

Member Memo

26th September 2024

Re: BHP Group

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Summary

This section provides members with relevant details of the forthcoming transition plan vote and summarises the Company's scoring against NZIF criteria and sector-specific metrics. Please note that this Member Memo ('Memo') is based on publicly available information at the time of publication.

Name: BHP Group ('BHP' or 'the Company')

Headquarters: Melbourne, Australia

Sector: Diversified Mining

AGM date: 30th Oct 2024 (confirmed)

Reason for update: Advisory shareholder vote on 2024 Climate Transition Action Plan (CTAP 2024)

Vote details: The AGM Notice will be provided [here](#). The Company stated its intention to put the CTAP to advisory vote on p. 7 of the 2024 CTAP.

Relevant materials: [CTAP 2024](#); [2024 Annual Report \(AR 2024\)](#); [Financial results for the half year ended 31 December 2023 \(FR Dec 2023\)](#); [2023 Annual Report \(AR 2023\)](#); [Decarbonisation Roundtable 2024](#)

Publication of updated transition plan materials: BHP published its 2024 CTAP and 2024 Annual Report on 27th August 2024. These updated materials have been evaluated for this memo but result in no change to the latest scores published by Climate Action 100+.

Summary of transition plan scores	
Overall score against NZIF alignment criteria¹	8/13
Overall score against sector related criteria²	6/12
CBD³ score, sector rank, European rank	-0.6%, 5/9, 13/35
Relevant context	<p>This year BHP has made two rejected offers to acquire Anglo American but is still "pursuing the proposed combination". Updates can be found here.</p> <p>In April 2024 BHP Mitsubishi Alliance (BMA) divested its Blackwater and Daunia steelmaking coal mines. These mines produced 7.0 Mt in 2023 (on equity share basis), 24% of BHP's total steelmaking coal output (p. 220, AR 2023).</p> <p>BHP has separate CY2050 net zero goals for its operational (scopes 1 and 2) and value chain emissions (scope 3; p. 8, CTAP 2024). Its medium-term operational emissions target is -30% by FY2030 versus FY2020 base year (FY2024 emissions are already down 32% against this base year; p. 45 AR 2024). For scope 3, it has separate CY2050 net zero targets on shipping of its products and operational emissions of direct suppliers. It additionally has CY2030 goals "to support steel production capable of 30% lower GHG emissions intensity relative to conventional blast furnace steelmaking, and to support a 40% emissions intensity reduction of BHP-chartered shipping of its products" (p. 8, CTAP 2024).</p>

¹ For more details on these NZIF criteria see Section 1, page 2

² For more details on the sector related criteria see Section 2, page 3

³ Cumulative Benchmark Divergence Metric methodology [here](#). Sector rank is the CBD score relative to all the CA100+ companies within that sector globally (1/9 would be best) and European rank is the CBD score relative to all European CA100+ companies (1/35 would be best)

Section 1: Net Zero Investment Framework (NZIF) scores

IIGCC members helped develop the Net Zero Investment Framework (NZIF) with the aim of assisting them in measuring the alignment of their individual assets, overall portfolio trajectory, and increasing investment in climate solutions consistent with the Paris Agreement⁴. NZIF provides six criteria to assess listed equity and corporate fixed income alignment and recognises the CA100+ disclosure framework (CA100+ DF) as a relevant data source for this scoring. The box below summarises the Company’s alignment with those six criteria based on information that is publicly available at the date of publication of this Member Memo.

NZIF alignment

NZIF alignment criteria			
	CA100+ DF metric / sub-indicator / indicator summary	Score (Update)	Description
1. Ambition	1: A net zero ambition for 2050 or sooner covering all relevant emissions	2/2	<p>BHP has a net zero goal by CY2050 on both its operational (scopes 1 and 2) and value chain emissions (scope 3; p. 8 CTAP 2024). The Company discloses that the operational emissions net zero goal applies to its entire scopes 1 and 2 inventory. It expects to deliver up to 85% of the goal by cutting gross emissions and to close the gap with carbon credits (p. 57, CTAP 2024). BHP states that its net zero scope 3 goal applies to its entire reported scope 3 emissions inventory (p. 59, CTAP 2024). It cautions that “achievement of this goal is uncertain, particularly given the challenges of a net zero pathway for our customers in steelmaking, and we cannot ensure the outcome alone” (p. 59, CTAP 2024).</p>
	1.1.a: Qualitative net zero GHG emissions ambition statement that includes at least 95% of Scope 1 and 2 emissions.	✓	
	1.1.b: Net zero GHG emissions ambition that covers the most relevant Scope 3 GHG emissions categories for the company’s sector	✓	
2. Targets	2.2, 3.2 and 4.2: The company has set long-, medium- and short-term emissions targets that covers at least 95% of its Scope 1 and 2 emissions and the most relevant Scope 3 emissions (where applicable)	1/3	<p>BHP has a long-term (2050) net zero goal covering scopes 1 and 2 emissions, and, separately, its scope 3 emissions. It thus meets 2.2a and b. The Company has a medium-term target to reduce operational GHG emissions by at least 30% from FY2020 levels by FY2030 (p. 57, CTAP 2024). It thus meets 3.2a. However, it does not have a medium-term target that comprehensively covers scope 3. BHP thus does not meet 3.2b. The steelmaking value chain goal is not evaluated against BHPs reported scope 3 emissions (p. 58, CTAP 2024). BHP does not disclose short-term targets on either its operational or scope 3 emissions and thus does not meet 4.2a or b.</p>
	2.2.a and b: Long-term target that covers at least 95% of its total Scope 1 and 2 and at least the most relevant Scope 3 emissions	✓	
	3.2.a and b: Medium-term target that covers at least 95% of its total Scope 1 and 2 and at least the most relevant Scope 3 emissions	x	
	4.2.a and b: Short-term target that covers at least 95% of its total Scope 1 and 2 and at least the most relevant Scope 3 emissions	x	

⁴ See [Net Zero Investment Framework: Implementation Guide](#). The six alignment criteria for Listed Equity and Corporate Fixed Income for companies in higher impact sectors are set out on page 16.

	CA100+ DF metric / sub-indicator / indicator summary	Score	Description
3. Emissions performance	11.1.b and 11.1.c: The company's emissions intensity has reduced over the past three years and the rate of reduction is a faster rate than that of the relevant 1.5°C pathway.	0/2	As measured by the TPI Centre (see here) BHP's company emission intensity has risen over the last three years and therefore it does not score on either 11.1b or 11.1c.
	11.1.b: The company's GHG emissions intensity decreased over the past three years	x	
	11.1.c: The company has reduced its GHG emissions intensity at a rate faster than that projected by a credible 1.5°C pathway for its sector over the past 3 years	x	
4. Disclosure	10.1 and 10.2: The company is implementing TCFD and discloses scenario planning consistent 1.5°C	2/2	BHP provides a table mapping its disclosures onto all of the TCFD recommended disclosures (p. 43, AR 2024) and therefore meets 10.1a and b. The company has developed a new 1.5 °C scenario for its CTAP 2024, (p. 33, CTAP 2024) which it uses in two ways: 1) "to derive commodity price sensitivities to assess potential impacts on portfolio value compare with our base case valuations using our planning range"; 2) "as a sensitivity in our capital allocation processes, which compares the demand outlook for our products ... to that of a rapidly decarbonising global economy".
	10.1.a and b: Commitment to align disclosures with the TCFD recommendations OR it is listed as a supporter on the TCFD website AND explicitly signposts the disclosure in its annual reporting or publishes them in a TCFD report.	✓	BHP provides a comparison of key metrics in its 1.5°C scenario to other net zero and 1.5°C scenarios in tabular form (p. 62 CTAP 2024) and provides a graphical comparison (without grid or axes ticks) of the net present value (NPV) of its portfolio in its base case versus its 1.5 °C scenario (p. 34, CTAP 2024). It states that the NPV is "approximately the same" in the two scenarios (p. 34, CTAP 2024).
	10.2a and b: The company has conducted a climate-related scenario analysis including quantitative elements and disclosed its results AND the scenario analysis explicitly includes a 1.5°C scenario which covers the entire company, discloses key assumptions and variables used, and reports on the key risks and opportunities identified	✓	In its 1.5 °C scenario the Company also provides a quantitative breakdown of steelmaking methods that together satisfy global production. Relative to its base case, "iron ore demand is slightly reduced by the increased use of scrap metal" (p. 38 CTAP 2024). In its notes to the financial statements, the Company states that, based on a price-only sensitivity, no impairments are implied by its 1.5 °C scenario to its iron ore or steelmaking coal assets (p. 165, AR 2024). No comments are provided regarding thermal coal (current NPV of US\$-200 m; p.163, AR 2024).

	CA100+ DF metric / sub-indicator / indicator summary	Score	Description
5. Decarbonisation strategy	5.1: The company has set out and quantified the actions it intends to take to decarbonise	2/2	BHP quantifies the expected contributions of cuts to electricity, diesel and coal mine methane emissions to its operational emissions targets via a waterfall chart to 2030 (p. 11, CTAP 2024). This is extended through an illustrative line diagram to 2050 that also includes timing of planned actions (p. 12, CTAP 2024) and with further context provided on pages 15-18, CTAP 2024. This enables it to meet 5.1a and b.
	5.1.a: The company identifies the set of actions it intends to take to achieve its GHG reduction targets over the targeted timeframes. These actions clearly refer to the main sources of the company's GHG emissions, including Scope 3 emissions (where applicable).	✓	For scope 3, the Company describes four main levers to support value chain emissions reductions (p. 20, CTAP 2024) but does not provide a quantitative breakdown of how its net zero goal will be achieved. Some detail on the medium-term steelmaking goal (pp. 22-27, CTAP 2024) is provided but quantified contributions to the Company's Scope 3 emissions are not.
	5.1.b: The company quantifies the contribution of individual decarbonisation levers to achieving its medium- and long-term GHG reduction targets; including Scope 3 GHG reduction targets where applicable (e.g., changing technology or product mix, supply chain measures).	✓	
6. Capital allocation	6.1: The company discloses unabated carbon intensive capex and is phasing out new spending	1/2	BHP states that ("subject to receiving the necessary approvals") it will "not be allocating any growth capital to NSWEC," (p. 16, FR Dec 2023) its only thermal coal asset which is due to close by FY2030. However, while it does not plan to invest to grow steelmaking coal in FY2025 or FY2026 (see below) it does not state its intention to phase-out growth capital expenditure here and therefore does not meet 6.1.a.
	6.1.a: The company explicitly states that it has phased out or is planning to phase out capital expenditure in new unabated carbon-intensive assets or products by a specified year.	✗	BHP discloses capital expenditure in both steelmaking coal and thermal coal, for the financial years 2024 and 2023 split between growth and other (maintenance, decarbonisation, improvement and exploration) (p. 52, AR 2024).
	6.1.b: The company discloses the stated value of its capital expenditure that is going towards unabated carbon-intensive assets or products.	✓	Growth capital expenditure is US\$0 m for energy coal in both FY2024 and FY2023 and a total of US\$127 m for steelmaking coal over the same period (1% of steelmaking coal revenue). Other capital expenditure in FY2024 was US\$519 m and US\$100 m for steelmaking and energy coal, respectively. These disclosures are sufficient to meet 6.1.b. The Company also discloses planned growth capital expenditure in these commodities in FY 2025 and FY 2026. No growth capital is planned for either steelmaking coal or energy coal during this time (p. 53, AR 2024)
Total score		8/13	

Section 2: Sector-specific metrics

IIGCC and its members, through their contribution to Net Zero Standards or their sector working groups, have contributed to the development of sector-specific criteria to aid the assessment of transition plans in certain sectors. The box below summarises the company's alignment with those criteria based on information that is publicly available at the date of publication of this Memo.

Criteria for helping to analyse the transition plans of Diversified Mining

Engagement Topic	NZS DM Indicator/Metric(s) ⁵	Score	Relevant supplemental information and public data source used
1. Operational decarbonisation	Does the company have targets to reduce its operational emissions and are they aligned with a 1.5 °C pathway?	1/2	BHP has a long-term goal to achieve net zero operational GHG emissions from operated assets by CY2050 and a medium-term target to cut emissions by at least 30% from FY2020 levels by FY2030 (p. 11, CTAP 2024). This is sufficient to score "yes" on metric 5.iii.a.
	5.iii.a: Does the company disclose a target to reduce its operational emissions (scopes 1 & 2) to net zero by 2050 or earlier	✓	The Company states that it intends to keep emissions between FY2020 and FY2030 below a cumulative carbon budget of 126.9 MtCO ₂ e (p. 57, CTAP 2024). It also clarifies that it plans to meet its medium-term target through structural GHG emissions abatement rather than offsetting, though it notes it may use voluntary carbon credits if there is an unexpected shortfall in performance (p.11, CTAP 2024).
	5.iii.b: Does the operational emissions reduction target (scope 1 & 2) in 5.iii.a include short- and medium-term components	x	
	5.iii.c: [Not currently operational] Is the operational emissions target aligned with a 1.5 °C pathway (where alignment is determined using cumulative benchmark divergence over 2019-2050)	N/A	While BHP has a medium-term target and does indicate how it expects its operational emissions to evolve over time (p. 12, CTAP 2024), it does not disclose a short-term operational emissions target and thus cannot meet metric 5.iii.b.

⁵ Metrics based on the [Net Zero Standard for Diversified Mining](#). Numbering partially revised as a result of the pilot process.

Engagement Topic	NZS DM Indicator/Metric(s)	Score	Relevant supplemental information and public data source used
2. Scope 3 category 10	Does the company have a target to reduce its scope 3 cat. 10 emissions and is it aligned with a 1.5 °C pathway? If not, does it have an engagement target?	1/4	<p>BHP has a medium-term steelmaking goal, which is to “support industry to develop steel production technology capable of 30 per cent lower GHG emissions intensity relative to conventional blast furnace steelmaking, with widespread adoption expected post-CY2030” (p. 58, CTAP 2024). The reference number is 2.2 tonnes of CO₂ per tonne of crude steel and is based on IEA data.</p> <p>This goal is tracked in USD terms based on the funding BHP commits to collaborative partnerships and venture capital investments. As it is not evaluated in terms of BHP’s own scope 3 category 10 emissions, it is not sufficient to meet metric 5.vii.a and without a relevant target, the Company also cannot meet alignment metric 5.vii.d.</p> <p>BHP does not produce alumina/bauxite and thus the corresponding metrics are “not relevant”.</p> <p>BHP provides details of projects and partnerships, including with nine steelmakers, that it is undertaking in support of its medium-term goal to support steel production technology emissions reductions (pp. 24–27, CTAP 2024; pp. 16–18, Decarbonisation Roundtable 2024).</p> <p>The Company discloses that its steelmaking decarbonisation programme has four elements: 1) Collaborative partnerships and consortiums; 2) Research; 3) BHP Ventures; 4) Standardisation and transparency.</p> <p>The Company discloses committed BHP funding of US\$140 m towards these workstreams from FY2020 to FY2024, and estimates additional funding for FY2025 to FY2029 at US\$75 m. These figures contribute to expected US\$420 m total investment during FY2020–2029 including strategic partners (p. 25, CTAP 2024).</p> <p>The Company depicts the abatement potential for 38 project workstreams and describes the steelmaking process routes involved at each. It discloses detailed information for six case studies including process and technology routes involved, emissions intensity reduction potential, technology readiness level, collaboration and project types, partners, nature of BHP contribution, aims, activities and next steps (including milestones and timelines in most cases). The Company also provides a summary of recent progress in its annual report (p. 47, AR 2024). These disclosures are sufficiently comprehensive to meet metric 5.vii.f.</p> <p>The Company discloses that it has engaged 92% of its direct iron ore and steelmaking coal sales customers on GHG emission reduction pathways and carbon accounting methodologies (p. 47, AR 2024). It also notes that 39% of its FY2024 iron ore and steelmaking coal revenue is from customers with 2050 or sooner net zero targets (p. 25, CTAP 2024). However, as it does not set forward-looking target for engaging its customers or for new customer net zero commitments consistent with 1.5°C, it does not meet metric 5.vii.g.</p>
	5.vii.a: Does the company have a target to reduce its scope 3 cat. 10 emissions from iron ore	x	
	5.vii.b: Does the company have a target to reduce its scope 3 cat. 10 emissions from bauxite/alumina	Not relevant	
	5.vii.d: Is the scope 3 cat. 10 emissions target for iron ore aligned with a 1.5 °C pathway (where alignment is determined using cumulative benchmark divergence over 2019–2050)	x	
	5.vii.e: Is the scope 3 cat. 10 emissions target for bauxite/ alumina aligned with a 1.5 °C pathway (where alignment is determined using cumulative benchmark divergence over 2019–2050)	Not relevant	
	5.vii.f: The company provides details of projects and partnerships with customers that it is undertaking to decarbonise its scope 3 category 10 emissions, stating the abatement potential arising from these efforts, and providing relevant milestones and timelines	✓	
	5.vii.g: In the interests of enhancing the broader adoption of net zero, has the company disclosed a target for the number of customers it has engaged with regarding making net zero commitments and/or would expect to make new net-zero commitments consistent with 1.5 °C over the next financial year and the proportion of its production (in Mt) these commitments might cover	x	

Engagement Topic	NZS DM Indicator/Metric(s)	Score	Relevant supplemental information and public data source used
3. Coal production pathways	Does the company disclose planned coal production pathways for thermal and met coal, as relevant, and are the medium term targets consistent with a 1.5 °C pathway?	2/4	BHP plans to cease mining at its remaining thermal coal mine (Mt Arthur, New South Wales) by the end of FY2030 (p. 48, AR 2024). It also discloses that FY2025 thermal coal production is expected to be 13-15 Mt (p. 85, AR 2024). This disclosure covers the relevant time horizons and therefore is sufficient to meet metric 5.v.d.
	5.v.d: Does the company disclose planned thermal coal production on short, medium and long-term time horizons (expressed in units [Mt or TJ] and either a % or absolute change from a stated base year value)	✓	As BHP plans to close its final thermal coal asset by end of FY2030, this is equivalent to a 100% decrease in production in 2030 versus 2022. This is sufficient to be considered aligned with thermal coal production in 2030 in the IEA NZE and meets 5.v.f.
	5.v.f: Are the MT production plans for thermal coal consistent with the IEA NZE (-50% between 2022-30)	✓	BHP states that “Steelmaking coal continues to be an attractive commodity for us over the next several decades” (p. 38, CTAP 2024). While providing a FY2025 outlook (BMA is expected to produce 16.5 to 19 Mt on a 50% ownership basis; 33 to 38 Mt on a 100% basis) it does not disclose medium- or long-term production targets for this commodity and thus cannot meet metric 5.v.i.d.
	5.vi.d: Does the company disclose planned metallurgical coal production on short, medium and long-term time horizons (expressed in units [Mt or TJ] and either a % or absolute change from a stated base year value)	x	Without disclosing planned medium and long-term production for steelmaking coal production, their plans cannot be assessed for consistency with the IEA NZE and thus their disclosures do not meet metric 5.vi.f.
	5.vi.f: Are the MT production plans for met coal consistent with the IEA NZE(-30% between 2022-30)	x	

Engagement Topic	NZS DM Indicator/Metric(s)	Score	Relevant supplemental information and public data source used
4. Key transition materials (KTMs)	Does the company disclose revenue and capex in the last reporting year for all of the key transition materials it produces, on a per-commodity basis?	2/2	<p>BHP discloses FY2024 production of three KTMs: copper, 1,865 kt; nickel, 82 kt; and cobalt, 734 t (p.220, AR 2024).</p> <p>In its disclosures of revenue and capital expenditure (p. 52, AR 2024), BHP groups cobalt into the category, "Other", which includes by-products cobalt, gold, lead, molybdenum, silver and zinc. (p. 52, AR 2024).</p> <p>BHP discloses (p. 52, AR 2024) FY2024 revenues from copper (US\$17.2 bn) and nickel (US\$1.4 bn). Revenue for the category Other, which includes cobalt, is US\$1.0 bn. As the grouped revenue of Other is less than 2% of the total revenue, the by-product cobalt can be considered immaterial, meaning that BHP's disclosures are sufficient to meet 5.ii.c.</p>
	5.ii.c: Has the company disclosed revenue for each KTM it produced in the last reporting year	✓	<p>As a proportion of its total revenue (US\$55.7 bn), copper represents 31.0% and nickel 2.5% (p. 52, AR 2024).</p>
	6.ii.a: Has the company disclosed total investment (organic capex plus acquisitions) in production of KTMs in the last reporting year (on a per-commodity basis)	✓	<p>BHP discloses FY2024 capital expenditure on its copper and nickel operations in two categories. "Major capital (growth) expenditure" is US\$920 m for copper and US\$707 m for nickel. "Other capital expenditure" (maintenance and decarbonisation capital, improvement capital and exploration) "is US\$3.0 bn for copper and US\$665 m for nickel (p. 52, AR 2024). These disclosures meet 6.ii.a. Capex on cobalt is not required under this metric as it is a by-product of copper operations.</p> <p>In July 2024, BHP announced that its nickel operations (Western Australia Nickel) would be temporarily suspended from October, with a review of the decision by February 2027 (p. 24, AR 2024).</p>
5. Total score:		6/12	