



## Climate Policy Principles (May 2023)

BHP supports the aims of the Paris Agreement to limit the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the increase to 1.5°C. The world must work toward these aims with increased levels of national and global ambition to limit the impacts of climate change.

We have an important role to play in helping the world achieve the aims of the Paris Agreement. Part of this involves taking concrete steps to progress towards achieving our operational and value chain greenhouse gas (GHG) emissions targets and goals<sup>1</sup>. It also involves engaging with governments and the broader community in pursuit of policies that support a global transition to net zero.

The purpose of this document is to outline our views on how governments can best realise the aims of the Paris Agreement (as outlined above), with a focus on both the *principles* that should guide how governments approach policymaking, and the *policy outcomes* governments should seek.

We commit to conducting all our advocacy efforts consistent with our Climate Policy Principles, and to use our Climate Policy Principles to direct the advocacy of the industry associations of which we are a member.

### ***Policymaking principles***

Government policy on climate change should:

- Be anchored in the imperative to reduce greenhouse gas emissions to avoid the worst effects of climate change;
- Enable and encourage collaboration between government, business, finance and the scientific community to find, develop and deploy solutions;
- Strive for coherence and consistency across policy frameworks, particularly between different levels of government;
- Minimise the costs of the transition to net zero wherever possible and embrace best practice regulatory design (such as market-based approaches, and outcome-based and technology-neutral frameworks) to maximise efficiency; and
- Note the complexity of the challenges and ensure flexibility to find optimal pathways to a net zero emission and resilient economy.

### ***Policy outcomes***

The table below outlines the policy outcomes we believe governments should pursue in support of the aims of the Paris Agreement and recent advocacy and actions we have taken to support the realisation of these outcomes. Further evidence of our direct advocacy is available on the BHP website.

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<sup>1</sup> These targets and goals are set out at page 41 of the BHP Annual Report 2022, which is available at: <https://www.bhp.com/investors/annual-reporting/annual-report->, and at [bhp.com/climate](https://www.bhp.com/climate).

| Outcome  | Description   | Examples of BHP advocacy / action  |
|--|---|--|
| Paris-aligned targets                          | Set national targets (medium and long-term) that are consistent with the Paris Agreement and its long-term aim of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C. | <ul style="list-style-type: none"> <li>• Supported the Australian Government’s target of reducing GHG emissions by 43% on 2005 levels by 2030<sup>1</sup> and achieving net zero emissions by 2050<sup>2</sup>.</li> <li>• Supported the goal of Chile’s National Mining Policy to achieve net zero GHG emissions in the mining sector by 2040<sup>3</sup>.</li> </ul>   |
| Reliable, affordable, zero GHG emissions power | Ensure the electricity sector is capable of meeting the electrification needs of other sectors, in terms of delivering sufficient supply of reliable, affordable and zero-GHG emissions power.  | <ul style="list-style-type: none"> <li>• Called for Australian governments to combine the proposed capacity mechanism for the National Electricity Market with an explicit goal to achieve a net zero electricity supply by 2035<sup>4</sup>.</li> <li>• Signing power purchase agreements to increase the supply of renewable energy to our operations in Australia and Chile.</li> </ul>   |
| Incentives for decarbonisation                 | Ensure businesses have sufficient incentives to decarbonise their operations, such as through the use of market-based approaches like carbon pricing.   | <ul style="list-style-type: none"> <li>• Advocated for the Australian Government to transform the Safeguard Mechanism into a baseline-and-credit scheme<sup>5</sup>, and engaged in consultations on proposed reforms to achieve this goal<sup>6</sup>.</li> <li>• Published research on the potential for carbon pricing to support the decarbonisation of international shipping<sup>7</sup>.</li> </ul>   |
| Technology development and deployment          | Support the development and deployment of pre-commercial low GHG emissions technologies, such as through research and development funding, measures to reduce investment risk (e.g., concessional financing), performance standards, and investments in enabling infrastructure.        | <ul style="list-style-type: none"> <li>• Partnered with a Chinese automotive think tank, Automotive Data of China, to undertake research on the future electrification of transport in China, including consideration of the policy environment<sup>8</sup>.</li> <li>• Advocated for the US Congress to include proposed investments in clean energy technologies in the Build Back Better agenda<sup>9</sup>.</li> <li>• Supported the Australian Government’s Technology Investment Roadmap.</li> </ul> |

| Outcome                           | Description  | Examples of BHP advocacy / action   |
|-----------------------------------|--|---|
| Efficient carbon markets          | Enable the trading of credible and high-quality offsets, domestically and internationally, in a manner that promotes sustainable development and ensures environmental integrity and transparency.   | <ul style="list-style-type: none"> <li>• Advocated for the development of Western Australian and national policy to support carbon removals through mineral carbonation<sup>10</sup>.</li> <li>• Contributed as members to the Taskforce on Scaling Voluntary Carbon Markets.</li> </ul>  |
| Climate-related disclosures       | Introduce climate-related disclosure requirements that are decision-useful, appropriately contextual and globally consistent.  | <ul style="list-style-type: none"> <li>• Represented on the Task Force on Climate-related Financial Disclosures (TCFD) since its inception.</li> <li>• Engaged with the US Securities and Exchange Commission (SEC) on its proposed introduction of a framework mandating climate-related disclosures by companies registered with the SEC<sup>11</sup>.</li> <li>• Engaged with the International Sustainability Standards Board on its climate-related disclosures exposure draft.</li> </ul> |
| Regional and community adaptation | Support regional and community adaptation to the potential physical impacts of climate change through coordination, regular planning and the provision of reliable and consistent information.   | <ul style="list-style-type: none"> <li>• Called on governments to undertake regular adaptation planning<sup>12</sup>.</li> <li>• Supported community-led efforts to build climate change adaptability in the US and Trinidad and Tobago<sup>13</sup>.</li> </ul>  |
| Equitable change and transitions  | Support communities to prepare for and manage structural adjustments associated with the transition to a net zero emissions economy, including through coordination, ensuring education and training systems are capable of meeting current and future skills needs, and the provision of tailored support to vulnerable cohorts.      | <ul style="list-style-type: none"> <li>• Published our principles on equitable change and transitions<sup>14</sup>.</li> <li>• Advocated for new programs to deliver skills training, and direct and indirect measures to encourage large-scale capital projects, in regional Australia<sup>15</sup>.</li> </ul>  |
| Responsible value chains          | Support the development of responsible transition mineral value chains, including through measures that help de-risk exploration and investment in downstream processing, and ensuring permitting processes are effective at achieving environmental, heritage and social objectives while delivering timely and predictable outcomes. | <ul style="list-style-type: none"> <li>• Adjusted our portfolio to include a greater focus on future facing commodities like copper and nickel.</li> <li>• Partnered with customers on the use of blockchain to test and highlight the potential of traceability to underpin sustainable value chains.</li> </ul>   |

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- <sup>1</sup> <https://consult.industry.gov.au/safeguard-mechanism-reform-consultation-paper/submission/view/232>
  - <sup>2</sup> [https://treasury.gov.au/sites/default/files/2022-03/258735\\_bhp.pdf](https://treasury.gov.au/sites/default/files/2022-03/258735_bhp.pdf)
  - <sup>3</sup> [https://www.politicanacionalminera.cl/wp-content/uploads/2022/03/MINING\\_2050\\_NATIONAL\\_MINING\\_POLICY.pdf](https://www.politicanacionalminera.cl/wp-content/uploads/2022/03/MINING_2050_NATIONAL_MINING_POLICY.pdf)
  - <sup>4</sup> <https://consult.industry.gov.au/safeguard-mechanism-reform-consultation-paper/submission/view/232>
  - <sup>5</sup> [https://treasury.gov.au/sites/default/files/2022-03/258735\\_bhp.pdf](https://treasury.gov.au/sites/default/files/2022-03/258735_bhp.pdf)
  - <sup>6</sup> <https://consult.industry.gov.au/safeguard-mechanism-reform-consultation-paper/submission/view/232>
  - <sup>7</sup> <https://www.globalmaritimeforum.org/content/2019/10/Could-a-carbon-levy-in-shipping-be-an-effective-way-to-help-reach-the-IMO-greenhouse-gas-reduction-goals-DNV-BW-BHP-DNB.pdf>
  - <sup>8</sup> <https://www.bhp.com/news/articles/2021/12/bhp-supports-automotive-data-of-china>
  - <sup>9</sup> <https://www.c2es.org/press-release/business-leaders-urge-congress-to-take-immediate-climate-action/>
  - <sup>10</sup> <https://www.mediastatements.wa.gov.au/Pages/McGowan/2022/06/Roadmap-for-integrated-mineral-carbonation.aspx>
  - <sup>11</sup> <https://www.sec.gov/comments/s7-10-22/s71022-20131388-301539.pdf>
  - <sup>12</sup> [https://www.bhp.com/-/media/documents/investors/annual-reports/2021/210914\\_bhpclimatetransitionactionplan2021.pdf](https://www.bhp.com/-/media/documents/investors/annual-reports/2021/210914_bhpclimatetransitionactionplan2021.pdf)
  - <sup>13</sup> <https://www.bhp.com/news/case-studies/2021/09/coastal-impacts> and <https://www.bhp.com/news/articles/2017/05/bhp-leads-new-era-of-climate-change-adaptability-in-trinidad-and-tobago>.
  - <sup>14</sup> [https://www.bhp.com/-/media/documents/investors/annual-reports/2022/220906\\_bhpannualreport2022.pdf](https://www.bhp.com/-/media/documents/investors/annual-reports/2022/220906_bhpannualreport2022.pdf)
  - <sup>15</sup> [https://treasury.gov.au/sites/default/files/2022-03/258735\\_bhp.pdf](https://treasury.gov.au/sites/default/files/2022-03/258735_bhp.pdf)