

22 August 2023

Dear Shareholders,

I would like to provide you with an outline of our FY2023 remuneration outcomes, all of which are set out in more detail in BHP's Remuneration Report, included as part of BHP's Annual Report released on 22 August 2023 available at <https://www.bhp.com/investors/annual-reporting/annual-report-2023>.

Performance

The tragic deaths of two of our colleagues during the year have been deeply felt, and these have impacted our FY2023 remuneration outcomes. Our absolute priority remains to eliminate fatalities and serious injuries at BHP.

Our financial results for the year were strong, underpinned by reliable production together with capital and cost discipline as we managed lower commodity prices and inflationary pressures. Our balance sheet is robust and deliberately positioned to support portfolio growth in the commodities the world needs for population growth, urbanisation and decarbonisation.

FY2023 CDP outcome

The FY2023 Cash and Deferred Plan (**CDP**) scorecard used to assess Mike Henry's annual performance comprises stretching performance measures based on three elements - safety and sustainability (**S&S**, referred to in prior years as health, safety, environment and community or **HSEC**), financial and personal performance with respect to delivering a number of group performance elements. The People and Remuneration Committee (the **Committee**) assessed the Chief Executive Officer's (**CEO's**) performance against these scorecard elements, which resulted in a CDP outcome of 96 per cent against a target of 100 per cent (and 64 per cent of the maximum).

Despite strong financial performance and having progressed a number of important strategic objectives, the CEO was uncomfortable with this level of award in the current environment and, having reflected on the two fatalities during the year after a four-year period of no fatalities, expressed his view to the Committee that it should consider a reduced CDP outcome for him of 90 per cent. The Committee took on board this feedback and exercised its downward discretion to determine a final outcome of 90 per cent against a target of 100 per cent (and 60 per cent of the maximum). The Board and Committee believe this outcome is appropriately aligned with BHP's values, the shareholder experience, and the interests of the Group's other key stakeholders.

While the Remuneration Report contains full details of this outcome (refer 3.2 'FY2023 CDP performance outcomes'), I wish to highlight three points.

Firstly, for the S&S measures, the outcome took into account the two tragic fatalities at BHP's operated sites during FY2023. The weighting for significant HSEC events is 10 per cent of a total 25 per cent for the S&S measures. A negative 10 per cent impact was applied (before a further downwards discretion was applied as described above) and resulted in a zero outcome for significant events in FY2023. The progress in mitigating significant HSEC events during the year has otherwise been sound, with continued progress on the implementation of controls for sexual harassment, but with more to be done. For the sustainability measures within S&S, strong progress was made against both our climate change and Indigenous partnerships targets, and as a consequence of this, the CDP scorecard assessment for the S&S measures overall was 22 per cent out of a target of 25 per cent.

Secondly, for the financial measures, after fully eliminating the impacts of commodity prices during the year, operating performance at our assets was slightly below the challenging targets set at the commencement of the year. The CDP scorecard assessment for the financial measure was 47 per cent out of a target of 50 per cent.

The financial measures outcome includes a negative 3 per cent impact from the costs of remediating the two issues relating to employee entitlements and allowances announced on 1 June 2023. These issues, dating back a number of years, affect a number of our current and former employees in Australia. Further detail is discussed in 6.6 People in the Annual Report. BHP has self-reported to the Fair Work Ombudsman and engaged Protiviti, a global assurance firm, which is currently undertaking a thorough review of our payroll systems. We will monitor the outcome of the review and engagement with the regulatory authorities and these may consequently impact remuneration outcomes in the future.

Thirdly, from a personal contribution perspective, the Committee considered Mike Henry's performance against his group measures. These included projects and initiatives in respect of social value, people, performance and portfolio. The Committee considered Mike's performance against his group objectives was slightly ahead of expectations and assessed it as 27 per cent against the target of 25 per cent.

As noted above, the total FY2023 CDP scorecard assessment outcome of 96 per cent against a target of 100 per cent was then reduced by the exercise of the Committee's discretion to a final outcome of 90 per cent.

2018 LTIP award vesting

The vesting outcome for the 2018 Long Term Incentive Plan (LTIP) award was 100 per cent. The LTIP performance condition is relative total shareholder return (TSR) against two separate index measures – a sector peer group and MSCI World Index. BHP outperformed both the sector peer group and the MSCI World Index.

The value of the 2018 LTIP award at the time of vesting in 2023 is above the value of the award at the time it was granted in 2018 due to the increase in share price and strong dividends during the five-year vesting period. In terms of value realised, 48 per cent is due to the value at the time the awards were granted and 52 per cent is due to share price appreciation and dividends. This reflects the experience of shareholders over the period.

In considering vesting of the 2018 LTIP award, the Board and Committee have also conducted their normal holistic review of performance over the five years since the award was granted to ensure this vesting was appropriate.

Overall remuneration

Overall, Mike Henry's total remuneration received for FY2023 was US\$13.7 million, and the Remuneration Report contains full details of this outcome (refer 3.1 'FY2023 remuneration received by the CEO').

A revised remuneration framework took effect from 1 July 2019 and significantly reduced the LTIP grant size for the CEO from 400 per cent of base salary (on a face value basis) to 200 per cent and was implemented by a rebalancing to a CDP award with a long-term focus. As a result, the total remuneration for Mike reflects the transition to this structure and includes the full amount of the CDP award earned during FY2023 (i.e. irrespective that some elements of the CDP award will be deferred for two and five years) together with the full amount of the pre-existing 2018 LTIP award that has vested at the end of FY2023 but was granted in 2018 (i.e. when the LTIP award size was double the current grant size). Had the current remuneration framework been in place when Mike's 2018 LTIP award was granted and a reduced size awarded, the reported total remuneration would have therefore been US\$9.7 million for FY2023 (i.e. instead of US\$13.7 million).

For FY2024, the Committee has determined that the CEO's base salary will increase by 4 per cent, effective 1 September 2023. In making this decision, we have conducted updated benchmarking and considered the external market demand for global senior executive talent. We benchmark the CEO and other executives' remuneration against CEO and executive roles in other global companies of similar complexity, reach and industry, and also have regard to the relative size of comparator companies.

In addition, Mike must retain a minimum shareholding equal to five times pre-tax base salary and Mike's BHP shareholding is currently well above this requirement.

Remuneration outcomes for the Chair and Non-executive Directors

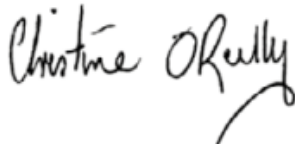
Fees for the Chair and Non-executive Directors are reviewed annually and are benchmarked against global companies of similar complexity, size, reach and industry. As a consequence of considering the updated benchmarking, global market positioning and peer company relativities, a decision has been made that the following fees will increase with effect from 1 July 2023: the Chair fee and the Non-executive Directors base fee will rise by 5 per cent and the fees for the Senior Independent Director and Chair of the Risk and Audit Committee will rise by 10 per cent. This is the first increase in fees for the Chair and Non-executive Directors since 2011 (and reductions were made in 2015 and 2017). The increases are considered appropriate given current benchmarking and the increased expectations, accountabilities and workloads of each of the Chair and Non-executive Directors. Having conducted this review, it was determined that there was no change required to the fees for other Committee roles or other allowances.

Summary

Our approach to executive remuneration is to deliberately align remuneration with performance and provide a significant component as at-risk variable pay. We are confident the outcomes this year are consistent with the performance of BHP and the experience of our shareholders while also recognising our critical need to attract, motivate and retain our executives in order to progress our strategic objectives and deliver the best outcomes for all BHP shareholders.

As always, we welcome your feedback and comments and request that you contact Andrew Fitzgerald, Vice President Reward at BHP, at investor.relations@bhp.com, in the first instance.

I thank you in advance for your support.



Christine O'Reilly
Chair, People and Remuneration Committee