

# BHP Releases 2019 Industry Association Review

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BHP today released the report of its 2019 Review of the climate and energy positions of industry associations of which it is a member, covering the period 1 January 2018 to 15 November 2019.

BHP undertook its first Review in 2017. At the heart of that Review, and those that have followed, has been an analysis of the degree of consistency between our core energy and climate policy positions and those of the industry associations to which we belong. Over time, we have introduced a number of enhancements to our methodology, to make it more robust, informed by our many engagements with investors, including over the last 6 months.

We recognise that expectations continue to move. This has been reflected in the support for the industry association resolution at the 2019 AGMs. As we continue to examine our overall approach in this area we will further engage with investors widely to understand their perspective on this year's Review. This will include seeking investor feedback on any further amendments to the methodology they would find useful for future Reviews.

The 2019 Review identified material differences on climate and energy policies with four associations: the NSW Minerals Council, the US Chamber of Commerce (the Chamber), the Mining Association of Canada (MAC) and the American Petroleum Institute (API).

Under the Review methodology, where a material difference is identified BHP conducts an analysis of any broader benefits received from relevant associations in areas including safety, health, workforce, community and economic policy, in order to reach an overall assessment on future membership.

## **US Chamber, MAC and API**

As a result of the Review and the broader benefits assessment, BHP has determined at this time to remain a member of the Chamber, MAC and the API and will take action to close the differences identified consistent with BHP's published principles. BHP will further review its membership in these organisations by no later than 31 August 2020.

## **NSW Minerals Council**

In relation to the NSW Minerals Council, BHP considered the nature of the identified material difference – the relative prioritisation of emissions reductions over other energy policy objectives – to be significant. BHP's view is that emissions reductions should be fully integrated with energy affordability and reliability in an energy policy framework.

BHP also noted that, during the course of the Review, the NSWMC published a new climate and energy policy statement that supported the Paris Agreement and the goal of holding an increase in the global average temperature to well below 2°C above pre-industrial levels, and which also acknowledged the importance of integrated climate and energy policy. The Review considered this to be a positive development.

Taking into account the broader benefits assessment and the newly released policy, BHP has decided to remain a member of the NSWMC at this time. This decision is subject to further review by no later than 30 April 2020. Over this period BHP will monitor the NSWMC for strict adherence to its new climate and energy policy. This will include an expectation that the NSWMC's support for Paris-aligned climate action, as articulated in its new policy statement, will be clearly reflected in its positions.

## **Overall Alignment**

The 2019 Review includes a new section covering the overall extent of alignment between BHP and its associations, along a spectrum of Aligned, Mostly Aligned, Partly Aligned and Misaligned.

This test considers the policy areas in which, in BHP's view, each association should have a position consistent with BHP policy positions. Associations that have a material difference with BHP cannot be considered Aligned or Mostly Aligned. This test will form a key element in BHP's ongoing engagement with all industry associations.

Associations that were found to be fully aligned include the International Council on Mining and Metals and the Center for Climate and Energy Solutions. Associations considered Mostly (but not fully) Aligned include the Minerals Council of Australia, the Queensland Resources Council and Coal 21. Associations that were Partly Aligned include the NSW Minerals Council and the American Petroleum Institute. No association was found to be fully Misaligned.

The full table outlining levels of alignment is contained in the report.

### **Coal21 and the Minerals Council of Australia**

The Review notes the significant interest of investors and others in relation to the role of thermal coal in public policy debate on energy and climate issues. In this regard the Review provides an overview of Coal21 and an update on the approach of the MCA to thermal coal issues.

In relation to Coal21, the Review identified concerns that the communications program of Coal21 had exceeded its core purpose as a research and development organisation. BHP has, over recent months, worked with the Board of that organisation to amend its constitution to ensure that Coal21's underlying purpose – to undertake research and development into low emissions technology (LET) options – is fully reflected. The full membership of Coal21 endorsed these changes on 31 October 2019.

Under these changes, Coal21 will no longer undertake a broad communications program, focusing instead on its LET research agenda. In addition, steps are being taken to separate Coal21 from the MCA such that the CEO of Coal21 reports only to that organisation's Board.

The Review also found that Coal21 recognises the centrality of the Paris Agreement, and the important role LET can play in contributing to the climate change policy goals.

In relation to the MCA, the Review notes that the MCA had made a number of comments on thermal coal issues during the review period. The review determined that this has been conducted in accordance with BHP core climate and energy policy positions, particularly those of Technology Neutral, Free Market Energy Mix and Balancing the Energy Trilemma. The MCA has also expressed support for the Paris Agreement and the goal of limiting the increase in the global average temperature to well below 2°C above pre-industrial levels.

### **Governance Enhancements**

In addition to the actions to be taken under the Review, BHP will undertake enhancements to its governance procedures for industry associations. These include:

- writing to each association asking that a formal climate and energy policy statement be published in 2020, and requesting an annual report from each association as to adherence to the statement on an ongoing basis; and
- strengthening oversight at Group level of representation and engagement by BHP affiliates and entities with industry associations.

### **About the Review**

The report covered 30 organisations globally, and compared these organisations' positions against BHP's 10 core climate and energy policy positions. The review covered the period 1 January 2018 to 15 November 2019, and consisted of review of formal policy positions, speeches, media stories, social media and other communications, amounting to thousands of mentions and items reviewed. A full list of in-scope associations, and BHP's policy positions, is contained in the report.

The Industry Association Review is one element in BHP's commitment to leadership in action on climate and energy issues. In July this year BHP announced a range of enhancements to its climate strategy including changes to executive remuneration, the development of Scope 3 goals, the publication of a new report analysing BHP's portfolio in a less than 2C world, and the introduction of a US\$400m Climate Investment Program to reduce the Company's own greenhouse gas emissions, and to help the Company's customers reduce their own.

The 2019 Industry Association Review Report is available [\*\*here\*\*](#).