

BHP

Our Tax Strategy

30 June 2023



Our tax strategy

Our tax strategy applies to BHP Group Limited and its controlled entities in all countries where we operate. We regard the publication of this document as complying with our duty to publish a Tax Strategy in relation to UK taxation under paragraphs 19 and 22 of Schedule 19 of the UK Finance Act 2016 for BHP’s financial year ending 30 June 2023.

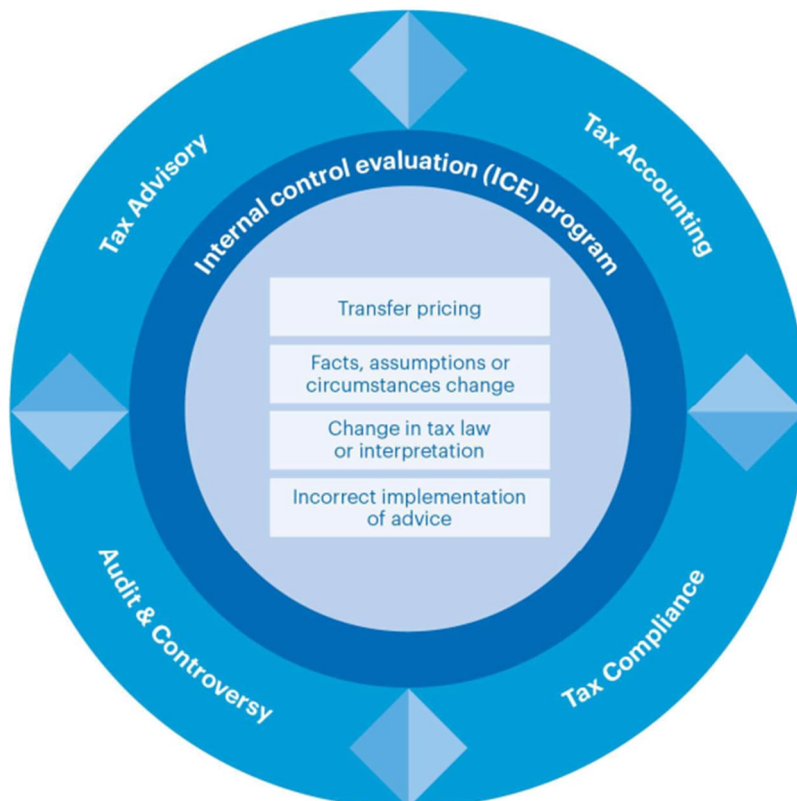
Approach to risk management and governance

Given the size, geographic scope and complexity of our operations, and at times, uncertainty regarding the application of tax laws, risk may arise in the determination of our tax liabilities.

Risk management is central to achieving our purpose and strategic objectives. Risk management, including for tax, is embedded in all of our critical business activities, functions, processes and systems through the following mechanisms:

- Risk assessments – we regularly assess current and emerging risks.
- Risk controls – we put controls in place over material risks, and periodically assess the effectiveness of those controls.
- Risk materiality and tolerability evaluation – we assess the materiality of a risk based on the degree of financial and non-financial impacts, including health, safety, environmental, community, reputational and legal impacts. We assess the tolerability of a risk based on a combination of residual risk and control effectiveness.

The material tax risks managed by BHP span the life cycle of tax, as illustrated below:



BHP's exposure to these risks is a consequence of our size, our geographic scope and the complexity of our operations. The number of countries in which we file tax returns, for example, impacts the number of jurisdictions in which we need to understand any actual or potential changes in law or interpretation. Also, the size and complexity of our company, as well as our geographic scope, drives the materiality of our Transfer Pricing risks.

An extensive set of systems and controls are in place to manage our material and non-material risks. Examples of controls include membership of relevant industry bodies and regular engagement with local advisors to ensure we are aware of any changes in tax law or interpretation that may impact us; and scheduled benchmarking studies to ensure transactions are priced at arms-length terms. To address the risk of material financial misstatement and to meet the legislative and regulatory requirements governing the internal controls over financial and other reporting in the countries where we operate we have an Internal Control Evaluation program (ICE)¹.

Each control is assessed annually to ensure that it is designed appropriately to manage the risk. The controls are also subject to a regular verification process to ensure it is operating effectively. Each year, all material risks are assessed on the basis of the effectiveness of their controls, and given a rating which is reported to management and to the Risk and Audit Committee (RAC) of the Board of Directors (Board). The ICE program also provides an annual external assessment of the effectiveness of internal controls over financial reporting, which is published in our annual 20-F submission.

The risks inherent in individual transactions are managed through our Tax Risk Standard. This document provides approval levels and escalation points for all tax matters. Matters are considered for escalation based on a number of elements including, the quantum at risk, reputational risk, level of technical uncertainty and also change in law risk.

The RAC assists the Board with the oversight of risk management for BHP. The Board requires the Chief Executive Officer to implement a system of controls for identifying and managing risk. The Financial Risk Management Committee (FRMC) is the management committee tasked with the review of internal controls relating to financial risks, including tax risk. The Group Tax Officer is accountable for the management of tax risks and provides an update to the FRMC on a quarterly basis. Material tax risks are reported to the RAC.

Tax risk owners are accountable to the Group Tax Officer for the assessment and management of their risk.

Attitude towards tax planning

We seek to have a tax charge that contributes to superior business performance and delivers long-term shareholder value. In this respect, our transactions have proper commercial purposes and economic rationale. We locate business activities where value is optimally created. Accordingly, we do not engage in aggressive tax planning.

We recognise taxes are important sources of government revenue and are central to the fiscal policy and macroeconomic stability of countries. Paying the right amount of taxes and royalties enables governments to finance and deliver on national development plans for the benefit of the broader community to promote sustainable economic growth, full and productive employment, reducing poverty and inequality within and among countries.

Two key documents define how we work in BHP. Our Charter describes our purpose, values and how we measure our success. It is the single most important means by which we communicate who we are, what we do, and what we stand for as an organisation, and is the basis for our decision-making. Supporting Our Charter is our Code of Conduct. The Code of Conduct helps guide our daily work. It demonstrates how we practically apply the commitments and values set out in Our Charter. Both documents are available on www.bhp.com.

Our approach to tax is underpinned by these documents and is embodied in our global Tax Principles. They have been endorsed by the RAC of the Board of BHP and are available on www.bhp.com.

We seek independent external tax advice in relation to materially uncertain tax positions. Materiality is determined based on a number of elements including the quantum at risk, the level of technical uncertainty and change in law risk, as defined in our Tax Risk Standard.

¹ The ICE program incorporates controls relating to a number of instruments and directives from the countries where we operate including the US (e.g. the Sarbanes-Oxley Act (SOX) and the Foreign Corrupt Practices Act), the UK (Senior Accounting Officer (SAO)), Japan (JSOX), and guidance from the PCAOB and the SEC.

We locate our business activities where value is optimally created and accordingly do not engage in transactions that do not have proper commercial purposes and economic rationale. Where we have the option to choose how to structure a transaction we will seek to do so in a tax-efficient manner thereby contributing to superior business performance, whilst at all times adhering to our Tax Principles. Where tax incentives are transparently available to all eligible taxpayers, we will give consideration to accepting them should we meet the relevant criteria.

We currently have a few subsidiaries in 'tax haven' countries (as per The EU list of non-cooperative jurisdictions for tax purposes' dated 14 February 2023), which are detailed in our Economic Contribution Report. They exist for a variety of different reasons, including as part of an historical broader acquisition or the incorporation of entities at a time which provided greater flexibility in relation to the payment of distributions for corporation law purposes. We do not use 'tax haven' countries to undertake transactions that do not have proper commercial purposes or economic rationale.

We respect and comply with the laws of the countries where we operate. We meet all of our tax obligations on time. Our tax obligations include pricing transactions in our global value chain according to where value is created and economic activities occur, in compliance with the Organisation for Economic Co-operation and Development guidelines, based on the arm's length principle.

Each of the elements above are key to defining our Tax Strategy. They guide us in our everyday decision-making, and ensure that we operate within a risk appetite that is acceptable to the Management and Board of BHP.

Level of acceptable tax risk

Our approach to tax risk management and the level of tax risk we are willing to accept is consistent with our general approach to risk management and risk tolerance across BHP.

Our internal tax risk governance processes do not define rigid levels of acceptable tax risk, noting however we at all times adhere to our Tax Principles. Our processes do define rigid approval and escalation points that ensure the appropriate decision makers, up to and including the Board of BHP, make any decision to tolerate tax risk.

As noted above, matters are considered for escalation and approval based on a number of elements including, the quantum at risk, reputational risk, level of technical uncertainty and also change in law risk. This approach ensures that the appropriate decision maker considers all relevant stakeholders in assessing a particular risk.

Approach to dealing with revenue authorities

We act with integrity when engaging with revenue authorities to support positive and sustainable relationships. Where possible, for the purposes of obtaining certainty of our tax positions, we engage with revenue authorities on a real-time basis regarding the application of the tax law and to identify and resolve any disagreements on a timely basis.

As part of our commitment to corporate citizenship, we seek to enter into agreements with revenue authorities about the amount of tax we should pay on our activities. This gives us greater certainty about our future tax payments and reduces the risk of tax disputes with revenue authorities.

Where appropriate, we work with revenue authorities to obtain rulings or guidance on future tax risks and the interpretation of tax law.

Given the size, geographic scope and complexity of our operations and, at times, uncertainty regarding the application of tax laws, we have occasional disagreements with revenue authorities over the amount of taxes to be paid. Where possible, we engage with revenue authorities on a real-time basis regarding the application of the tax law and to identify and resolve any disagreements on a timely basis.

Where ultimately we do not agree with a revenue authority's position we will defend our position, including by initiating court action if necessary.