

BHP

Active Engagement



APRIL 2020
Marketing communication



The The topic.

BHP is one of the world's largest mining conglomerates, and one of Australia's largest corporations. Dual-listed in Australia and London, revenues are derived primarily from iron ore (39%), copper (24%) and coal (21%)¹. Coal production includes both thermal coal for power generation, and metallurgical coal for the production of iron ore and steel. The company has 62,000 employees, with its largest workforces located in Australia and South America.

Amongst industries, the metals and mining sector is responsible for a large part of man-made greenhouse gas emissions in Australia and globally; not only directly, but especially through the end uses of its products after extraction and sale.



BHP is a member of, and provides financing to, certain industry associations which actively lobby to prevent some of the measures required to tackle climate change. These groups play an important role in shaping both public opinion and political choices, and therefore the resulting policies on climate change. One reason we believe it is important to engage with BHP is because we believe BHP is pivotal not only within the mining industry, but also within all corporations in Australia.



BHP is laudable for its readiness to dialog with investors on climate change and respond to criticism. Indeed, it is one of the few miners with an actual plan for energy transition. In the second quarter of 2019, press reports indicated management is seeking options to divest its thermal coal assets, something unthinkable a decade ago. BHP is even working with some of its customers to reduce end-product emissions (Scope 3), a rare and forward-looking company.

In 2017, BHP's membership in several industry groups disavowing the need to address climate change led to a shareholder resolution requesting a review of 'direct and indirect' advocacy of energy policy and climate change. This was followed in 2019 by a resolution urging the company to leave lobby groups not aligned with BHP's own position on the energy transition. Among these were the Minerals Council of Australia (MCA), the United States Chamber of Commerce, and the World Coal Association.

The resolution failed to receive enough shareholder votes to be adopted. Nevertheless, in September 2017, BHP took the positive step of disclosing its list of memberships in all lobby groups holding a position on climate change.

¹ - 2018 figures. BHP is due to report 2019 figures on 20 February 2020.

Stating management's view that membership in the MCA (Minerals Council of Australia) is beneficial, BHP announced it would remain a member, whilst also seeking to influence MCA's views on climate change. In March 2018, the MCA amended its position, acknowledging the need to address climate change whilst also promoting the coal industry and its place in the Australian economy.

Essentially, the MCA continues to foster the Australian economy's heavy reliance on fossil energy, in opposition to Australia's required transition under the Paris Agreement. For instance the Australian industry group Coal21, closely related to the MCA, spent up to \$4.5 million on a nationwide ad campaign in the fourth quarter of 2019 to "invoke national pride" in coal².

The story thus far

Candriam has defined energy transition and the fight against climate change as one of our top three engagement priorities. We have had an ongoing one-on-one dialog with BHP for several years, and put the Coal21 issue on the agenda in August 2019. We believe that BHP needs to align its lobbying funds with its statements. We also continue our dialog with BHP through the collective Climate Action 100+ initiative, of which Candriam is a member. The goal of this investor group is to convince the largest greenhouse gas emitters to commit to the Paris Agreement in both words and deeds.

Candriam was amongst the 22% shareholders in 2019 to vote for BHP to resign from and cease funding these lobbying groups. Versus the 8% vote in 2017 to withdraw, the 2019 vote represented a dramatic increase in shareholders following up on engagement dialogs with voting action.

In October 2019, Candriam and other investors, in concert with the Australian organisation, Investors Group on Climate Change, sent a letter to all the participants in the Australian extraction industry. In December 2019, BHP published its latest report on its industry group memberships³.

On the plus side, BHP announced that Coal21 would refocus its activities solely on supporting research into low carbon technology. Coal industry commercials will end. However, BHP remains a member of the MCA, despite admitting that MCA's positions on climate change are still not fully aligned with those of BHP.

Candriam will continue to work in concert with BHP on its industry memberships, and other climate-related topics, until the company has fully aligned its ambitious energy transition plan with its industry group memberships and lobbying money. We welcome BHP's willingness to engage with us on that subject and we continue to dialogue with the company.

2 - The Guardian, https://www.theguardian.com/business/2019/aug/08/bhp-faces-fresh-calls-to-quit-minerals-council-ahead-of-pro-coal-ad-blitz?CMP=Share_iOSApp_Other, accessed 22 January, 2020.

3 - BHP, <https://www.bhp.com/media-and-insights/news-releases/2019/12/bhp-releases-2019-industry-associations-review>



BHP is one of the few miners with a real plan for energy transition.



€130 B

AUM as of
31 December 2019



550+

Experienced and
committed professionals



20 years

Leading the way in
sustainable investing

This document is provided for information purposes only, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed. Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

Candriam consistently recommends investors to consult via our website www.candriam.com the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value ("NAV") of the funds. This information is available either in English or in local languages for each country where the fund's marketing is approved.



CANDRIAM. INVESTING FOR TOMORROW.
WWW.CANDRIAM.COM

CANDRIAM 
A NEW YORK LIFE INVESTMENTS COMPANY