

**Notice to company pursuant to ss 249N & P of the Corporations Act 2001 (CA)**

I/we ..... [name of 'shareholder']

of .....

..... [address]

identified by the Holder Identification Number (HIN) or Shareholder Reference Number (SRN) ..... [HIN or SRN]

in respect of any holding of the shareholder's BHP Group Limited ('BHP' or 'the company') ordinary fully paid shares;

hereby give notice (in accord with sections 249N & P of the CA) to the company of: the following resolutions (1: Amendment to the Constitution, 2: Capital Protection) the shareholder proposes to move at a general meeting of the company; and request (in accordance with section 249P) that the company give to all members each of the Supporting Statements following the resolutions.

**SIGNED**

..... (Signature of individual Shareholder <sup>†</sup> /company director)	..... (Signature of second shareholder in a joint holding/for a company second director or company secretary)
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† Or sole company director and sole company secretary. JOINT HOLDING: For a holding in more than one name all shareholders must sign)

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### **Resolution 1 – Amendment to the Constitution**

To amend the constitution to insert the following new clause 46: “The company in general meeting may by ordinary resolution express an opinion or request information 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 a material risk as identified by the company and cannot either advocate action that 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 – Capital Protection**

Shareholders note the company’s stated support for the goal of achieving net-zero emissions globally by 2050,<sup>1</sup> along with the publication of the International Energy Agency’s Net-Zero Emissions by 2050 Scenario,<sup>2</sup> and the Climate Action 100+ company assessment.<sup>3</sup> Shareholders therefore request the company disclose, in subsequent annual reporting, the following information pertaining to its thermal coal, metallurgical coal, oil and gas assets:

- Details of how the company’s capital allocation to thermal coal, metallurgical coal, oil and gas assets will align with a scenario in which global energy emissions reach net-zero by 2050, facilitating the efficient managing down of these assets;
- Production guidance for the lifetime of thermal coal, metallurgical coal, oil and gas assets;
- Plans and capital expenditure expectations for decommissioning and rehabilitating sites at the end of asset life;
- Plans for how employees of the company will be informed of asset closures, and employee transition plans, including any compensation for job losses, training and support in seeking future employment; and
- Details of how remaining value in the company’s thermal coal, metallurgical coal, oil and gas assets will be redeployed or returned to investors.

*(BHP Group Ltd’s Notice of 2021 Annual General Meeting is to include Resolutions 1 and 2. Shareholders voting by proxy can vote on both resolutions.)*

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[https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200910\\_bhpcimatechangereport2020.pdf](https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200910_bhpcimatechangereport2020.pdf) 8

<sup>2</sup> <https://www.iea.org/reports/net-zero-by-2050>

<sup>3</sup> <https://www.climateaction100.org/company/bhp/>

## **Supporting Statement 1**

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. Typically, unless the board permits it, Australian shareholders cannot follow the example of their UK, US, New Zealand or Canadian counterparts in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In some situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of BHP Group Ltd is not conducive to the right of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of BHP Group Ltd, the BHP Group Ltd board and all BHP Group Ltd shareholders.

Passage of this resolution – to amend the BHP Group Ltd constitution – will simply put BHP Group Ltd in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

## **Supporting Statement 2**

This resolution is in the best interests of shareholders and the company, as it asks BHP to explain how its capital expenditure (capex) and operations will be managed in a way that minimises stranded asset risk as the world moves to meet climate commitments that BHP supports.

Recognising the unacceptable financial risks posed by global warming, investors with more than US\$43 trillion in assets under management have committed to the goal of net-zero greenhouse gas emissions by 2050 or sooner.<sup>4</sup>

The rapid transition required to meet this goal presents material risks and opportunities for our company. The International Energy Agency's (IEA) seminal Net-Zero Emissions by 2050 Scenario (NZE2050) - modelled to provide a 50% chance of limiting global warming to 1.5°C - highlights these risks, projecting steeply declining fossil fuel demand.<sup>5</sup>

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<sup>4</sup> <https://www.netzeroassetmanagers.org/>

<sup>5</sup> <https://www.iea.org/reports/net-zero-by-2050>

The likelihood of these risks materialising is rapidly increasing, with countries representing over 50% of the global economy having committed to net-zero by 2050.<sup>6</sup>

#### Actions contradict support for climate goals

BHP claims to support the Paris Agreement and the goal of net-zero emissions globally by 2050.<sup>7</sup> Our company's analysis demonstrates a 1.5°C warming scenario presents by far the most upside for BHP, compared to 2.5°C, 3°C and 'Climate Crisis' scenarios.<sup>8</sup> Relative to the 3°C-aligned Central Energy View, the rolling present value of BHP's asset portfolio to FY2050:

- Increases significantly under the 1.5°C scenario;
- Increases slightly under the 2.5°C scenario; and
- Decreases significantly under the Climate Crisis scenario.<sup>9</sup>

Despite this, BHP "uses the [3°C] Central Energy View and [2.5°C] Lower Carbon View as inputs to our planning cases",<sup>10</sup> thereby aligning planning and strategy decisions with these higher warming scenarios in which our asset portfolio would be significantly less valuable, and the global economy fails to meet the climate goals of the Paris Agreement.

#### Increasing stranded asset risk

NZE2050 provides the most detailed analysis yet of the rapid energy transition required to pursue net-zero by 2050 and 1.5°C goals. Its conclusions regarding coal, oil and gas are stark:<sup>11</sup>

- "Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway, and no new coal mines or mine extensions are required."
- "Unabated coal demand declines by 90% to just 1% of total energy use in 2050. Gas demand declines by 55%... and oil declines by 75%".

Despite these findings, and in contradiction of BHP's support for net-zero emissions by 2050, our company threatens to waste investor capital on new fossil fuel exploration and production, antithetical to a net-zero by 2050 outcome.

In FY2020, petroleum accounted for 76.2% of BHP's exploration expenses,<sup>12</sup> despite the petroleum business generating <10% of total revenue.<sup>13</sup> Petroleum capex increased 40% year-on-year to US\$909 million, accounting for 12% of total capital and exploration expenditure.<sup>14</sup>

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<sup>6</sup> <https://unfccc.int/climate-action/race-to-zero-campaign>

<sup>7</sup>

[https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200910\\_bhpcimatechangereport2020.pdf](https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200910_bhpcimatechangereport2020.pdf) 5, 7

<sup>8</sup> Ibid 13-21

<sup>9</sup> Ibid 21

<sup>10</sup> Ibid 19

<sup>11</sup> <https://www.iea.org/reports/net-zero-by-2050> 21

<sup>12</sup>

[https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200915\\_bhpannualreport2020.pdf](https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200915_bhpannualreport2020.pdf) 25

<sup>13</sup> Ibid 178

<sup>14</sup> Ibid 100, 95

BHP has two ongoing petroleum expansion projects, carrying a combined capex budget of over US\$2.4 billion.<sup>15</sup> BHP is also pursuing a major new offshore gas project, Scarborough, with a final investment decision slated for H2 2021.<sup>16</sup> BHP has a 26.5% stake in Scarborough's offshore component, which has a total cost of US\$5.7 billion.<sup>17</sup> While this massive new gas project is clearly incompatible with NZE2050, Carbon Tracker has also found it would be stranded under the IEA's Sustainable Development Scenario,<sup>18</sup> which does not reach net-zero emissions until 2070.<sup>19</sup>

BHP also directed US\$9 million (1.7%) of FY2020 exploration expenditure to coal,<sup>20</sup> with coal capex falling only slightly year-on-year to US\$603 million.<sup>21</sup> BHP's metallurgical (or coking) coal assets have a combined nominal capacity of 77Mtpa, with some mining leases expiring as late as 2043 and options to renew leases beyond expiration.<sup>22</sup> In NZE2050, "Demand for coking coal falls at a *slightly* slower rate than for steam coal, but existing sources of production are sufficient to cover demand through to 2050."<sup>23</sup> Any capex to expand or extend metallurgical coal production would therefore be wasted under NZE2050.

BHP is seeking approval to extend the life of its Mt Arthur thermal coal mine by 19 years to 2045.<sup>24</sup> Considering Mt Arthur's 23Mtpa nominal capacity,<sup>25</sup> this extension could see up to 437Mt of additional production. Given NZE2050's finding that no coal mine extensions are required,<sup>26</sup> and applying a 5-year average Australian thermal coal price (US\$68.73/tonne),<sup>27</sup> the anticipated production of 437Mt would equate to US\$30 billion in revenue that would not be generated under NZE2050.

### Divestment insufficient

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<sup>15</sup> Ibid 304

<sup>16</sup> Ibid 93

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[https://files.woodside/docs/default-source/asx-announcements/2021-asx/036-scarborough-project-update-and-line-item-guidance.pdf?sfvrsn=c754cdd7\\_4\\_1](https://files.woodside/docs/default-source/asx-announcements/2021-asx/036-scarborough-project-update-and-line-item-guidance.pdf?sfvrsn=c754cdd7_4_1)

<sup>18</sup> [https://carbontracker.org/wp-content/uploads/2020/07/CTI\\_CA100\\_OG\\_2019\\_BHP.pdf](https://carbontracker.org/wp-content/uploads/2020/07/CTI_CA100_OG_2019_BHP.pdf) 10

<sup>19</sup> <https://www.iea.org/reports/world-energy-model/sustainable-development-scenario>

<sup>20</sup>

[https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200915\\_bhpannualreport2020.pdf](https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200915_bhpannualreport2020.pdf) 25

<sup>21</sup> Ibid 106

<sup>22</sup> Ibid 271

<sup>23</sup> <https://www.iea.org/reports/net-zero-by-2050> 105 (emphasis added)

<sup>24</sup>

<https://www.reuters.com/business/energy/bhps-mt-arthur-bind-illustrates-minings-coal-dilemma-2021-04-30/>

<sup>25</sup>

[https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200915\\_bhpannualreport2020.pdf](https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200915_bhpannualreport2020.pdf) 271

<sup>26</sup> <https://www.iea.org/reports/net-zero-by-2050> 21

<sup>27</sup> <https://www.indexmundi.com/commodities/?commodity=coal-australian&months=60> July 2016 - June 2021

BHP is reportedly considering divesting its oil and gas assets,<sup>28</sup> and recently announced divestment of its Cerrejón thermal coal asset.<sup>29</sup> BHP is looking to sell its stake in the smaller of its metallurgical coal ventures (BHP Mitsui Coal), as well as Mt Arthur.<sup>30</sup>

Having so far failed to find a buyer, BHP wrote down the value of its Mt Arthur business by US\$1.2 billion in February 2021.<sup>31</sup> Net operating assets of its New South Wales Energy Coal business were then valued at just US\$288 million.<sup>32</sup> Mt Arthur reportedly faces US\$1 billion in site remediation costs.<sup>33</sup>

While divestment addresses stranded asset risk exposure, it fails to manage the reputational risk associated with avoiding responsibility for employee transition support and site rehabilitation. By providing a leading example of responsibly managing down fossil fuel assets, BHP can preserve and realise the genuine value that exists in these assets, align with global climate goals, and support its workers in the transition to a decarbonised economy.

Shareholders are strongly encouraged to support this resolution.

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<sup>28</sup>

<https://www.afr.com/companies/mining/bhp-mulls-oil-exit-in-retreat-from-fossil-fuels-reports-20210721-p58bio>

<sup>29</sup>

<https://www.bhp.com/media-and-insights/news-releases/2021/06/bhp-announces-divestment-of-cerrejon-interest/>

<sup>30</sup>

[https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200915\\_bhpannualreport2020.pdf](https://www.bhp.com/-/media/documents/investors/annual-reports/2020/200915_bhpannualreport2020.pdf) 8, 271

<sup>31</sup>

[https://www.bhp.com/-/media/documents/media/reports-and-presentations/2021/210216\\_bhpresultsforthehalfyearended31december2020.pdf?la=en](https://www.bhp.com/-/media/documents/media/reports-and-presentations/2021/210216_bhpresultsforthehalfyearended31december2020.pdf?la=en) 43

<sup>32</sup> Ibid 29

<sup>33</sup>

<https://www.reuters.com/business/energy/bhps-mt-arthur-bind-illustrates-minings-coal-dilemma-2021-04-30/>