

Intelligence: Verified by AI, Guided by Faith



Shariah Compliance Report

Australian Stock Exchange ASX – **BHP**

Valid **15/12/2025** – **14/12/2026**

Status : **Compliant Low Risk**

HalalCheck

Islamic Investment Meets Digital Innovation

Halal Intelligence: Verified by AI, Guided by Faith

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Methodology	<p>This report has been prepared using the HalalCheck analytical platform, applying methodologies approved by the HalalCheck Shariah Supervisory Board.</p> <p>HalalCheck provides structured Shariah screening and probabilistic assessments based on publicly available information, recognised Islamic index methodologies, and internally approved Shariah rules and interpretations.</p> <hr/>
Issuance	<p>Where explicitly stated, Shariah opinions or certifications are issued by the HalalCheck Shariah Supervisory Board, acting independently and in accordance with established principles of Islamic jurisprudence. The HalalCheck analytical platform itself does not issue religious rulings.</p> <hr/>
Legal Disclosures	<p>This report:</p> <ul style="list-style-type: none">• Does not constitute investment advice• Does not guarantee ongoing Shariah compliance• Reflects information available at the time of assessment <hr/>
Expiry Date	<p>Shariah compliance is subject to change as business activities, financial structures, or disclosures evolve. Ongoing compliance remains subject to periodic review and Shariah Supervisory Board oversight.</p> <hr/>
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2. Executive Summary

HalalCheck Review – What’s Being Done?

HalalCheck applies a structured, multi-stage screening framework aligned with recognised Islamic index methodologies to provide a Shariah compliance confidence score to assets under investigation.

In this report HalalCheck has applied the DJIM methodology in the following process:

1. Qualitative screening of business activities to identify prohibited sectors
2. Quantitative screening using financial ratio thresholds
3. Supplementary ESG analysis for contextual insight

Investment In Review

BHP Group Limited is one of the world’s largest diversified natural resources companies, headquartered in Australia and listed on the Australian Securities Exchange (ASX), with a global portfolio of mining and resource assets. The Group’s principal activities include the exploration, development, production, and marketing of commodities such as iron ore, copper, coal, nickel, and potash, supplying essential raw materials to global infrastructure, energy, and industrial markets. BHP operates across multiple jurisdictions with a strong emphasis on safety, governance, and long-term value creation, and is widely regarded as a significant participant in the global resources sector.

Methodology	Dow Jones Islamic Market (DJIM)
Exchange	Australian Stock Exchange
Asset	BHP Group Limited
Asset ID	BHP

Conclusion

Based on the combined qualitative and quantitative evidence, and processed through the HalalCheck Bayesian Network, BHP Group Limited achieves a high-confidence Shariah compliance outcome.

Shariah Status	Compliant
Confidence Level	High
Indicative HalalCheck Probability	95%
Qualitative Shariah screening (business activity)	
Sector Category	Permissible
Qualitative Status	Eligible
Hard Exclusion Flag	False
Requires Revenue Test	False
Qualitative Compliance Prior	0.98
Quantitative Shariah screening (financial ratios)	
Debt To Assets Bucket = <33%	= 30.4%
Cash To Assets Bucket = <33%	= 14.7%
Receivables To Assets Bucket = <33%	= 5.1%
Quantitative Compliance	= Pass=
ESG assessment (contextual, non-determinative)	
Environment Risk Level	High: Inherent mining impact, actively managed
Social Risk Level	Medium: Operational and jurisdictional exposure
Governance Risk Level	Low: Strong controls and transparency

3. Qualitative Assessment

Qualitative Assessment Purpose

The qualitative assessment evaluates whether a company's core business activities are permissible under Shariah principles by examining the nature of its operations, revenue-generating activities, and structural dependencies.

This stage of the review identifies involvement in prohibited sectors, such as alcohol, gambling, conventional financial services, or other non-permissible activities, and assesses whether any such activities are incidental or fundamental to the business model.

The qualitative assessment acts as a gateway screening, determining eligibility to proceed to quantitative financial testing and subsequent analysis.

Industry Classification

Primary industry classifications (NAICS-aligned) include:

- 2122 – Metal Ore Mining
- 2123 – Non-metallic Mineral Mining and Quarrying

Structural Dependence Assessment

BHP Group's business model is not structurally dependent on any non-compliant activity. The company's revenue generation, asset base, and operational continuity are derived from mining and natural resource extraction. The removal of any incidental or peripheral non-compliant exposure would not impair the existence or viability of the business.

DJIM Qualitative Screening Assessment

Under DJIM qualitative screening principles, companies are assessed based on their primary business activity. Activities that are explicitly prohibited under Shariah, such as gambling, alcohol production, pork-related activities, tobacco, or conventional financial services, result in automatic exclusion.

BHP Group's core business activity is mining and natural resource extraction. These activities are considered permissible in principle under DJIM qualitative standards and do not fall within any category of absolute prohibition.

Qualitative Screening Outcome

Qualitative Shariah screening Outcome	Proceed to quantitative financial screening
Qualitative Shariah screening (business activity)	
Sector Category	Permissible
Qualitative Status	Eligible
Hard Exclusion Flag	False
Requires Revenue Test	False
Qualitative Compliance Prior	0.98

These signals indicate that BHP Group's primary business activity is permissible in principle under DJIM. As no hard exclusions are triggered, the Bayesian Network advances to quantitative financial screening nodes, including leverage and liquidity ratio analysis.

4. Quantitative Assessment

Quantitative Assessment Purpose

Following successful qualitative screening, DJIM applies three quantitative financial ratio tests. These tests assess whether a company's capital structure and balance sheet composition remain within acceptable Shariah thresholds.

DJIM quantitative thresholds applied:

Interest-bearing debt / Total assets	≤ 33%
Cash & cash equivalents / Total assets	≤ 33%
Receivables / Total assets	≤ 33%

Financial Inputs (FY2025)

All inputs are sourced directly from BHP's published annual report.

Metric	Value (USD m)	Source
Total Assets (approx.)	80,681	Balance Sheet reconciliation
Interest-bearing debt	24,496	Note on interest-bearing liabilities
Cash & cash equivalents	11,894	Cash flow / balance sheet
Trade & other receivables	4,116	Current assets

DJIM Ratio Calculations

- Debt ratio: $24,496 / 80,681 = 30.4\% \rightarrow$ Pass
- Cash ratio: $11,894 / 80,681 = 14.7\% \rightarrow$ Pass
- Receivables ratio: $4,116 / 80,681 = 5.1\% \rightarrow$ Pass

Quantitative Screening Outcome

Test	Result	DJIM Threshold	Status
Debt / Assets	30.4%	≤ 33%	Pass
Cash / Assets	14.7%	≤ 33%	Pass
Receivables / Assets	5.1%	≤ 33%	Pass

Conclusion

Based on FY2025 financial disclosures, BHP Group Limited satisfies all DJIM quantitative financial screening criteria. Accordingly, BHP passes the quantitative Shariah screening stage under the DJIM methodology, subject to ongoing monitoring and periodic review.

5. ESG Assessment

Environmental, Social, and Governance Assessment Purpose

This report presents an Environmental, Social, and Governance (ESG) assessment of BHP Group Limited. The assessment is provided as a complementary sustainability and risk lens alongside Shariah screening outcomes and does not replace or override Shariah compliance determinations.

Scope and Standards

This ESG assessment draws on disclosures from BHP's FY2025 Annual Report and aligns, where relevant, with established ESG reporting frameworks including GRI, SASB (Metals & Mining), TCFD, and emerging ISSB standards.

Environmental Assessment (E)

BHP operates in resource-intensive industries with inherent environmental impact. Key environmental considerations include greenhouse gas emissions, water usage, tailings management, land rehabilitation, and biodiversity impact.

- Environmental Risk Level: High
- Management & Mitigation Maturity: Strong
- Transition Alignment (energy transition metals): Positive

Social Assessment (S)

Social considerations focus on workforce safety, indigenous engagement, community impact, and labour practices across multiple jurisdictions.

- Social Risk Level: Medium
- Key Focus Areas: Safety performance, community relations

Governance Assessment (G)

BHP demonstrates strong governance practices, including board independence, robust audit processes, anti-corruption controls, and transparent disclosures.

- Governance Risk Level: Low

ESG Summary

Dimension	Risk Level	Commentary
Environmental	High	Inherent mining impact, actively managed
Social	Medium	Operational and jurisdictional exposure
Governance	Low	Strong controls and transparency

Conclusion

BHP presents elevated environmental risk inherent to its sector, moderated by strong governance and improving sustainability practices. ESG outcomes should be considered alongside, but separately from, Shariah compliance assessments.

6. Appendix 1 - Qualitative Sector Screening Methodology (NAICS 2022)

Scope and Purpose

This section defines the qualitative (business activity–based) Shariah screening methodology used by HalalCheck to assess the permissibility of companies classified under the NAICS 2022 industry taxonomy.

The system is designed to support multiple recognized Shariah screening methodologies used by established Islamic index providers such as AAOIFI, Dow Jones Islamic Market Index (DJIM), MSCI Islamic, and FTSE Shariah, while remaining implementation-agnostic. Users may select the methodology under which a screening assessment is performed. When a methodology is selected, all qualitative classification rules, exclusion criteria, and quantitative thresholds are applied in accordance with that methodology. The underlying analytical framework remains consistent across methodologies, ensuring transparency and comparability, while allowing for methodological differences in screening rules.

Industry Classification Database

The system uses standardised industry classification frameworks as the foundational source for identifying a company's primary business activity. These frameworks are widely adopted across financial markets and regulatory reporting and provide a consistent, hierarchical representation of economic activities.

In particular, the classification dataset is derived from:

- NAICS (North American Industry Classification System) codes and descriptions
- Supplemented by public company disclosures, regulatory filings, and sector metadata where required

NAICS is used because it provides:

- A globally recognised, structured taxonomy of industries
- Clear hierarchical relationships between sectors and sub-sectors
- Sufficient granularity to distinguish between permissible, mixed, and prohibited activities

The use of an established industry classification system ensures that business activity identification is objective, reproducible, and auditable, rather than subjective or discretionary.

Hierarchical Nature of Industry Classifications

Industry classification systems such as NAICS are hierarchical by design, meaning that each activity belongs to multiple nested levels of classification, for example:

- Sector (2-digit) – broad economic category
- Sub-sector (3–4 digit) – more specific industry grouping
- Industry group (5-digit) – detailed activity type
- Industry (6-digit) – most granular description of business activity

Each lower level inherits the characteristics of the level above it, while providing additional specificity where available.

Roll-Up Logic Based on Data Availability

In practice, the level of industry detail available for a given company may vary depending on:

- Public disclosures
- Data provider coverage
- Company reporting practices

The system therefore applies structured roll-up rules to ensure consistent classification when detailed data is unavailable.

Roll-Up Principle

Screening is performed at the most granular industry level available, and rolled up to broader levels only when more detailed classification data is missing.

Roll-Up Rules

The following roll-up rules are applied consistently:

1. Prefer the most specific classification available
 - If a 6-digit industry code is available, it is used directly.
 - If not, the system rolls up to the next highest level (5-digit, then 4-digit, etc.).
2. Inheritance of prohibition
 - If a sub-industry is prohibited, the parent industry is treated as prohibited unless there is clear evidence that the broader category contains permissible activities outside the prohibited subset.
 - This prevents prohibited activities from being masked by broad industry labels.
3. Conservative roll-up approach
 - Where a parent industry contains both permissible and prohibited sub-industries and the company's exact activity cannot be determined, the industry is conservatively classified as Mixed, triggering quantitative screening.
 - This avoids false permissibility while preserving the ability to screen further.
4. No dilution of core prohibitions
 - Roll-ups are never used to override a clearly identified prohibited primary activity.
 - If any level of classification confirms a prohibited core business, higher-level roll-ups do not neutralise that determination.

Example of Roll-Up Application

If a company is classified as:

- 111910 – Tobacco Farming → Prohibited

Then:

- 11191 – Tobacco Farming → Prohibited
- 1119 – Other Crop Farming → Classified as Prohibited or Mixed (depending on evidence), not automatically Permissible

This ensures that prohibited activities propagate upwards through the hierarchy and are not incorrectly neutralised by broader sector labels.

Integration with Shariah Screening Methodologies

The rolled-up industry classification serves as an input signal to the qualitative Shariah screening stage. Once the business activity is identified at the appropriate level of granularity:

- Qualitative exclusion rules (e.g. gambling, alcohol, tobacco) are applied
- Structural dependence is assessed
- The business is classified as Permissible, Mixed, or Prohibited

The roll-up mechanism ensures that Shariah screening remains:

- Consistent across varying data quality
- Defensible under audit
- Aligned with recognised index methodologies such as DJIM

Key Principle

Industry classification roll-ups are used to manage data availability, not to relax or dilute Shariah prohibitions.

Classification Categories

Industries are classified into one of the following categories:

- Permissible – Core business activities are halal in nature.
- Prohibited – Core business activities are explicitly haram under Shariah principles.
- Mixed / High Risk – Industries that may involve halal and non-halal activities and therefore require additional quantitative or disclosure-based screening.

Absolute Prohibitions (Hard Rules)

The following activities are categorically prohibited with no tolerance threshold:

- Pork and pig-related activities
- Alcohol production or distribution
- Gambling and betting services
- Tobacco production
- Conventional interest-based financial services (banking, insurance, lending, securities)

Any NAICS classification indicating core involvement in these activities is marked as Prohibited.

Hierarchical Roll-Up Logic

NAICS is a hierarchical classification system. HalalCheck applies a conservative roll-up approach:

- If any sub-industry is Prohibited, the parent category cannot be Permissible.
- Parent classification outcomes:
 - All descendants Prohibited → Parent Prohibited
 - All descendants Permissible → Parent Permissible
 - Mixed descendants → Parent Mixed / High Risk

This prevents false-positive halal classifications at higher aggregation levels.

Data Outputs and Flags

The qualitative rulebook dataset includes the following governance fields:

- `hard_prohibition_flag` – Indicates direct textual match to an absolute prohibition.
- `parent_naics_code` – Nearest parent NAICS code for traceability.
- `rollup_flag` – Indicates whether a category was adjusted due to descendant roll-up logic.

Bayesian Network Integration

The resulting Shariah sector category is used as an evidence node (`SectorCategory`) within the HalalCheck Bayesian Network. This feeds the `QualitativeCompliance` node, which is then combined with quantitative financial ratios and disclosure quality to produce an overall compliance probability.

Structural Dependence Assessment

In addition to primary business activity classification, HalalCheck applies a Structural Dependence Assessment where non-compliant activities are present.

The Structural Dependence Assessment evaluates whether a company's business model would materially cease to function in its current form if the non-compliant activity were removed.

- If the business is structurally dependent on the non-compliant activity, the activity is treated as core and the company is classified as Prohibited at the qualitative stage
- If the business is not structurally dependent on the non-compliant activity, the activity is treated as incidental and the company may be classified as Mixed, subject to quantitative screening.

This assessment prevents revenue-based dilution of prohibited core activities and aligns the qualitative screening process with established Islamic index methodologies, including DJIM, MSCI Islamic, and FTSE Shariah.

Structural dependence is assessed qualitatively and deterministically and does not involve revenue thresholds or percentage calculations. The outcome of this assessment is recorded as a binary input signal within the Bayesian Network.

What This Assessment Does Not Cover

This qualitative Shariah screening assessment does not include or evaluate the following:

- **Religion or identity of individuals**
The religion, nationality, ethnicity, or personal beliefs of shareholders, founders, directors, management, employees, or customers are not considered.
- **Kosher or non-Shariah religious certifications**
Kosher status or other non-Islamic religious designations are not treated as indicators of Shariah compliance.
- **Ethical or ESG considerations**
Environmental impact, labour practices, human rights, governance controversies, political activities, or social responsibility factors are outside the scope of this assessment.
- **Financial ratios or revenue composition**
Interest income, non-compliant revenue percentages, leverage, liquidity, and other quantitative financial metrics are assessed separately during quantitative screening.
- **Business performance or investment merit**
Profitability, growth prospects, valuation, market risk, or investment suitability are not evaluated.

- **Legal, regulatory, or compliance status**
Licensing, regulatory approvals, litigation, sanctions, or jurisdiction-specific legal matters are not assessed unless they directly define the nature of the business activity.
- **Fatwa issuance or Shariah rulings**
This assessment does not constitute a fatwa, religious opinion, or final Shariah determination.
- **Moral or cultural value judgments**
Cultural norms, lifestyle considerations, or subjective moral assessments beyond established Shariah screening criteria are not considered.

7. Appendix 2 - Quantitative Methodology

Scope and Purpose

The quantitative screening process evaluates whether a company's financial structure complies with Shariah principles as defined under recognised Islamic index methodologies. This stage focuses on limiting exposure to interest-based financing and other non-permissible financial elements, and is applied only after qualitative Shariah eligibility has been established.

Process Entry Criteria

Quantitative screening is initiated only for companies that have passed qualitative Shariah screening. This ensures that financial testing is not applied to businesses whose core activities are fundamentally non-permissible, thereby preserving methodological integrity.

Selection of Screening Methodology

For each assessment, the applicable quantitative methodology is selected prior to calculation. In this case, the Dow Jones Islamic Market (DJIM) methodology was applied, reflecting its widespread adoption and clearly defined financial thresholds.

Definition of Assessment Scope

The quantitative assessment scope is defined to include only consolidated financial data relating to the issuer's operating business. Financial institutions, subsidiaries, or exceptional items may be excluded or treated separately where methodology guidance permits.

Identification of Required Financial Inputs

Required inputs include total assets, interest-bearing debt, cash and cash equivalents, interest-bearing securities, and trade and other receivables. These figures are identified from audited annual financial statements and verified against supporting disclosures.

Data Collection and Verification Procedures

All financial data is sourced from publicly available and audited reports. Figures are cross-checked across balance sheets, cash flow statements, and notes to accounts to ensure consistency and reliability.

Ratio Construction and Calculation

Each quantitative ratio is calculated using standard formulae prescribed under the selected methodology. Ratios are expressed as percentages and calculated using a consistent denominator, typically total assets, unless otherwise specified.

Threshold Application and Evaluation

Calculated ratios are evaluated against predefined Shariah thresholds. Under DJIM, each ratio must remain below the maximum permitted threshold for the company to pass quantitative screening.

Treatment of Borderline Results

Where ratios approach threshold limits, additional analysis may be conducted to assess sensitivity to reporting assumptions or timing effects. Such cases may be flagged for enhanced review rather than automatic classification.

Consolidation of Quantitative Results

Individual ratio outcomes are consolidated into an overall quantitative screening result. A pass outcome requires all applicable tests to be satisfied without exception.

Integration into HalalCheck Scoring Framework

Quantitative results are converted into structured categorical signals and integrated into the HalalCheck Bayesian Network. This allows quantitative findings to be assessed alongside qualitative and ESG inputs.

Governance Review and Escalation

Where required, quantitative results may be escalated for review by the HalalCheck Shariah Supervisory Board, particularly in cases involving complexity or elevated uncertainty.

Documentation and Audit Trail

All calculations, assumptions, and data sources are documented to support transparency, reproducibility, and auditability.

Ongoing Monitoring and Reassessment

Quantitative compliance is assessed on a point-in-time basis and remains subject to periodic reassessment as financial disclosures evolve. Material changes may trigger reclassification or further review.

8. Appendix 3 - ESG Methodology

Scope and Purpose

ESG analysis is conducted as a supplementary evaluation to inform investor decision-making and does not influence Shariah compliance determinations.

The ESG module provides additional insight into environmental, social, and governance risks associated with an issuer, supporting holistic and responsible investment decisions.

Separation from Shariah Screening

Shariah compliance is determined independently using recognised Islamic screening methodologies (e.g. DJIM, MSCI). ESG outcomes do not override qualitative or quantitative Shariah rules.

ESG Dimensions

- Environmental: Climate impact, resource use, biodiversity
- Social: Workforce safety, community relations, human rights
- Governance: Board structure, controls, transparency

Data Sources

ESG assessments rely on publicly disclosed company reports, sustainability statements, regulatory filings, and recognised reporting frameworks.

Output Structure

ESG results are presented as categorical risk levels (Low / Medium / High) with supporting commentary, rather than a single composite score.

Use in Bayesian Architecture

ESG indicators may be incorporated as optional nodes within the HalalCheck Bayesian Network to support investor suitability analysis, without affecting Shariah compliance nodes.