



Human Resources

Short Term Incentive (STI) Plan Participant Guide

Disclaimer

This guide is intended to be applied to all eligible employees of BHP subject to local labour legislation. Employee participation in, and the outcomes of, the BHP annual STI plan is at the discretion of the Company on an objective and non-discriminatory basis.

Throughout this document BHP, the Company and the Group refer to the combined Group, including both BHP Group Limited and subsidiary companies, and any other entity determined by the ELT to be a member of the Group for the purposes of the plan.

You are not eligible for STI participation simply because you have received this document. The Group has no obligation to pay cash amounts to individuals if this document has been issued, or received, in error.

The Company reserves the right to alter or cease the STI plan at any time.

Introduction

At BHP our reward arrangements are designed to:

- recognise each employee's individual performance, both in **what** is achieved (i.e. outcomes measured against specific key performance indicators and the requirements of the role), and in **how** it is achieved (i.e. demonstrating behaviours aligned to *Our Values*);
- create and sustain a high-performance culture by differentiating reward based on performance outcomes; and
- position total reward competitively relative to the market, to enable the business to attract and retain the best talent.

The Short Term Incentive (**STI**) plan plays a key role in aligning the interests of employees with those of our shareholders, customers and the communities in which we operate. We all share responsibility for BHP's performance and for this reason, individuals are measured by one common Executive Leadership Team (**ELT**) approved BHP Scorecard. The ELT uses the BHP Scorecard to determine the STI pool outcome for BHP ("**Company STI Outcome**").

Performance against the BHP Scorecard will be communicated to employees on a quarterly basis. The items on the Scorecard are not formulaically weighted, nor does each have an equal impact on the Company STI outcome. At the end of each STI plan year, the ELT will assess the performance against each line item of the scorecard and apply judgment in determining the final overall Company STI pool outcome. The ELT will consider additional important elements regarding our performance expectations and outcomes including delivery of our Social Value Framework commitments, delivery of Annual Improvement Priorities aligned with our Strategic Breakthrough Objectives, and compliance with *Our Requirements*. If appropriate, performance on these elements may be reflected in the final Company STI pool outcome.

The Company STI outcome is applied to an individual's STI performance outcome as assessed by their leader ("**Individual Performance Outcome**"). Both the Company STI Outcome and the Individual Performance Outcome are used when calculating the individual's overall STI outcome.

The ELT retains the flexibility and discretion to differentiate the Company STI pool allocations (i.e. allocate more or less of the STI pool outcome) to particular teams in circumstances where a team encounters a real and significant challenge, or achieves an extraordinary outcome, that means it would not be fair to allocate the same as everyone else.^{1,2} In early July following the end of the STI plan year, the ELT will inform employees of the final Company STI pool outcome and any STI pool allocation adjustments.

Individual STI outcomes will be adjusted, as appropriate, based on team and/or personal performance. When determining individual STI outcomes, leaders will take the following into consideration:

- Individual performance and participation, relative to peers,
- **What** contribution has been made by the individual on a day-to-day basis; and
- **How** the individual goes about making this contribution.

Bonuses like STI are a variable portion of pay designed to encourage and reward high performance.

Eligibility

The STI plan applies to permanent full-time or part-time employees globally however, eligibility will ordinarily be detailed in the individual contract of employment. To confirm eligibility, please raise an enquiry via [myHR+](#).

¹ The separate STI/bonus arrangements that apply to employees covered under industrial/enterprise agreements remain unchanged.

² Staff and Supervisors employed by Minera Escondida Ltda and Minera Spence S.A will have their own business scorecard which determine the business outcome for the fiscal year.

The performance year (“**performance year**”) for the STI plan is from 1 July to 30 June. Permanent employees are eligible to participate in the STI if they, at a minimum:

- have completed greater than three months of service within the performance year i.e. commenced employment with the Company prior to 1 April of the performance year; and
- are employed by the Company on 1 September after the performance year.

If a new employee starts with the Company on or after 1 April, they will not be eligible to participate in the STI plan until the new performance year begins.

Fixed term employees are **not** eligible to participate in the STI plan but may be eligible for an alternative project-based bonus as outlined in their fixed term contract of employment. Fixed term employees who become permanent on or after 1 April will not be eligible to participate in the STI plan until the new performance year begins.

The STI plan will not apply where there is an overlap in incentive participation over the same period (i.e. an employee cannot participate in more than one BHP STI plan or equivalent plan at the same time during the performance year).

The STI Plan Calculation

The STI plan enables employees to earn performance-based pay which recognises, and is aligned to, collective and individual performance outcomes and results. As such, STI is variable and not fixed or guaranteed. A number of factors contribute to an employee’s overall **STI Outcome**:

$$\begin{aligned} & \text{STI Outcome} = \text{Base Salary} \times \text{STI Target \%} \\ & \quad \times \text{Individual Performance Outcome \% (i.e. driven by their performance rating)} \\ & \quad \quad \times \text{BHP Company STI outcome} \end{aligned}$$

This section provides a high-level overview on each component of the STI Outcome calculation.

STI Target %

An employee’s **STI Target %** is the percentage of Base Salary that may be earned when the **Individual Performance Outcome %** and the BHP **Company STI Outcome** are both 100% for the performance year . The **STI Target %** is outlined in each employee’s Employment Agreement and Annual Reward Statement.

The Company and/or the employee may over- or under-perform relative to expectations. An employee’s actual **STI Outcome** amount could be higher or lower than their STI Target. See below **Individual Performance Outcome %** section for detail on how overall performance is factored into an employee’s overall **STI Outcome**.

Base Salary

The **Base Salary** used in the calculation of an employee’s STI is their annual base salary as at 30 June of the respective performance year, or defined base salary as outlined in their contract of employment.

The following illustration shows how an employee’s **STI Target** amount is determined from their **Base Salary** and their **STI Target %**.

Participant’s Base Salary	70,000
Participant’s STI Target %	10%
STI Target amount	7,000

Pro-Rata STI Target %

Employees on part-time working arrangements, or who have had periods of unpaid leave during the year, or who have taken leave on half pay under flexible leave arrangements, will have their **STI Target** adjusted at the time of the calculation to reflect their working arrangement or the portion of the year worked and eligible days.

STI Budget

STI Outcome cash payments are distributed from the STI Budget (also known as the STI Pool). The STI Pool is made up of the sum of all eligible employees' **STI Targets**, adjusted up or down in accordance with the performance of the Company as approved by the ELT (i.e. the **Company STI Outcome**).

This is the total budget available to distribute as cash payments to employees in the form of an **STI Outcome**. The total of all STI payments made to employees must be within this allocated budget. It is in this way that the Company performance directly impacts the final **STI Outcome** for each employee.

Individual Performance Outcome %

An employee's **Individual Performance Outcome %** is based on their performance rating and can range from 0% to 150%³ of **STI Target**. It incorporates an assessment of the performance of the employee, against their goals and relative to their peers (i.e. their performance rating). The following steps are taken when determining an employee's **Individual Performance Outcome %**:

<p>Step 1: Agree goals</p>	<p>At the start of the performance year (or on joining the Company) each employee agrees their 'what' (delivery) goals for the year with their leader. Employees also have three 'how' goals pre-loaded in the People System, each representing one of <i>Our Values</i>. These 'how' goals reflect the behavioural standards expected of all BHP employees.</p>
<p>Step 2: Assess performance throughout the year</p>	<p>Throughout the year, employees will have regular performance conversations with their leaders (two of them formal), which covers their performance progress against both 'what' and 'how' goals.</p>
<p>Step 3: Assess Company performance at year end</p>	<p>At the end of the performance year, the ELT assesses the performance of the Company against the BHP Scorecard. This outcome is used to set the STI Budget for the Company and to calculate an employee's overall STI Outcome. The ELT has the flexibility and discretion to adjust STI Budget allocations based on each team's performance.</p>
<p>Step 4: Determine an employee's Individual Performance Outcome %</p>	<p>Each leader will distribute their available STI Budget by determining an Individual Performance Outcome % for each employee based on their performance across the year, relative to their peers (their individual performance rating) and with respect to the Company STI Outcome. The sum of the STI Outcomes for all employees in the team must remain within the leader's STI Budget.</p>

Fairness and Equity

Leaders are required to assess and recommend STI Outcomes fairly, with integrity, and with awareness of potential biases. Prior to finalising, the recommended **Individual Performance Outcome %** for each employee is reviewed for fairness and equity and checked for cross-team consistency by the two-up leader.

³ BHP reserves the right to adjust the range to reflect business circumstances at any time.

The STI Model – Example

The example below illustrates how an employee's **STI Outcome** payment is calculated:

Employee's Base Salary at 30 June	70,000
Employee's STI Target %	10%
STI Target amount (where required, considers eligible days and pro-ration of STI target %)	7,000
Individual Performance Outcome % (considers the individual's performance against agreed goals during the performance year relative to their peers, i.e. their performance rating)	95%
Company STI Outcome % (Company's performance outcome % assessed against the BHP Scorecard for the performance year which will be used to calculate the STI budget for all employees)	90%
Employee's STI Outcome	5,985

Communication and Payment of STI Outcome

Once an employee's **STI Outcome** is determined and approved, two key steps occur:

1. Communication

Employees will be advised of the **STI Outcome** via a reward conversation between themselves and their Leader. Employees will also be provided with an Annual Reward Review Statement which includes the STI outcome % and cash STI amount to be paid, typically in the first week of September.

2. Payment

- STI outcome payments are effective 1 September. Payments will be made in the payroll period that is inclusive of 1 September, and will be delivered via the employee's normal payroll process.⁴
- The **STI Outcome**, as detailed in the Annual Reward Review Statement, is subject to tax, social security contributions and any other applicable levies or deductions related to the employee's location at the time of payment. In certain locations (e.g. Australia), the employee may also elect to allocate a portion of their **STI Outcome** to their superannuation/pension arrangements.
- If an employee was employed in more than one country during the year, the payment of the **STI Outcome** will fall within the Global Mobility team's 'Split STI' process. This process will ensure that the correct tax, social security contributions and any other applicable levies are applied based on the time spent in each country during the year. Payment of the **STI Outcome** will also be split, so that the portions earned in each country are delivered through the respective payrolls. Further information on this is available from Human Resources – Reward and Global Mobility.

Ongoing requirements and clawback

Following payment of the **STI Outcome**, the payment will continue to be subject to potential clawback as explained below.

⁴ In Chile, employees have the choice to either receive the complete or a portion of their STI payment in January of the following calendar year as a direct contribution into their pension fund and/or as an advance paid in September, followed by a complete payment in January of the following calendar year. US employees will receive STI payments in the first payroll in early September due to legislative requirements.

Frequently Asked Questions

What happens if I joined BHP during the performance year?

If a permanent employee joins before 1 April of the performance year, they are eligible to participate in the STI Plan from their start date. The employee's **STI Outcome** will be pro-rated for the performance year taking into consideration the eligible days.

How are the STI Outcomes determined?

The determination of the BHP STI budget/pool and an individual's STI cash bonus, is based on the following steps:

Step 1: BHP Company STI Outcome

At the end of the performance year, the ELT assesses the overall Company performance against the metrics in the BHP Scorecard across categories such as Safety & Sustainability, Exceptional Performance and Winning Portfolio. Additional factors such as returns to shareholders and the performance of the business relative to the broader economic context are also considered. The ELT determines a **Company STI Outcome %**, with 100% indicating that the Company has fully met performance metrics and expectations. The Company STI outcome will be used to set the **STI Budget** for all employees.

The ELT retains the flexibility and discretion to allocate more or less of the STI pool to particular teams in circumstances where a team encounters a real and significant challenge, or achieves an extraordinary outcome, that means it would not be fair to allocate the same as everyone else.

Step 2: Individual STI Outcome

Employees retain the ability to influence their **STI Outcome** through their own performance. Their one-up leader allocates the available STI budget by recommending an **Individual STI Outcome %** for each team member. The recommended Individual STI outcome is based on the performance of the individual established throughout the Performance Enhancement Process (PEP+), aligned to the allocated performance rating, including relative performance amongst peers.

Performance differentiation and cross-team consistency checks are completed by the two-up leader, to ensure the recommended STI Plan outcomes is fair and consistent across teams, and to ensure there is differentiation based on performance.

What happens if the STI Pool is differentiated by Asset/Function?

At the end of the performance year, the ELT will assess the performance of the Company against the BHP scorecard. The ELT has the flexibility and discretion to adjust STI Budget allocations based on each team's performance.

Should the ELT exercise this discretion, the STI pool allocation for an Asset team applies to all members of the team, as well as Functional teams that directly support that Asset.

What happens if I have worked at two or more Assets in the performance year with different STI Pool allocations?

	Effective date of transfer into new role*	
	1 July - 31 March	1 April - 30 June
STI pool allocation	Current Asset/Function	Prior Asset/Function
Treatment	STI pool allocation relates to supporting the current Asset/Function entity - for ease of application, employee receives the STI pool allocation for their current role in Asset/Function (e.g. if changed roles during performance year prior to 31 March into a new role, then receive the business result relevant to that current Asset/Function entity)	STI pool allocation relates to supporting prior Asset/Function entity - for ease of application, employee receives the STI pool allocation for their prior Asset/Function role (i.e. as majority of their time was spent in prior Asset/Function during the STI plan year)

**If an employee has been in multiple roles in multiple Assets/Functions default to Asset/Function STI pool allocation based on the role they are in as at 31 March of the relevant performance year.*

What happens if I leave BHP?

If you cease employment with the Company:

- by reason of resignation or dismissal without cause⁵ during the performance year, or after completing the performance year but before 1 September immediately following the performance year, you will not be eligible for an **STI Outcome** payment.
- due to death, total and permanent disability, then good leaver status is applied automatically, and no further approval is required.
- for another reason, with the approval of the relevant VP of HR, which typically includes retirement (permanently leaving the workforce), redundancy and employees of a divested business, then “Good Leaver” status is applied. Providing you were also employed by the Company for greater than three months of the current performance year, you would be eligible for payment of the **STI Outcome**, pro-rated based on the leaving date.
- by reason of Summary Dismissal, no **STI Outcome** payment will be made.

Where the leaver is eligible to receive an **STI Outcome** payment, either in full or pro-rated, the Company has full discretion regarding the determination of the Individual Performance Outcome % for the employee.

Payment will generally be made upon cessation of employment unless otherwise advised.

⁵ As defined by legislation in Canada and only applicable to employees employed in Canada.

Leaver Treatment	Date of Termination			
	During Performance Year		After Performance Year	
	1 July – 30 September	1 October – 30 June	1 July – 31 August	1 – 30 September
Good Leaver	No STI Outcome Payment*	Eligible for STI Outcome payment*	Eligible for STI Outcome payment*	Eligible for STI Outcome payment*
Resignation or Dismissal Without Cause	No STI Outcome Payment	No STI Outcome Payment	No STI Outcome Payment	Eligible for STI Outcome payment*
Summary Dismissal	No STI Outcome payment	No STI Outcome payment	No STI Outcome payment	No STI Outcome payment

*All STI Outcome payments are subject to the employment service requirement of 3 months' completed service within the performance year and will be pro-rated and adjusted for Company and individual performance as required.

The **STI Outcome** payment will be calculated using the actual **Company STI Outcome %** where this is known at the time of payment. Where payment occurs prior to confirmation of the **Company STI Outcome %**, the payment will be calculated at target (100% of an employee's STI target opportunity).

The example below illustrates how an employee's **STI Outcome** payment is calculated if the employee leaves **prior** to the **Company STI Outcome %** being announced:

Employee's Base Salary at termination date of 20 June	70,000
Employee's STI Target %	10%
STI Target amount (taking into account eligible days and pro-ration of STI target %)	6,808
Individual Performance Outcome % (considers the individual's performance against agreed goals during the Performance year relative to their peers, i.e. their performance rating)	100%
Company STI Outcome % (Company's performance outcome % for the Performance year assessed against the BHP scorecard which will be used to calculate the STI budget for all employees)	100%
Employee's STI Outcome	6,808

The example below illustrates how the employee's **STI Outcome** payment is calculated if the employee leaves **after** the **Company STI Outcome %** (in this example 85%) is announced:

Employee's Base Salary at termination date of 30 June	70,000
Employee's STI Target %	10%
STI Target amount (taking into account eligible days and pro-ration of STI target %)	7,000

Individual Performance Outcome % (considers the individual's performance against agreed goals during the Performance year relative to their peers , i.e. their performance rating)	100%
Company STI Outcome % (Company's performance outcome % for the Performance year assessed against the BHP scorecard which will be used to calculate the STI budget for all employees)	85%
Employee's STI Outcome	5,950

Note: **STI Outcome** payments to senior employees, i.e. a direct report to an ELT member in roles Grade 14 and above, who leave the Company will have their **STI Outcome** determined based on the Company performance and individual performance during their period of employment in the performance year. The **STI Outcome** payment will not be paid on termination but instead will be paid in the September following the end of the relevant performance year (i.e. when incentive payments are normally paid).

Can my STI Outcome payment be clawed back?

BHP may seek to claw back your **STI Outcome** payment if it becomes aware of circumstances which it considers would make it inappropriate for you to retain the benefit. This would include circumstances where the ELT decides that:

- you have acted fraudulently or dishonestly or you are in material breach of your obligations to BHP;
- there has been a material misstatement or omission in the financial statements in relation to BHP or any of its subsidiaries; or
- circumstances have occurred that the ELT determines in good faith to have resulted in an unfair benefit to you (e.g. where you have misrepresented the circumstances in which you are ceasing employment).

If the ELT decides that clawback should apply, you will be required to repay some or all of your **STI Outcome** payment to BHP (and it will be recoverable by BHP as a debt).

What happens if I change STI Target % during the year?

If you change **STI Target %** during the year (e.g. from 10% to 15%), the **STI Target %** used in the final STI calculation is pro-rated based on time spent at each % level during the performance year.

Employee's Base Salary at 30 June	70,000
Employee's STI Target % from 1 July to 31 December	10%
Employee's STI Target % from 1 January to 30 June	15%
Pro-rated STI Target %	12.5%
STI Target amount	8,750

What happens if I change working hours (e.g. full-time to part-time) during the year?

If your work arrangement is part-time at any time during the year, your **STI Target** is pro-rated to reflect the time worked in comparison to the full-time equivalent role during the year.

Employee's Base Salary at 30 June	70,000
Employee's STI Target %	10%
STI Target amount	7,000
Employee's working arrangements from <i>1 July to 31 December</i> Pro-rated STI Target %	60% Capacity Utilisation (0.6 Full Time Equivalent) 3% Pro-rated STI Target
Employee's working arrangements from <i>1 January to 30 June</i> Pro-rated STI Target %	100% Capacity Utilisation (1 Full Time Equivalent) 5% Pro-rated STI Target
Pro-rated STI Target %	8%
Total STI Target amount	5,600

What happens if I take paid leave at half pay?

Periods of leave at half pay will impact your **STI Target** and **STI Outcome** as they will be pro-rated to reflect the change in working arrangements and eligible days.

Employee's Base Salary at 30 June	70,000
Employee's STI Target %	10%
STI Target amount	7,000
Employee's working arrangement is full time from <i>1 July to 31 March</i> Pro-rated STI Target %	100% Capacity Utilisation (1 Full Time Equivalent) 7.5% Pro-rated STI Target
Employee takes leave @ half pay from <i>1 April to 30 June</i> Pro-rated STI Target %	50% Capacity Utilisation (0.5 Full Time Equivalent) 1.25% Pro-rated STI Target
Pro-rated STI Target %	8.75%
Total STI Target amount	6,130

What happens if I take a period of unpaid leave?

If you take unpaid leave during the performance year, including subject to any local legislation any unpaid portion of parental leave, you will be eligible for an **STI Outcome** based on your eligible days and the STI eligibility criteria outlined on page 3, of this document. The **STI Outcome** will be based on your eligible days of the full year, as well as all of the usual performance factors.

What happens if I am on Parental Leave (paid leave)?

If you take Parental Leave (paid leave) during the performance year, including subject to any local legislation, you will be eligible for an **STI Outcome** based on your eligible days and the STI eligibility criteria outlined on page 3, of this document. The **STI Outcome** will be based on your eligible days of the full year, as well as all of the usual performance factors.

How will my STI be calculated if I am an International Assignee (IA)?

If you are an International Assignee (IA) who relocated internationally either temporarily or permanently during the ARR plan year under review the STI form available in SuccessFactors shows the active assignment only. If you relocated during the FY being reviewed, you will receive a split STI to capture the correct incentive earned in more than one country.

Employee's Applicable Base Salary at 30 June This salary amount is the only one to be used for the full FY calculation and is also determined by type of assignment. E.g. Temporary IA - Home salary basis, Permanent IA - Host salary basis, etc.	70,000
Employee's STI Target % Period 1 July 1 - Dec 31	20%
Employee's STI Target % Period 2 January 1 - Jun 30	10%
Individual Performance Outcome % Considers the individual's performance against agreed KPIs during the Performance year relative to their peers	100%
BHP Business Result % Company's performance outcome % for the Performance year which will be used to calculate the STI budget for all employees	100%
Employee's Estimated STI Outcome	10,500

Explanation:

Period 1 considers pro-ration of STI target%, Individual Performance Outcome, Eligible days, FTE% (Full-time/Part-time) and Business Result	Pro-rated amounts from Period 1 and 2 will be added to form the Overall STI Outcome
Period 2 considers pro-ration of STI target%, Individual Performance Outcome, Eligible days, FTE% (Full-time/Part-time) and Business Result	