



BHP GROUP PLC

<https://www.bhp.com/investor-centre>

Annual General Meeting

17 October 2019

Financial Year End: 30 June 2019

Proxies voted
The Ditikeni Trust
Social Change Assistance Trust

BHP is listed in Australia and the UK, as such the Integrated Annual Report (Report) and Annual Financial Statements (AFSs) are not required to comply with South African laws and regulations.

As a mining company, BHP does present a detailed sustainability report. Following the 2015 BHP Fundao tailings dam disaster with 19 fatalities, the displacement of more than 220 families, pollution and disruption of 670 km of river and a large oceanic area, it is worrying that BHP per their Report only initiated dam safety reviews in 2019 – 4 years later. This after the 2019 Vale tailings dam disaster and the investors representing the Mining and Tailings Safety Initiative, co-led by the Church of England Pensions Board and the Swedish AP Funds.

Two resolutions (numbers 21 and 22) have been tabled by shareholders and the board does not recommend that these be approved. The lack of enthusiasm by the board is hardly surprising as the first resolution requires the board to answer questions and the second limits their actions. The resolutions are not well presented. This may be as a result of poor presentation by the relevant shareholders or a reflection of the boards antipathy towards these resolutions. It does make it more difficult to support the resolutions. The first (21) requires a special resolution with 75% approval and as such it is less likely to be approved. The board has made the second (22) dependent on the passing of the first which does not make sense unless the intention is to deliberately make it very difficult to pass either resolution. The boards attitude to these resolutions is not in keeping with the stated value of *embracing openness* and is to be deplored.

The Report states that the CEO is not eligible for any long-term incentive, however under a separate resolution (10) it appears that that it is proposed to pay him an amount equal to 400% of his base pay.

The report is comprehensive and well laid out with click throughs and tabs on the right-hand side as well as the various indices and links to the relevant pages on the company website.

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolutions			
1	To receive the Financial Statements for BHP Group Plc and BHP Group Limited and the reports of the Directors and the Auditor for the year ended 30 June 2019	The financial statements have, according to the auditors, been prepared in accordance with all the necessary rules and regulations. The auditors have issued a clean audit report.	FOR	FOR 99.6%
2	To appoint Ernst & Young LLP as the auditor of BHP Group Plc and Ernst & Young as the auditor of BHP Group Limited	KPMG had served as auditors for 17 years and a tender process was held to appoint a new audit firm, as a result of which Ernst & Young were selected as the preferred auditors. Ernst & Young are one of the big international audit firms and are capable of performing the audit. We support their appointment.	FOR	FOR 99.9%
3	To authorise the Risk and Audit Committee to agree the remuneration of Ernst & Young LLP as the auditor of BHP Group Plc	The audit committee all appear to be independent. The audit fee as a percentage of total expenses is 0.5% which is in line with the 2018 audit fee and peer companies. Some explanation regarding the significant reduction in subsidiary company audit fees would be helpful.	FOR	FOR 99.8%
4	General authority to issue shares in BHP Group Plc	This resolution tells us very little other than the value of the shares which may be issued under the resolution and the fact that the resolution must comply with the law and that it expires at the next AGM. We calculate the value of the shares allowed to be issued under this resolution to equal 5% of issued share capital. There is insufficient information provided for a fair and proper decision to be made, the resolution is far too wide and open.	AGAINST	FOR 98.2%
	Special Resolutions			
5	Issuing shares in BHP Group Plc for cash	As in ordinary resolution 4 above, this resolution is extraordinary in the lack of detail provided. We are told the total value of the shares which may be issued, which we calculate at 2.5% of total issued share capital. We are not provided with any other information in particular the price at which such shares may be issued and certainly no reasons or effects of this special resolution are provided.	AGAINST	FOR 98.2%

	Resolution	Rationale	Vote	Outcome of AGM
6	Repurchase of shares in BHP Group Plc	This resolution provides for the company to repurchase up to 10% of the issued share capital at a price no lower than the nominal value of the shares (US\$0.50) and no higher than 5% above the average share price or the latest share price trade whichever is higher. No reasons are provided for this resolution and the effect of the resolution are not outlined.	AGAINST	FOR 99.4%
	Ordinary Resolutions			
7	Approval of the Directors' remuneration policy	The Report notes that the company is required to comply with both UK and Australian laws and regulations. These laws and regulations are different and as such compliance is complicated. Reviewing the reports is therefore also complicated and as such the review of all the remuneration resolutions and the comments thereon will apply across all 4 resolutions. The report does provide a table of acronyms but the number of company specific acronyms and the frequency of use thereof makes for difficult reading. The Remuneration Committee (Remco) consists of 4 independent directors. The Report does not say whether any executives attend meetings by invitation. The Report does not name or give details of work performed by external consultants. A number of changes are proposed and these are dealt with clearly and in detail. We are told that the Remco engaged with and responded to shareholder concerns and these are detailed. Unfortunately, whilst the changes and shareholder concerns are relatively clear, the measures and determination of targets and evaluation of achievement for both the STIP (Short Term Incentive Plan) and LTIP (Long Term Incentive Plan) are not as clear.	AGAINST	FOR 93.5%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>The STIP is based on a scorecard which is reviewed annually, for 2020 this will be:</p> <ul style="list-style-type: none"> • 25% HSEC (Health, Safety, Environment and Community). This is determined to be: Fatalities and other HSEC incidents; HPIF (Health Potential Injury Frequency), TRIF (Total Recordable Injury Frequency) and Occupational illnesses; HSEC risk management (including climate change); and HSEC initiatives linked to five-year Public Targets (including climate change). • 50% Financial which is determined as underlying return on capital. • 25% Individual which is determined as: Portfolio/strategy (i.e. aligned to long-term plans); Tailings dams; Future options and exploration (i.e. aligned to long-term plans); Culture and capability (including quantitative employee survey and diversity targets); Social (including management of risk, community relationships and environmental performance linked to our long-term success). <p>At a glance the STIP targets are fairly balanced but when examined in detail they are found to be wanting. The HSEC targets largely if not completely focus on Health and Safety only and no weighting is given to Environment or Community and the Financial target is entirely weighted on return on capital.</p> <p>The Report does not state how much of the STIP is in cash and how much is subject to 5-year vesting period. The vesting is we are told, subject to a <i>holistic review of performance</i>, no details are provided of that review or criteria used in the review. The explanatory notes to the resolution in the Notice of the AGM, provide for 50% of the STIP to be deferred and 50% to be paid in cash.</p> <p>The LTIP will be reduced from 400% to 200% of base salary. Details of how the LTIP is calculated are not clear, it is based on TSR (Total Shareholder Return) against the TSR of comparator companies which are named and TSR of MSCI world index.</p> <p>To base the LTIP solely on TSR only cannot be in the best long-term interests of the company and shareholders.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>The Remco has a relatively high degree of discretion and we are told this will be exercised where <i>a formulaic outcome does not align with the overall shareholder experience</i>, an example is provided of <i>this holistic review resulted in discretion being applied in 2013 when the LTIP vesting was reduced from 100 per cent to 65 per cent</i>. Such a high level of discretion is unlikely to please both management and shareholders and is not considered desirable. It is pleasing that malus and clawback provisions are provided although no details are provided.</p> <p>There is no clear link between the stated objectives and values of the company and the remuneration policy.</p> <p>There is insufficient detail of how targets are determined and evaluated. The remuneration policy is far too simplistic and has resulted in no LTIP for the senior management for the past five years which must be of concern to management and the board. We are told that the recent changes would have resulted in some reward during those years but it appears that all the changes are doing is flattening the rewards and spreading them over a number of years.</p> <p>TSR should not be the sole basis of determining long term awards.</p>		
8	Approval of the Remuneration Report other than the part containing the Directors' remuneration policy	<p>The CEO's base salary remains unchanged and has not increased since his appointment in 2013 at US\$1.7m. No reasons are provided for the lack of any increase nor are details provided of general staff and management increases. In addition to this there are benefits such as 25% of base salary pension fund contribution. The pension fund contribution will reduce in steps going forward to 10% of base salary. The CEO's STIP (Short Term Incentive Plan) review was determined at 48% which resulted in a 77% of base salary reward. The Report outlines the basic areas of achievement and shortfall in arriving at this reward but does not give a detailed break-down.</p> <p>No LTIP (Long Term Incentive Plan) reward was payable as TSR (total Shareholder Return) was below the weighted index of peer group companies and the MSCI world index. However, resolution 10 below provides for the CEO to be paid US\$ 6.8m in LTIP reward. We could find no proper explanation for this reward and it is not shown in the</p>	AGAINST	FOR 97.2%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>remuneration payable in the Report which states his total remuneration is US\$ 3.531 being his base pay plus his STIP.</p> <p>There is insufficient information to fairly assess the CEO's remuneration in this section of the report. In particular the STIP targets and achievement could not be assessed.</p> <p>The fact that the CEO has had no salary increase in the past 6 years and no LTIP in the past 5 years suggests that there is a problem which needs to be addressed.</p> <p>Unlike South African companies, there is no separate vote on non-executive directors' remuneration, it is included in the Remco report. We are told that the chairman's fee will remain unchanged following reductions of 8% in 2017 and 13% in 2015. The fee remains a healthy US\$ 0.880m.</p> <p>Directors' fees remain unchanged after they were reduced by 6% in 2015.</p> <p>No attendance fee is paid, whilst an attendance fee is a blunt instrument it is some measure of performance and in the absence of any other measure, we regard this as a minimum requirement.</p> <p>The conclusion of the Remco report states <i>The remuneration outcomes for FY2019 reflect an appropriate alignment between pay and performance.</i> That being the case, it must be of concern to all shareholders that the remuneration of the CEO does not include any LTIP and that the remuneration of the non-executive directors and chairman has been reduced over a number of years.</p> <p>The CEO's pay is considerably higher after taking into account resolution 10 below than as reported in the Integrated Annual Report.</p>		
9	Approval of the Remuneration Report	The report is dealt with in two parts above.	AGAINST	FOR 96.6%

	Resolution	Rationale	Vote	Outcome of AGM
10	Approval of grant to Executive Director	<p>Notwithstanding the fact that the CEO per the Remco Report is not eligible for any LTIP, the explanatory notes to this resolution provide for him to be paid US\$ 6.8m in LTIP. We could find no proper explanation for this payment and it is not reflected in the CEO's total rewards in the Report.</p> <p>It is outrageous that the Report states that no LTIP is payable yet an amount of nearly 200% of his package as reported (including his STIP) is proposed under this resolution.</p>	AGAINST	FOR 97.5%
	Election of Directors	<p>The board comprises of 11 directors and the following information on the composition is provided:</p> <ul style="list-style-type: none"> ✘ A detailed table of skills and experience; ✘ Tenure: <3yrs - 46%, 3 to 6yrs - 9%, 6 to 9yrs - 27%, >9yrs - 18%. ✘ Diversity: Male 64%, Female 36%. The report talks of diversity but all but one are white and as above mostly white men. No breakdown of age diversity is provided but we calculate as follows: ✘ Age: 50 to 59yrs – 18%, 60 to 69yrs – 82%. Average age 62. An ageing board despite the statements regarding renewal and succession planning. ✘ We note that only 1 director or 9% of directors is an executive director. <p>The board appears to be independent with a good spread of tenure and skills. There do not appear to be any issues regarding the independence of the board.</p> <p>We, as South African investors, do have a concern regarding the diversity of the board.</p>		
11	To elect Ian Cockerill as a Director of BHP	<p>Mr Cockerill, 65, is a new appointment to the board and as such we cannot assess his attendance record.</p> <p>He has extensive appropriate experience and skills to serve on the board and is not overcommitted.</p>	FOR	FOR 99.8%
12	To elect Susan Kilsby as a Director of BHP	<p>Ms Kilsby, 60, is another new appointment whose attendance cannot be assessed.</p> <p>She is suitably skilled and experienced and is a director of 3 other listed companies.</p>	FOR	FOR 98.9%

	Resolution	Rationale	Vote	Outcome of AGM
13	To re-elect Terry Bowen as a Director of BHP	Mr Bowen, 52, has an acceptable attendance record having attended all board meetings and missing 1 (9%) of committee meetings. He is suitably skilled and experienced and is not overcommitted and has been a director for 2 years.	FOR	FOR 99.0%
14	To re-elect Malcolm Broomhead as a Director of BHP	Mr Broomhead, 67, is suitably skilled and experienced. He has been a director for more than 9 years, the board has concluded that he remains independent. Only 2 directors have served for 9 or more years and as such we are not overly concerned about Mr Broomhead's length of tenure. His attendance record was impeccable. He is a director and chairman of 1 other company.	FOR	FOR 98.9%
15	To re-elect Anita Frew as a Director of BHP	Ms Frew, 62, is suitably skilled and experienced and has been a director for 4 years. Her attendance record is acceptable with 90% of board meetings attended and 100% of committee meetings. We have a concern that she may becoming overcommitted as, in addition to her position on this board, she chairs one listed company and is deputy chair and lead independent director of another. This concern is insufficient to oppose her appointment.	FOR	FOR 98.9%
16	To re-elect Andrew Mackenzie as a Director of BHP	Mr Mackenzie, 62, is the CEO a position he has held for 6 years, having been in the employ of the company for 11 years. We have no concerns with his employment.	FOR	FOR 99.0%
17	To re-elect Lindsay Maxsted as a Director of BHP	Mr Maxsted, 65, is suitably skilled and experienced. He has been a director for 8 years and his attendance record is impeccable. Mr Maxsted was previously chairman of KPMG the outgoing auditors, we are told that the board considers him suitably independent. He is chairman of 2 other listed companies and as such we consider him overcommitted.	AGAINST	FOR 97.4%
18	To re-elect John Mogford as a Director of BHP	Mr Mogford, 66, is suitably skilled and experienced and his attendance record is impeccable. He has been a director for 2 years. We do not consider him to be overcommitted.	FOR	FOR 99.0%

	Resolution	Rationale	Vote	Outcome of AGM
19	To re-elect Shriti Vadera as a Director of BHP	Ms Vadera, 57, is suitable skilled and experienced, she has been a director for 8 years and has an impeccable attendance record. She is chairman of one other company.	FOR	FOR 98.8%
20	To re-elect Ken MacKenzie as a Director of BHP	Mr MacKenzie, 55, is the independent non-executive chairman of the board, a position he has held for 2 years having been a director for a total of 3 years. His attendance record is impeccable and we do not consider him overcommitted.	FOR	FOR 98.0%
	Special Resolution			
21	To amend the constitution to insert a new clause to the effect that: 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.	This is a resolution introduced by various shareholders, we are not told who those shareholders are nor are we given much information regarding this resolution other than the fact that the board are opposed to it. One of the values of the company is embracing openness, thus the boards opposition to this resolution appears to contradict this value. This resolution appears to be rather clumsy and we are inclined to oppose it on the grounds that it is rather impractical and is as noted clumsy and not clear. We should be presented with the new and if necessary existing clauses in the constitution of the company. However, the directors have chosen to make the ordinary resolution below (22) dependent on the passing of this resolution. We do not see why this should be so but given that, and given that we support resolution 22, we support this resolution.	FOR	AGAINST 72.9%

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolution			
22	<p>Lobbying inconsistent with the goals of the Paris Agreement</p> <p>Shareholders recommend that our company suspend memberships of Industry Associations where:</p> <p>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</p> <p>b) the Industry Association's record of Advocacy since January 2018 (1) demonstrates, on balance, inconsistency with the Paris Agreement's goals.</p> <p>Nothing in this resolution should be read as limiting the Board's discretion to take decisions in the best interests of our company.</p>	<p>Climate change is real and legislators and industry need to recognise the pressing need for change.</p> <p>We support the Paris Agreement and as such we believe this resolution should be supported.</p>	FOR	AGAINST 72.9%

AGM Outcome

The AGM attendance is not provided by the company.

All resolutions were carried with significant majorities other than the two resolutions (21 & 22) introduced by shareholders where 73% of shares voted against these resolutions. Management and the board were clearly not welcoming of these resolutions.