



Risk and Audit Committee Terms of Reference

14 June 2018

Risk and Audit Committee Terms of Reference

BHP Billiton Limited and BHP Billiton Plc

Approved by the Boards of BHP Billiton Limited and BHP Billiton Plc on 10 May 2012 and updated on 19 June 2013, 27 March 2014, 16 June 2016 and 14 June 2018.

Role

1. The role of the Risk and Audit Committee (**Committee**) is to support and advise the Boards of BHP Billiton Limited and BHP Billiton Plc (**Board**) in relation to the matters set out in these Terms of Reference. The Committee is accountable to the Board for its performance.
2. The Committee's responsibilities are set out in these Terms of Reference and include assisting the Board in overseeing the integrity of the Group's financial statements and Annual Report, the effectiveness of internal and external audit processes, the Group's systems of internal control and risk management, the Group's systems for compliance with relevant legal and regulatory requirements within the Committee's area of responsibility and the Group's capital structure and funding.
3. The Committee acts primarily as an advisory body to the Board. In making recommendations to the Board, the Committee does not, of itself, have the power or authority of the Board in dealing with the matters on which it advises, except where certain powers are specifically set out in these Terms of Reference or are otherwise delegated by the Board.

Integrity of Financial Statements and Annual Report

Accounting policies and practices

4. The Committee will review the appropriateness of significant accounting policies and practices of the Group, including management's interpretation of accounting standards. The Committee will consider, and if thought fit, approve any material changes proposed to the Group's accounting interpretations.

Financial statements and other documents containing significant financial information

5. Prior to consideration by the Board, the Committee will review and discuss the draft financial statements, and other related information, with management and the external auditor, to support the Committee's assessment as to the integrity of the financial statements.
6. The CEO and nominees will present information on the application of the Group's accounting interpretations and practices, including their effect on the financial statements of the Group. The information presented will include, for the Committee's consideration and, if thought fit, approval:
 - major estimates and significant financial reporting judgements, unusual, uncertain or significant transactions;
 - significant accounting issues; and
 - materiality and adjustment thresholds.
7. The Committee shall receive from the CEO and nominees the draft financial statements and accompanying information in a form which highlights the items that vary from previous financial statements and provides the rationale and underpinning assumptions for them, including with respect to:
 - major estimates, significant financial issues and judgements, uncertain, unusual or significant transactions, and provisions made in the financial statements, also having regard to matters communicated by the external auditor;
 - the going concern statement (including adherence to loan agreements and borrowing powers) and the viability statement;

- related financial and other information presented with the financial statements, including any 'operating and financial review' and any presentation to be made to investors accompanying release of results;
 - dividend recommendations;
 - interpretation of financial reporting standards, stock exchange requirements and legal requirements;
 - unrecorded adjustments;
 - the clarity, completeness, balance, and ease of understanding of financial statements; and
 - compliance with the Group's disclosure controls and procedures in respect of periodic disclosures.
8. The CEO and nominees will design, maintain and evaluate a range of standards, procedures and internal controls in order to satisfy the objective of safeguarding the integrity of the Group's financial statements, including compliance with applicable accounting standards and legal requirements. The CEO or nominees will present the system of safeguarding the integrity of the financial statements to the Committee on an annual basis for the Committee's consideration and feedback.
9. The system of safeguarding the integrity of the financial statements will be designed in a manner so as to preserve the independence of, and maximise the effectiveness of, the Committee, its individual members, and that of the Board, in testing and evaluating the preparation and content of financial statements, and in making any formal adoptions required by regulation. In particular, the Committee will review and discuss the process relating to, and contents of, the Management Representation Letter, including management's provision of the necessary declarations in respect of the financial statements.
10. The Committee will review significant financial reporting issues and judgements made in connection with the preparation of the financial statements and contained in related formal announcements, prior to release.

Annual Report

11. The Committee will provide advice to the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. Management will provide to the Committee, and discuss with it, information on the system for ensuring the Annual Report satisfies these requirements.

Appointment, performance and remuneration of the external auditor and integrity of the external audit process

Appointment, remuneration and audit process

12. The Committee will evaluate the expertise and experience of potential external auditors, and will have the sole authority to recommend to the Board the organisation to be proposed to be appointed, replaced or terminated by the Group and, in respect of BHP Billiton Plc, to be recommended to shareholders for appointment each year.
13. The Committee will consider and make recommendations to the Board as to when the external audit contract should be put out to tender, taking into account applicable law and regulation.
14. The Committee will manage the relationship between the Group and the external auditor, including the external auditor's remuneration, and overseeing the external auditor's work. The external auditor must report directly to the Committee and is accountable to the Committee. If the external auditor resigns, the Committee will investigate and consider whether any action is required.
15. The terms of engagement (including the appointment of the Audit Engagement Partners) and remuneration of the external auditor are the responsibility of, and subject to approval by, the Committee. The Committee will require that:
- the audit plan identifies areas of risk of material misstatement and is incorporated in the external auditor's terms of engagement;
 - the external auditor discloses material information in respect of independence and other regulatory requirements to the Committee in a timely fashion as it arises and annually in its independence letter;

- the external auditor discusses with the Committee any problems or reservations arising from the auditor's work and that any significant disagreements between the external auditor and management be resolved by the Committee;
 - the Representation letter to the external auditor be provided to the Committee for review prior to its execution;
 - the external auditor discusses its findings with the Committee, including:
 - any major issues which arose during the audit;
 - any accounting and audit judgments;
 - the level of errors identified during the audit; and
 - the effectiveness of the audit.
16. The Committee will report the outcome of the audit to the Board, including the Committee's role in the process, and explain how the external audit contributed to the integrity of the financial reporting.

Performance, independence and integrity

17. The Committee will progressively monitor and evaluate the performance of the external auditor and the progress of the audit. The criteria for evaluation of performance will include the value delivered to shareholders and the Group, cost-effectiveness, findings or conclusions arising from review of the external auditor by a regulator, and the maintenance of the highest levels of professional integrity, objectivity and independence, taking into consideration relevant professional and regulatory requirements.
18. The Committee will obtain feedback about the conduct of the audit from key employees engaged in the process.
19. The Committee will take decisions and actions that are necessary and appropriate where it becomes aware of the potential for a conflict (or the reasonable perception of a conflict) between the interests of the external auditor and the interests of the Group.
20. The approval of the Committee must be obtained for the Group's Provision of Audit and Other Services Policy, such Policy to include:
- the particular audit services that the Group may permit the external auditor to provide, including materiality thresholds;
 - the particular non-audit services that the Group will, and will not, permit the external auditor to provide; and
 - other standards and procedures to govern the provision of audit and non-audit services by the external auditor to the Group,

and in accordance with that Policy, the Committee will determine whether to approve the provision of non-audit services by the external auditor, if required, and report to the Board any matters in respect of which it considers that action or improvement is needed, making relevant recommendations.

21. The Secretary shall keep a record of any non-audit services provided by the external auditor.
22. The Committee will consider any relevant matters when evaluating the integrity, objectivity and independence of the external auditor, including:
- receiving from the external auditors annually, and reviewing a formal written statement confirming that it is, in its professional judgment, objective and independent of the Group. The statement will describe: the external auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review of the external auditor, or by any enquiry or investigation by governmental or professional authorities, within the preceding five years, in relation to one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and (to assess the auditors' independence) all relationships between the independent auditors and the Group, including the economic significance of the Group to the external auditor;
 - engaging in active discussions with the external auditor about its relationships, their potential impact on its continuing independence, and considering whether taken as a whole, the various relationships

between the Group and the external auditor impairs, or creates the perception of impairing, the auditor's judgment or independence in respect of the Group;

- the external auditor's policy on rotation of leading personnel involved in the audit process and the external auditor's compliance with that policy; and
- compliance with the Group's Provision of Audit and Other Services Policy, which includes:
 - clear hiring standards for employees and former employees of the external auditor and monitoring former employees of the external auditor currently employed in senior positions in the Group and assessing whether this impairs, or creates the perception of impairing, the external auditor's judgment or independence in respect of the Group; and
 - procedures for ensuring that the compensation of the external auditor does not impair, or create the perception of impairing, the external auditor's judgment or independence in respect of the Group, including that the economic significance of the Group to the external auditor (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of permissible non-audit services) does not impair or appear to impair the external auditor's judgment or independence in respect of the Group.

23. The Committee will report to the Board on the results of the evaluation of the external auditor.

24. The external auditor may request a member to call a meeting of the Committee.

25. The Committee will meet with the external auditor, without members of management being present on a regular basis, and whenever it is deemed appropriate by the Committee Chairman.

The effectiveness of systems of risk management and internal control

26. The Committee will assist the Board in reviewing the principal risks facing the Group, including those that threaten the Group's business model, future performance, solvency or liquidity.

27. The CEO and nominees will ensure that effective standards and procedures are implemented and maintained to identify, assess and manage risks that are material to the achievement of the Corporate Purpose and the Group's strategy and plans. The standards and procedures will be designed in a manner so as to preserve the independence of and maximise the effectiveness of the Committee, its individual members, and that of the Board, in testing and reviewing the effectiveness of risk management and internal controls (including financial, operation and compliance controls), and in making any formal adoptions required by regulation

28. The Committee will monitor and, at least annually, will review the effectiveness of the Group's systems of risk management and internal control. The Committee will seek assurance in relation to the following:

- that an effective system of internal control over financial reporting is established and maintained to provide reasonable assurance regarding:
 - the reliability of financial reporting and the fair presentation of the financial statements; and
 - the protection of the Group's financial and other assets and the application of the Group's resources;
- that the Group maintains an effective system to identify, assess and manage risks that are material to the achievement of the Corporate Purpose and its strategies and plans;
- that the Group maintains an effective internal audit function that is independent of the external auditor and its scope of work objectively provides reasonable assurance on the Group's risk management, internal control and governance processes; and
- that the Group has an identifiable system for sharing the results and lessons from the assurance processes.

29. The Committee will meet with the Chief Risk Officer, without other members of management being present, on a periodic basis and whenever it is deemed appropriate by the Committee Chairman. The Chief Risk Officer will have direct access to the Committee Chairman and the Chairman of the Board, and may request the Secretary to call a meeting of the Committee.

30. The CEO and nominees will present reviews of the system of internal control and risk management to the Committee including:

- the procedures for identifying material risks and controlling their impact on the Group, the operational effectiveness of these procedures, including the submission of the Group's risk profile to the Committee at least twice per year;
 - the Group's strategy and standards in respect of insurance;
 - the processes and systems for managing budgeting, forecasting and financial reporting;
 - the effectiveness of the processes and reporting systems in place to support the Group's compliance programs, including compliance with anti-corruption, sanctions, competition, price reporting, state and commercial secrets and export control laws. The Chief Compliance Officer will have direct access to the Committee Chairman and can request the Secretary to call a meeting of the Committee;
 - arrangements for the protection of the Group's information and data systems and other non-physical assets;
 - standards, practices and systems for managing compliance with taxation laws;
 - the operational effectiveness of the Business Risk and Audit Committee ('Business RAC') structures and significant matters discussed at Business RAC meetings;
 - the application within the Group of the relevant principles relating to the integrity of the financial statements and risk set out in the UK Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting; the Australian Securities Exchange Corporate Governance Council's Principles and Recommendations; the New York Stock Exchange Corporate Governance Rules and the governance rules set out in the U.S. Securities Exchange Act of 1934, as amended by the U.S. Sarbanes-Oxley Act;
 - the design, maintenance and effectiveness of internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - the Group's standards and procedures in respect of reporting of reserves and resources;
 - the Group's standards and procedures in respect of the closure and rehabilitation provision;
 - standards and practices for detecting, reporting and preventing fraud, serious breaches of business conduct, and whistle-blowing procedures supporting reporting to the Committee;
 - the design, maintenance and effectiveness of controls and procedures to ensure that information material to the Group's financial statements, including its consolidated subsidiaries, is made known to the CEO and CFO by others within those entities; and
 - standards, information systems and procedures put in place by management for the preparation and dissemination of information to shareholders, stock exchanges and the financial community, including actions taken.
31. The Committee will report the results of the review contemplated by clause 28 to the Board including a recommendation:
- on whether the Committee is satisfied that the Group's risk framework and system of internal control is effective and continues to be sound;
 - in relation to the viability statement for inclusion in the Annual Report; and
 - in relation to the Board's annual assessment of principal risks, including those that would threaten the Group's business model, future performance, solvency or liquidity.
32. The Committee will review and, if thought fit, approve the statements to be included in the Annual Report concerning the principal risks facing the Group, the assessment of those risks and how they are being managed or mitigated and the Group's system of internal controls and risk management.
33. The Committee will review the arrangements for, and receive periodic reports on, (i) the receipt, retention and treatment of complaints received by the Group regarding accounting, internal accounting controls or auditing matters, and (ii) confidential, anonymous submission by Group employees of concerns regarding questionable accounting, possible improprieties in matters of financial reporting or other matters, auditing matters or serious breaches of business conduct. The Committee's objective will be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow up action.

The plans, performance, objectivity and leadership of the internal audit function and integrity of the internal audit process

34. The Committee will approve the appointment of the Group Assurance Officer (the head of the internal audit function).
35. The Group Assurance Officer will be accountable to both the Committee and the CEO (or nominee) for the performance of the internal audit function.
36. The Committee will meet with the Group Assurance Officer, without other members of management being present, on a periodic basis and whenever it is deemed appropriate by the Committee Chairman.
37. The Group Assurance Officer will have direct access to the Committee Chairman and the Chairman of the Board, and may request the Secretary to call a meeting of the Committee.
38. The Committee will evaluate and if thought fit, approve:
 - the annual plans of the internal audit function; and
 - the internal audit function's Terms of Reference and changes to those Terms of Reference.
39. The Group Assurance Officer in consultation with the CEO and nominees will present to the Committee periodic reviews of the standards and practices adopted by the Group, indicating the basis for judgments that have been made, and the potential impact on the financial performance of the Group including in relation to the following:
 - the annual Internal Audit Plan which is structured to provide reasonable assurance over the governance, risk management and internal control environment of the Group. The Internal Audit Plan shall be submitted annually to the Committee for approval, with the HSEC components of the Internal Audit Plan submitted to the Committee after the Sustainability Committee has provided endorsement;
 - performance relative to the approved annual Internal Audit Plan and matters of note arising from its internal audits;
 - the results of external quality reviews of the internal audit function undertaken and periodic internal quality, benchmarking and performance assessments;
 - co-ordination between the internal audit function and the external auditors;
 - incidents of fraud and misappropriation involving management or other employees who have a significant role in the internal control over financial reporting;
 - whether the internal audit function's access to information enables it to perform its function effectively and in accordance with the relevant professional standards; and
 - whether the internal audit function has adequate standing, sufficient and competent resources and is free from management or other restrictions to deliver its mandate effectively.

The Committee will also evaluate significant findings of the internal audit function, significant differences of opinion between the internal audit function and management on internal control issues, and the response of management, and will monitor the corrective action developed and implemented.
40. The Committee will annually evaluate the performance of the internal audit function and the Group Assurance Officer in the following areas:
 - internal audit objectives;
 - internal audit plans;
 - quality surveys;
 - corporate governance; and
 - leadership profile.

41. The Committee will report the results of its evaluation to the Board.
42. In the event of the proposed dismissal of the Group Assurance Officer, the CEO will present the Committee with a statement of circumstances, and seek the Committee's approval to terminate the appointment and pursue a proposed course of action to appoint a successor.

Capital management and other matters

43. As required from time to time, the Committee will assist the Board in its consideration for approval and on-going oversight of matters pertaining to:
 - capital structure and funding; and
 - capital management planning and initiatives.
44. The Committee will consider and assess the performance of executive key management personnel against the financial Key Performance Indicators within their Short Term Incentive scorecard, and will make a recommendation to the Remuneration Committee for its consideration.
45. In accordance with the Group's Authorities Framework, the Committee will consider for approval:
 - the commencement or settlement of litigation, (including tax litigation) and the settlement of revenue authority audits or lodgement of tax litigation appeals;
 - guarantees and indemnities in favour of third parties;
 - marketing strategy, controls and risk limits;
 - global directors and officers insurance; and
 - the use of, and policy relating to, uncleared swaps, including the periodic review of the Group's related policies.

Training and understanding

46. The Committee members will participate in a program of induction, training and development.

Reports

47. The Committee will prepare and adopt an annual report on its activities for incorporation in the Annual Report.
48. The Committee Chairman, or a delegate, will report to the Board following each meeting of the Committee.
49. The report to the Board will be a comprehensive report in order to:
 - ensure the Board as a whole has insight into the key issues discussed by, and the decisions of, the Committee;
 - facilitate Board awareness; and
 - assist in the periodic review of the Committee's performance.

The report will include recommendations on any specific decisions or actions the Board should consider.

Annual general meeting

50. The Committee Chairman will attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

Membership

51. All Committee members must be independent non-executive Directors as determined by the Board in accordance with its Policy on Independence of Directors, and financially literate. The Committee must consist of at least three members. At least one member must have recent and relevant financial experience and the Committee as a whole must have competence relevant to the sector in which the Group operates.

52. Members will be proposed by the Nomination and Governance Committee and, if thought fit, approved by the Board. The Board will appoint the Committee Chairman who will be a member of the Committee. The Chairman of the Group may not be the Chairman of the Committee.

Advice and resourcing

53. The Committee may appoint and instruct expert advisers who will be advisers solely to the Committee. Unless otherwise determined by the Committee, advisers shall not receive a standing invitation to attend meetings. The Committee may meet with external advisers without management being present.

54. The Committee will have available to it sufficient resources, as determined by the Committee, to run effectively including to:

- engage and remunerate independent advisers to assist the Committee in carrying out its work; and
- pay any expenses of the Committee that are necessary or appropriate to assist it in carrying out its work under these Terms of Reference.

55. The Committee will determine the compensation payable to independent advisers, and the Group Company Secretary will assist the Committee in securing the service determined necessary.

56. Each member of the Committee, with the consent of the Committee Chairman and the assistance of the Group Company Secretary, may seek independent professional advice at the expense of the Group on any matter connected with the discharge of his or her responsibilities. The consent of the Committee Chairman will not be unreasonably withheld.

Committee meeting procedures

57. The Group Company Secretary or a designate shall be the Secretary of the Committee.

58. Proceedings and meetings of the Committee will be governed by the provisions of the Constitution of BHP Billiton Limited and the Articles of Association of BHP Billiton Plc for regulating the meetings and proceedings of the Board in so far as they are applicable and not inconsistent with these Terms of Reference.

59. The Committee shall have unrestricted access to personnel, records, external auditors, and the Risk and Internal Audit and Advisory functions (with or without management present) and senior management as appropriate. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the cost of such advisers to be borne by the Group.

60. The Committee will meet as frequently as required but not less than four times a year.

61. Any Committee member may request the Secretary to call a meeting.

62. Any person may be invited to attend meetings of the Committee, but not necessarily for the full duration of the meeting. A standing invitation will be issued to:

- CEO
- CFO
- Group Assurance Officer
- Chief Risk Officer
- Group Financial Controller
- Engagement Partners of External Audit firms

63. A standing invitation will be issued to all Non-executive Directors to attend with the consent of the Committee Chairman.

64. The Committee will approve the Committee's Annual Plan.

65. At the discretion of the Committee Chairman, separate meetings may also be held with any member of Group management.

66. A quorum will comprise any two Committee members. In the absence of the Committee Chairman or appointed delegate, the members shall elect one of their number as Chairman for that meeting.
67. The Committee Chairman shall not have a second or casting vote.
68. The Committee will evaluate its performance each year having regard to the principles and requirements of its Terms of Reference.
69. The Committee will ensure that the results of evaluations of its effectiveness and material changes to its Terms of Reference are reported to shareholders.