

GLOBAL INVESTOR BRIEFING: 2019 RESOLUTIONS TO BHP

PRESENTERS

Adam Matthews, Church of England Pensions Board

Michael Wyrsh, Vision Super

Brynn O'Brien and Dan Gocher, ACCR

1. Australian policy environment
2. BHP industry association advocacy
3. Resolutions
4. Questions

AUSTRALIAN CLIMATE POLICY ENVIRONMENT

- No effective national policy to reduce emissions.
- Carbon price abandoned in 2014 after relentless campaigning by industry associations
- Energy policy vacuum has had a material impact on companies and portfolios
- Emissions have risen each year for last five years
- Most damaging recent policy position = Kyoto carryover credits
- No federal laws requiring industry associations or politicians to disclose meetings

Pattern of behaviour by industry associations: say they 'support Paris' but advocate against national and sub-national policy to implement it.

Policy environment is **severely impacted by counter-Paris lobbying**, along following themes:

- Use of Kyoto carryover credits to discount NDC ambition by 52% (370Mt)
- Opening of new thermal coal mines; invoking 'national pride' in coal
- Calling for new investment, including government subsidies, to prolong the life of ageing coal-fired power stations; claiming renewables are 'unreliable'
- Over-emphasising the 'cost of action,' understating the cost of inaction
- Overturning fracking bans; opposing mandatory offsets for new projects
- Arguing, without evidence, that Australia's gas exports 'reduce emissions in Asia'; while ignoring those from coal exports
- Opposed to regulation and action on Scope 3 emissions

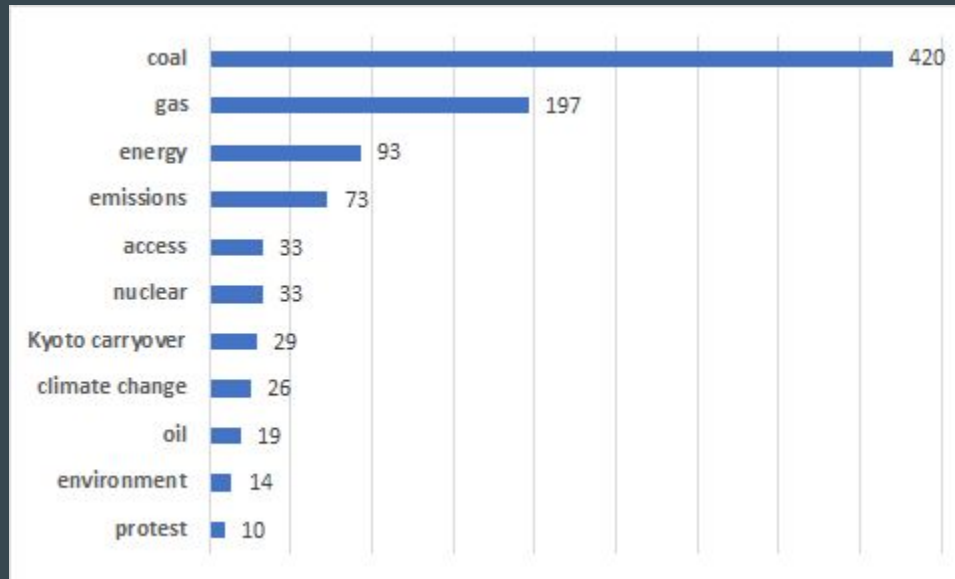
Assessment by senior political figures: Paris aligned policy is **unachievable** in Australia for as long as industry associations maintain their **influence** and enjoy the **resources** to which they are accustomed.

The **common funder** of these trade associations:

BHP Group

ACCR has monitored the influence of BHP's key industry associations since December 2017.

ACCR estimates ~950 press releases and media mentions from just six of BHP's Australian industry associations on climate, energy & environment since December 2017:





**1,100 NSW jobs lost
in one day.
And that's just the start.**

It's time to fix the planning system.

Last week NSW lost over 1,100 new jobs and over \$1 billion in investment.

An unelected part-time planning panel rejected the Bylong mining project in regional NSW, despite overwhelming support from local communities and businesses, MPs and the local council, and even the Department of Planning and Environment.

It's the latest example of the planning system failing the people of NSW.

NSW has lost its place as Australia's number one state. We're losing jobs and taxes to pay for public services. And now businesses are losing confidence to invest.

Let's fix it, and make NSW number one again.



Authorised by S. Galilee, NSW Minerals Council, Sydney

Handbrake on progress

Unelected bureaucrats are putting up barriers to prevent NSW securing investment and regional jobs

STEPHEN GALILEE



The NSW government has lost control of the NSW planning system. Like a runaway light-rail carriage hurtling down George St, the state government has allowed the planning system to become a farcical mess with the loss of...

long-term future of many regional towns at risk. Important economic decisions are no longer the responsibility of ministers or the parliament.

Instead, the future of critical job-creating projects in sectors such as construction and mining are being decided by unelected bureaucrats. The obligation to...

Commission (body appointed by the Minister) to decide on projects in NSW.

It was intended to provide a framework for the selection of major projects to be funded by the Department of Planning. In 2015, the number of projects has increased significantly.

After more than two years of continuous, in-depth engagement by ACCR and others, BHP still funds the following Australian industry associations:

- Minerals Council of Australia and related entity Coal 21 (BHP has sought separation of the two)
- Business Council of Australia
- Australian Petroleum Production and Exploration Association
- NSW Minerals Council
- Queensland Resources Council
- Chamber of Mines and Energy of WA; Resources Industry Network; SA Chamber of Mining and Energy.

A major function of each, which has continued since January 2018, has been to undertake counter-Paris advocacy.

The **Minerals Council of Australia** was ranked this week by Influence Map as one of the world's top ten most effective blockers of climate action:

	2019 Carbon Policy Footprint	Industry Group	Region
	-90	National Association of Manufacturers (NAM)	United States
→	-89	US Chamber of Commerce	United States
	-78	National Mining Association (NMA)	United States
	-78	American Fuel & Petrochemical Manufacturers (AFPM)	United States
→	-76	American Petroleum Institute (API)	United States
	-75	American Legislative Exchange Council (ALEC)	United States
	-70	Japan Business Federation (Keidanren)	Japan
→	-59	Minerals Council of Australia (MCA)	Australia

Special resolution to amend company constitution:

- Required under Australian corporations law, which does not permit advisory resolutions without it
- Encourage you to vote in favour; recognise abstaining will be the most attractive course of action for some
- Take ordinary resolution on its merits

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.

Notes on wording choices

- “recommend” is a deliberate choice
- “suspend” chosen carefully to leave room for re-entry without administrative burden, to encourage change
- “major function” creates room for BHP to argue re ‘other benefits’ *if* counter-Paris advocacy is a minor/insignificant part of the association’s activities
- “and” – recommendation to suspend only triggered where **both** a. and b. are met
- “record of advocacy” since last review demonstrates “inconsistency with the Paris Agreement’s goals”
- no limitation of board’s discretion

Intended to set out ‘next generation’ of lobbying resolutions, where reviews and ‘inside the tent’ strategies have failed to curtail counter-Paris lobbying.

Frequently asked questions

- “best in class” review has not dealt with “worst in class” lobbying impact
- “other benefits” – workplace safety is well-regulated in Australia (and BHP’s industry associations have argued recently *against* stricter safety laws); industry associations regularly undermine, not strengthen, Indigenous rights]; policy vacuum is emissions. In any case, failure against Paris Goals is most significant macro risk over long-term horizon (as CEO acknowledges)
- CA100 – lobbying has not been a focus of their engagement to date
- Similar, continuous engagement with Rio Tinto, but Rio has made a set of stronger commitments. Rio is not a member of Coal21, APPEA. AGM in May
- ACCR has met with MCA, Coal21, BCA

Kyoto carryover credits

- Pushed by MCA, BCA, APPEA during election; now government policy 52% reduction in national ambition
- BHP is the only common member
- BHP said last Friday it supported Kyoto carryover = 370MT of CO₂-e overshoot under Kyoto Protocol (via Australia's weak commitment); policy regression dwarfs any company progress
- Material to structure of Australia's economy and design of any transition plan

Other questions?

To confirm your institution's support for the
lobbying resolution, please email:

Clare Richards, clare.richards@churchofengland.org

For specific questions, or to be sent updates,
please email:

Dan Gocher, dan@accr.org.au