



BHP brings home the bacon

Company/ASX Code	BHP Group Limited/BHP
AGM date	Thursday 7 November, 2019
Time and location	10am International Conference Centre, Sydney
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Duncan Seddon
Pre AGM Meeting?	Yes, with Chair Ken MacKenzie

Item 1	Financial Statements and Reports
ASA Vote	No vote required

Summary of ASA Position

Financial performance

The return to the retail shareholder over the past year has been magnificent. Dividend has increased, there has been off-market buybacks and special dividends. This has helped reduce the franking credits held by the company to a mere \$9.875 billion from \$11.730 billion in 2018. Furthermore, since the company operates and pays in US dollars, Australian retail shareholders have benefitted from the relative weakness of the A\$ over the past year. We can only hope for future good returns from the company.

Governance and culture

To date BHP has been an Australian leader in corporate governance. However, there seems to be a new emphasis by the company, driven by the CEO and supported by the board, to change its culture to reflect the mores of the time. Whilst on the surface this may seem an attractive move, there are potential downsides and cost which may in the long-term affect shareholder returns. ASA notes with caution certain proposals to reward executives for achieving non-financial parameters and outcomes rather than achieving optimum financial performance.

Key Board or senior management changes

We are sad to see the retirement of Carolyn Hewson from the board. We saw her as instrumental in leading the company to sensible executive remuneration outcomes and wish her well. There are two new members up for election, Ian Cockerill and Susan Kilsby.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (US \$m)	9,185	4,823	6,222	-6,207	4,390
Share price (A\$)	41.16	33.91	23.28	18.65	27.05
Dividend (A\$ cents)	308	159.7	107.9	40.40	161.50
TSR (%)	32.2	52.4	28.6	-27.4	-13.0
EPS (A\$ cents)	271.9	249.6	172.7	219.1	180.7
CEO total remuneration, actual (US\$m)	3.531	4.657	4.554	2.241	4.582

For 2019 the CEO's total actual remuneration on translation to A\$ was **58 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Appointment of Auditor for BHP Group Limited and BHP Group PLC
ASA Vote	For

Summary of ASA Position

A regular change of auditor is required under UK/EU law and this is the appropriate resolution for this action. It would be preferable if the two arms of the company (Limited and PLC) should have the same auditor.

The new auditor is Ernst & Young LLC who will replace KPMG.

Item 3	Remuneration of Auditor of BHP PLC
ASA Vote	For

Summary of ASA Position

This resolution follows from the above for the remuneration of the new auditor, Ernst & Young LLC.

Item 4	General authority to issue shares in BHP Group PLC
ASA Vote	For

Summary of ASA Position

Required under English law and there is no reason to oppose it.

Item 5	Issuing Shares in BHP Group PLC for Cash
ASA Vote	For

Summary of ASA Position

Required under English law and there is no reason to oppose it as it assists the company in its management of the company's capital.

Item 6	Repurchase of Shares in BHP Group PLC
ASA Vote	For

Summary of ASA Position

Required under English law and there is no reason to oppose it as it assists the company in its management of the company's capital.

Item 7	Approval of the Director's Remuneration Policy
ASA Vote	For

Summary of ASA Position

We have supported the remuneration policy in the past as representing a good example of corporate best practice. The Board propose to change some aspects of the remuneration policy especially as it applies to long term incentives (LTI) for the CEO, which sees some allocation being moved from LTI to a 5-year deferred STI granted in equity and subject to a holistic review of the performance since date of grant. There is also the introduction of two-year post-retirement shareholding requirements for the CEO which we consider appropriate in light of CEO being responsible for a company being sustainable on departure. The changes with respect to LTI are welcomed. They aim to reduce excessive payments and eliminate the yearly swings in LTI grants from 100% to zero (it is zero at present). There are some changes to pension entitlements (down from 25% to a more equitable 10%). However, for the short-term incentives (STI), there is some change particularly with respect to climate change. It is not clear if these can be tangibly measures can be tangibly understood to work and avoid higher operating costs. We have discussed this with the company and recommend supporting the resolution.

Item 8	Approval of Remuneration Report other than the part containing the Director's remuneration policy report.
ASA Vote	For

Summary of ASA Position

This is required under UK law and we will support this.

Item 9	Approval of Remuneration Report
ASA Vote	For

This is the vote required under Australian law and is advisory only. The threat of two 25% against votes in consecutive years triggering a board spill will have no tangible effect because BHP being a dual listed company requires all board members to be re-elected every year.

In previous years, we supported the Remuneration Report on the basis that the outcomes were reasonably aligned with shareholder returns.

This year's remuneration outcomes broadly reflect these sentiments. CEO Andrew Mackenzie's actual total remuneration for FY19 was US\$ 3.531m, compared with US\$ 4.657m for FY18. He did not receive any LTI performance related pay in FY19 because the company's performance did not meet the required hurdles. This year the CEO was awarded STI payments totalling US\$ 1,306 million compared to US\$ 2.448 million for the previous year.

The pay framework is set out in the table below. The fixed remuneration includes a pension entitlement of 25% of the base salary which will reduce in future years.

CEO rem. framework	Target* US \$m	% of Total	Max. Opportunity US \$m	% of Total
Fixed Remuneration	1.97	26.4%	1.97	17%
STI - Cash	1.36	18.3%	2.04	18%
STI - Equity	2.72	36.6%	4.08	35.5%
LTI	1.394	18.7%	3.4	29.5%
Total	7.444	100.0%	11.49	100%

All amounts in the table above are in US dollars.

Item 10	Approval of Grants to the Executive Director.
ASA Vote	For

Summary of ASA Position

These grants arise out of the previous year's remuneration policy which we have supported and see no reason to object to the outcomes.

Item 11	To Elect Ian Cockerill as a Director of BHP
ASA Vote	For

Summary of ASA Position

Mr. Cockerill has an extensive mining background. He was trained as a geologist and has served as CEO of Anglo American Coal and CEO of Gold Fields Ltd. He is currently chairman of Polymetal International Inc. He does not have a heavy workload. We see him as an asset to the board and support his election.

Item 12	To Elect Susan Kilsby as a Director of BHP
ASA Vote	For

Summary of ASA Position

Susan Kilsby's experience is in mergers and acquisitions with Credit Suisse and has held several non-executive positions across a range of industries. She is currently a non-executive director of Diageo PLC, Fortune Brands Home & Security Inc and Unilever. She does not have a heavy workload. We support her election and believe she will be an asset to the board.

Item 13	To re-elect Terry Bowen as a Director of BHP
ASA Vote	For

Summary of ASA Position

Terry Bowen is the former CFO of Wesfarmers. Terry Bowen was elected in 2017. Since his election he has become the Head of Operations group at BGH capital and a Director of Navitas. We have discussed his time commitments with the Board Chair and come to the conclusion that he is not overloaded with this role. We will support Mr Bowen's election.

Item 14	To re-elect Malcolm Broomhead as a Director of BHP
ASA Vote	For

Summary of ASA Position

Mr Broomhead has extensive experience in running industrial and mining companies. He has previously served as CEO of Orica, and North Limited, both global mining concerns. Mr Broomhead has been a director with BHP since 2010 and has served 9 years as a non-executive director. While ASA recognises Mr Broomhead's contribution to the Company and understands his value, we will no longer consider him independent after his re-election for this term. In light of maintaining a sustainable and independent board, we would recommend that Mr Broomhead consider stepping down from his role next year. For this term, ASA supports his re-election.

Item 15	To re-elect Anita Frew as a Director of BHP
ASA Vote	For

Summary of ASA Position

Ms Frew has an extensive breadth of non-executive experience across diverse industries that include chemicals, engineering, industrial and finance. Ms Frew's serves as Chair of Croda International Plc, a British speciality chemicals company. She also serves as Deputy Chair of the Lloyds Banking Group. At BHP, she serves as a member on the Remuneration Committee and the Risk and Audit Committee. She has been a director with the company since 2015. She seems well qualified in general business operations and banking and finance networks and has a breadth of experience that relates to BHP's larger operations. We support her re-election.

Item 16	To re-elect Andrew Mackenzie as a Director of BHP
ASA Vote	For

Summary of ASA Position

Mr Mackenzie was appointed CEO in May 2013 and has no commitments to other listed companies. He is not overloaded. We recommend Mr Mackenzie's re-election.

Item 17	To re-elect Lindsay Maxstead as a Director of BHP
ASA Vote	For

Summary of ASA Position

Mr Maxsted is fully loaded with two chair positions in Australian listed companies (Transurban and Westpac) while also serving as non-executive director at BHP. We have voted for his election since 2011 and supported his re-election last year.

However, with his other non-company commitments, we would say that he has too heavy a workload to be able to adequately serve on a company as complex and large as BHP. Also, given the severe governance issues facing Australian banks at this present time we consider that his duties as Chair of Westpac will considerably increase and impact on his ability to contribute effectively to BHP. We have discussed his duties with BHP's Chair in the past and raised the issue again this year. Based on this discussion and the Chair's support for Mr Maxsted's ability to shoulder the heavy workload, we will direct proxies in favour of his re-election. However, since he was elected in 2011 and is coming close to being classified as a non-independent director, we hope he considers stepping down to make space for the election of a new independent director.

Item 18	To re-elect John Mogford as a Director of BHP
ASA Vote	For

Summary of ASA Position

John Mogford has worked in the oil and gas industry, serving with BP Plc for the majority of his career. He was first elected to the BHP board in 2017. He is currently a director and interim chair of ERM Worldwide Group Ltd, an environmental, health and safety consultancy. Mr Mogford's previous experience includes experience in oil and gas, capital allocation discipline, private equity, commodity value chains, and health and safety and environment. We would regard Mr Mogford as not overloaded and will support his election to the board.

Item 19	To re-elect Shriti Vadera as a Director of BHP
ASA Vote	For

Summary of ASA Position

Ms Vadera has been a director at BHP since 2009. She is currently chair of Santander UK and is therefore not overloaded as a company director. Her experience lies extensively within investment banking and economic policy making. She has also served as a Director of AstraZeneca Plc between 2011 and 2018. We have voted for her election previously and will continue to support her election this year. Ms Vadera has indicated that this will be her last year standing for the BHP board as she does not intend to stand for re-election in the 2020 AGMs which indicates that there will be no issue of her continued serving on the board while contravening ASA guidelines with regards to independence.

Item 20	To re-elect Ken MacKenzie as a Director of BHP
ASA Vote	For

Summary of ASA Position

Mr MacKenzie, is company chairman and formerly CEO of Amcor, has been a director since September 2016. He has no other directorship and he is not overloaded. We direct proxies in favour of his re-election.

Item 21	Amendment to the Constitution of BHP Group Limited
ASA Vote	Against

Summary of ASA Position

This resolution has been requested by an advocacy group, concerned with the company's approach to climate change. The resolution is not endorsed by the board. Whilst, on the face of it, a resolution to increase shareholder power may appear beneficial to shareholders, under the existing framework, shareholders who wish to raise an issue must propose a constitutional amendment in order to provide for such a power. We are reluctant to vote in favour of changing company constitutions – our preference is for a public policy consultation on whether there should be a right to more non-binding shareholder resolutions.

Item 22	Lobbying inconsistent with the goals of the Paris Agreement
ASA Vote	Against

Summary of ASA Position

This resolution is contingent on passing the previous resolution. If Item 21 is passed, we intend to vote against this item as we believe that the Company is reviewing its positions with regards to its membership of industry groups. ASA would prefer to assess the Company's position over time and assess how such resolutions could affect long-term shareholder concerns and values.

The individuals and their associates involved in the preparation of this voting intention have a shareholding in this company.

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