

## Investor Briefing – BHP Shareholder Resolution (September 2019) On lobbying inconsistent with the goals of the Paris Agreement

*“The evidence is abundant: global warming is indisputable... We see this period as an escalation towards a crisis. However the global response does not yet match the severity of the threat.”<sup>1</sup>*

**Andrew Mackenzie, CEO of BHP, 23<sup>rd</sup> July 2019**

### Introduction:

This briefing note has been produced by the following investors, having co-filed the shareholder resolution at BHP with the Australian Centre for Corporate Responsibility (ACCR) about the issue of corporate climate lobbying of industry associations (*see page 4 for supporting quotes*):

- **ACTIAM** (Netherlands), one of the top ten Dutch funds, managing over A\$98 billion in assets.
- **The Church of England Pensions Board** (UK), providing retirement housing and pensions for those who have served or worked for the Church of England, with over 38,000 beneficiaries, managing over A\$4 billion in assets.
- **Grok Ventures** (Australia), the private investment company of Mike and Annie Cannon-Brookes. Mike is one of the co-founders and co-CEOs of software company Atlassian.
- **MP Pension** (Denmark), a member-owned pension fund with over 130,000 members managing over A\$25 billion in assets.
- **Vision Super** (Australia), a not-for-profit community super fund with around 100,000 members managing over A\$10 billion in assets.

Climate change is the biggest risk that companies and shareholders face. In this context it is in our interests, as articulated in the Investor Expectation on Corporate Climate Lobbying (2018)<sup>2</sup>, that lobbying on related issues be used as a constructive force. As asset owners and asset management firms we believe that companies should ensure that any public policy interventions by industry associations – conducted on the company’s behalf and resourced with shareholder funds – are aligned with our beneficiaries’ interests and support the goals of the Paris Climate Agreement. Consistent and timely action now can help to keep the increase in global average temperature to well below 2°C above pre-industrial levels; and to limit the increase to 1.5°C.

### BHP is a leader on climate but needs to address lobbying:

- As investors in the company we look forward to BHP’s imminent publication of the company’s much anticipated review of industry association memberships. We acknowledge that BHP has in its own right been a leader within its sector in addressing climate change and in supporting the Paris Climate Agreement.
- However, we remain deeply concerned that a significant area where the pace of action has been too slow is in addressing the misalignment of the lobbying by their trade associations. In 2017 the company responded positively to a previous shareholder resolution asking them to conduct a review of its industry associations alignment on climate lobbying. BHP completed this Review; the company left the World Coal Association and committed to engagement with other industry associations with which they had identified concerns.

<sup>1</sup> ‘Confronting complexity: Evolving our approach to climate change’ (23 July 2019)

[www.bhp.com/media-and-insights/reports-and-presentations/2019/07/evolving-our-approach-to-climate-change](http://www.bhp.com/media-and-insights/reports-and-presentations/2019/07/evolving-our-approach-to-climate-change)

<sup>2</sup> ‘European investor expectations on corporate lobbying on climate change’ (October 2018)

[www.iigcc.org/download/investor-expectations-on-corporate-lobbying/?wpdmdl=1830&refresh=5d73dc8e315461567874190](http://www.iigcc.org/download/investor-expectations-on-corporate-lobbying/?wpdmdl=1830&refresh=5d73dc8e315461567874190)

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- Two years later it is our view that there has been insufficient progress. Recently leaked documents to the media relating to advertising campaigns by Coal21 overseen by the Mineral Council of Australia (MCA) and using shareholder funds reinforces our concern that it is time for firmer action by BHP<sup>3</sup>.

### Resolution Ask:

We are asking BHP to act to suspend its membership of industry associations that are undertaking public policy interventions that are inconsistent with BHP's support for the Paris Climate Agreement. This is outlined in Resolution 2 (below). Due to the nature of Australian corporate law, in order to submit our main ask (Resolution 2) it was necessary to also submit Resolution 1 (below) to amend the company constitution to allow an advisory resolution to be heard and voted upon.

### Resolution 1: Special resolution to amend our company's constitution

To amend the constitution to insert a new clause 46:

Member resolutions at general meeting

The shareholders in general meeting may by ordinary resolution express an opinion, ask for information, or make a request, about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to an issue of material relevance to the company or the company's business as identified by the company, and cannot either advocate action which would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company.

### Resolution 2: Ordinary resolution on lobbying inconsistent with the goals of the Paris Agreement

Shareholders recommend that our company suspend memberships of Industry Associations where:

**A)** a major function of the Industry Association is to undertake lobbying, advertising and/or advocacy relating to climate and/or energy policy (Advocacy); *and*

**B)** the Industry Association's record of Advocacy since January 2018 demonstrates, on balance, inconsistency 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.

Please note that in accordance with previous procedures BHP are expected to allow investors at both the Plc and the Ltd companies to vote. We commend BHP for treating both sets of shareholders in this manner.

### BHP's Response:

<sup>3</sup> 'Coal research group turns hand to advertising in bid to make Australians "feel proud" about rock' *ABC News* (7 August 2019) [www.abc.net.au/news/2019-08-07/coal-lobby-hopes-to-make-australians-proud-about-coal/11388830](http://www.abc.net.au/news/2019-08-07/coal-lobby-hopes-to-make-australians-proud-about-coal/11388830)

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- In responding to the resolution<sup>4</sup>, BHP makes the case that such memberships convey certain benefits. We do not disagree, but these benefits must be properly weighted and assessed against: (i) the urgency of the climate crisis; (ii) the significant practical and reputational risks that result from BHP continuing to use shareholder funds to support organisations that constrain, co-opt and curtail legislation to reduce the current and future risks of climate change. Indeed, these organisations are working against the material interests of both BHP and our own beneficiaries.
- We recognise that Industry Associations can be a positive force both in alignment of standards and in developing positive policy positions on both climate and wider issues of relevance to the sector.
- BHP has had two years of engagement with various industry associations and yet many have continued to lobby counter to the company’s climate interests, commissioned targeted advertising campaigns and supported behind the scenes lobbying<sup>5</sup>.
- If we are to achieve a below 2 degrees of warming world then none of us can afford for the negative influencing tactics of these associations to remain unchecked – despite limited cosmetic changes that some have made.

### Supporting the Resolution & Further Information:

We duly encourage all BHP shareholders to support the resolutions. If you would like to pre-declare your support or have any further questions please contact Clare Richards, Senior Engagement Manager at the Church of England Pensions Board: [clare.richards@churchofengland.org](mailto:clare.richards@churchofengland.org) or on +44(0) 7840 026 807.

See page 4 for supporting quotes from ACTIAM, the Church of England Pensions Board, Grok Ventures, MP Pension, and Vision Super.

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<sup>4</sup> <https://www.asx.com.au/asxpdf/20190905/pdf/4488ptc3vl5ybyq.pdf>

<sup>5</sup> ‘Time to end the paradox in BHP’s response to global warming’ *Sydney Morning Herald* (9 August 2019) [www.smh.com.au/environment/climate-change/time-to-end-the-paradox-in-bhp-s-response-to-global-warming-20190808-p52f1x.html](http://www.smh.com.au/environment/climate-change/time-to-end-the-paradox-in-bhp-s-response-to-global-warming-20190808-p52f1x.html)

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Co-filing asset owners and asset managers:

*“We recognise the positive steps BHP has taken to cut its greenhouse gas emissions from its own business and the use of its products. However, being an industry leader, we expect BHP to oppose public corporate lobbying that aims to prevent legislation addressing climate change.”*

**Rudd Hadders, Responsible Investment Officer, ACTIAM**

*“BHP has shown leadership on climate by supporting the Paris Agreement and announcing their intention to set targets to address emissions from how people use their products. However, industry associations, funded by BHP, are continuing to lobby against the long-term interests of the company and its shareholders. We are keen the company takes appropriate action to address this, given the climate emergency we collectively face.”*

**Adam Matthews, Director of Ethics & Engagement, Church of England Pensions Board**

*“We acknowledge BHP's efforts so far in addressing climate change issues, particularly CEO, Andrew Mackenzie's own recognition that global warming is reaching a crisis point and a global response is needed. BHP is an iconic Australian company and we need management of the company to set an example and cease funding lobbyists that continue to undermine the goals of the Paris Agreement.”*

**Armina Rosenberg, Portfolio Manager, Grok Ventures**

*“We commend BHP for its previous steps to review and suspend membership of an industry association whose lobbying activities they deemed inconsistent with the goals of the Paris agreement. We believe that now is the time to take more decisive steps down that path – to the benefit of BHP, its shareholders, employees and future generations alike.”*

**Anders Schelde, Chief Investment Officer, MP Pension**

*“BHP is committed to the goals of the Paris Agreement. However, meeting the Paris goals requires public policy support, and BHP is continuing to fund industry associations that are lobbying against effective government policy to address and limit the effects of climate change, for example by lobbying for government support for new thermal coal mines. This lobbying contributes to a political environment where sensible bipartisan policy on energy and climate change seems unachievable. This is counter to BHP's long-term interests, and therefore to our members' interests as shareholders through their superannuation.”*

**Michael Wyrsh, Chief Investment Officer, Vision Super**