World Economic Forum has identified biodiversity loss as one of the greatest global risks.

Scientists tell us that to halt and reverse species loss and protect vital ecosystems that are the foundation of our economic security, we need to put nature on the road to recovery in the coming decade.

This includes to protect at least 30% of world’s land and ocean by 2030, and almost 100 countries around the world have already committed to this ‘30 by 30’ challenge.

In the past, our focus has been on commitments of no net loss of biodiversity and zero significant environmental events within our operational disturbance area.

We have also made voluntary conservation investments beyond our footprint, including the Martu Living Deserts Project in Western Australia, Valdivian Coastal Reserve in Chile and the Five Rivers Reserve in Tasmania.

With our new goal, we are focusing on land within our footprint – noting our operational disturbance area is just 2% of the 6 million hectares that we own, lease or manage. Most of the 6 million hectares of land we steward is retained as exploration tenements or leased for pastoral use.

To achieve our 30% goal, we will focus on areas of ‘highest ecosystem value’ including the intersections with our operational footprint, working alongside Indigenous partners and communities to place these areas under nature positive practices such as conservation, improved land management or restoration.
Healthy environment (continued)

We see that effectively managing this land and understanding the impacts of our efforts will only be possible through the creation and management of natural capital accounts – you will see this featured in our metrics and milestones.

Natural capital accounts are a way to measure the amount, condition and value of environmental assets in a given area. It helps describe changes in ecosystems and how these impact wellbeing and economies.

These accounts will ultimately measure the change and improvement in BHP’s nature assets based on application of nature positive practices.

We are piloting our approach to natural capital accounts, which we believe will be a first for the mining industry, with partners including the Commonwealth Scientific and Industrial Research Organisation Australia.

Thank you Caroline. I’ll hand back over to you.

Caroline Cox, Chief Legal, Governance and External Affairs Officer

Thanks Anne.

To give some perspective on the scale of this goal – 30% of the land and water that we steward is around two million hectares, or half the size of Switzerland. We are aiming to create nature positive outcomes on an area of that size by 2030.

We will pursue this in partnership with Indigenous and community stakeholders through conservation, improved land management and restoration.
As I said at the outset, our operations around the globe are located on or near the custodial lands of Indigenous Peoples. We recognise and welcome the special responsibility that creates.

Our aim is to be a partner of choice for Indigenous Peoples; respecting rights, listening and creating relationships based on respect and mutual benefit.

This will take time.

We have made mistakes in the past and are determined to do better.

The more we listen and learn, the more we understand how we could have acted differently.

This knowledge informs our plans for the future.

One of the first things I did when I came into my role was set up BHP’s first truly global Indigenous Engagement team. Today this team is more than 60% Indigenous and 100% Indigenous-led.

The new Indigenous partnerships goal we are announcing today represents another important evolution in BHP’s relationships with Indigenous peoples.

To measure our performance, we will disclose relationship health as assessed by Indigenous partners – not a simple self-assessment; as well as our progress against co-created plans.

These metrics will be supported by three initial milestones.

In FY23, we will release a revised global Indigenous Peoples Policy Statement and Strategy, and increase Indigenous voices in decision-making, and in FY24, we will complete the preparation of the first tranche of co-created plans.
I want to share now a short video we have put together with the Tjiwarl community in Western Australia that talks about where we have been in the past, and how our approach is evolving in line with our 2030 goal.

Click here to watch video
We’ve spent some time today sharing our new framework and social value scorecard. These have been designed to focus our efforts on the things that will drive the most social value and business value. We know though that a framework only goes so far – the real test is embedding it in strategy, plans and processes and culture.

We approach this top down and bottom up.

Top down it starts with our Board and Leadership team incorporating social value into key strategic decisions, and KPIs which impact executive and company-wide remuneration.

At our operations, teams are building social value into asset-level plans, which then feed into decisions on capital allocation.

All of this is underpinned, bottom up, by culture.

I’ll talk about each of these in turn.
An example of social value considerations in our strategic decision-making is our recent announcement in relation to New South Wales Energy Coal.

In setting up the bid process, and deciding whether we had viable offers, we took into account financial drivers and the sustainability and rehabilitation credentials of bidders.

And we also took into account the interests of employees and communities.

We are now working with relevant stakeholders to co-create a sustainable and responsible pathway to closure.

This plan will balance economic, community, environment, workforce and rehabilitation factors, and, will be based on the principles outlined in the slide.
Turning to operational planning.

We'll now hear a short video from our General Manager of Integrated Operations at Spence in Chile on how social value is incorporated into asset plans.

Click here to watch video
That takes us to the important topic of capital allocation.

I’m going to hand over to Graham Oborn to discuss this. Graham leads our capital evaluation and decision-making process.

Over to you Graham.

**Graham Oborn, Head of Decision Evaluation**

Thank you Caroline.

Social value is a core part of our capital allocation processes to ensure we are positioned to capture business value.

Our capital decisions, prioritise investments in social value where we determine the greatest benefit will be generated. These investments are not granted a free pass.

Our Capital Allocation Framework considers social value as part of the capital spend required to ensure continued safe and sustainable operations.

As such, our ability to meet our company-wide social value goals and targets are considered alongside the traditional financial metrics like return on capital employed, free cash flow and commodity balance.

This ensures that social value is increasingly hardwired into our decision-making at all levels of the organisation.
This slide outlines examples of social value pillars embedded and evaluated in our capital decisions.

Social value initiatives are generally not stand-alone, such as a decarbonisation project. More often, our projects generate mutual value across multiple social value pillars.

The examples on this slide are just a small selection of recently executed and current projects that demonstrate the diversity of those opportunities.

Examples of social value benefits generated for our stakeholders include, establishing foundational infrastructure to reduce greenhouse emissions and improve safety from our operated assets through projects like:

- **Trolley Assist at Escondida** which is a Selection Phase study, and
- **Autonomous Haulage and Autonomous Shipping** which are in execution at BMA and WAIO.
We continue to integrate how we evaluate social value in every capital allocation decision.

We currently have under pilot, a suite of tools to build our practices and capability in this space. These tools provide a holistic approach to evaluating financial and non-financial considerations to deliver optimal outcomes.

On the slide, we have a worked example of a water project, which in this particular case, highlights the material importance of water source and cultural significance to Traditional Owners alongside operational risk and cost considerations:

- The first tool, on the left, helps project teams systematically identify what social value considerations are important. A key aspect is adopting a stakeholder perspective of value and connecting the project to our social value strategies, polices and targets.
- The second tool, in the middle, helps teams more consistently analyse financial and non-financial criteria to determine the optimised investment alternative.
- The third element of the framework, on the right, ensures decision-makers are fully informed based on the project’s most material contributions to BHP’s strategic objectives, including the scorecard metrics Caroline outlined earlier.

Importantly, the investment returns will have factored in:

- Emissions intensity and carbon price
- Biodiversity impacts and water usage
- Traditional Owner support
- Local community impacts – local procurement, nature of workforce (FIFO, etc.)

Of course, these are just tools, and are complemented by the experience and judgment of our management to ensure the weighting and allocation is in line with our overarching strategy and purpose.

I will now hand back to Caroline…
Thank you Graham.

We’ve talked about our social value goals and how we are embedding these in corporate strategy, operational plans and capital allocation.

I now want to talk about how we’re embedding social value bottom up.

Just like our experience with safety… we know that policies, procedures, and processes have an important role to play, but they won’t carry you the entire way.

It is culture that also influences the thousands and thousands of decisions – big and small – that people make across BHP every day.

Our site-based General Managers and their teams regularly make decisions which have a social value dimension.

- How can we improve the way we use water? Or recycle waste?
- What local or Indigenous suppliers can we work with?
- How can we make our workplace or equipment more inclusive for a diverse workforce?

These decisions depend upon leaders and teams with the capability and authority to make considered choices – the same way they do on safety.

Social value is the responsibility of every person at BHP.

To achieve this:

- We’re embedding social value into our leadership capability requirements and training.
- We’re leveraging existing tools used to drive safety and operational excellence, such as the BHP Operating System and Field Leadership program; and
- We’re continuing to include social value in the company scorecard which sets out annual priorities and is the basis for remuneration outcomes across the organisation.
An example of this in action is an idea generated by two members of our Yandi team. They came up with an idea on how to progress closure in a way that not only improves the approach to rehabilitation, but also our critical relationships with local Traditional Owners.

Click here to watch video
As I hope I have given you some insight into today, it is through getting the big and little things right, in a disciplined, consistent and deeply embedded way that we will continue to build BHP’s social value advantage as a core component of our continued delivery of value creation.

Today we have outlined:

- The competitive advantage created by social value;
- Our new social value framework that focuses our efforts on areas of greatest impact;
- Our new 2030 scorecard that stretches our ambitions and provides more sophisticated ways to measure performance; and
- How we embed social value into all we do.

Whether it’s capital allocation, the New South Wales Energy Coal pathway to closure, nature positive plans, or identifying a good idea on the ground – social value is part of all of these decisions.

It’s an all of business approach, and is being built in a deliberate and focused way.

Continuing to put social value at the heart of our company will create opportunities for BHP, provide mutual benefit for our stakeholders and deliver long-term value for our shareholders.

Thank you everyone.