

**BHP**

**Nomination and  
Governance  
Committee  
Terms of  
Reference**

**16 June 2016**

# Nomination and Governance Committee Terms of Reference

## BHP Group Limited and BHP Group Plc

Approved by the Boards of BHP Group Limited and BHP Group Plc on 10 May 2012 and updated on 19 June 2013 and 16 June 2016.

## Role

1. The role of the Nomination and Governance Committee (**Committee**) is to support and advise the Boards of BHP Group Limited and BHP Group 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 overseeing the succession planning process for the Board, Directors and the Chief Executive Officer (**CEO**), developing and overseeing Board and individual Director performance evaluation and training, advising and making recommendations to the Board in relation to the combined BHP group's (**Group**) corporate governance practices, and various related governance responsibilities.
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 matter on which it advises except where certain powers are specifically set out in these Terms of Reference or are otherwise delegated by the Board.

## Board and Director succession planning process

4. The Committee will, in a structured manner and taking a multi-year view, regularly assess:
  - the overall skills, experience, diversity, independence and knowledge required to competently discharge the Board's duties, having regard to the strategic direction of the Group and the diversity aspirations of the Board, and report the outcome of that assessment to the Board.
  - the collective skills, experience, diversity, independence and knowledge of the non-executive Directors represented on the Board and determine whether the Board, as a whole, has the skills, experience, independence and knowledge required to competently discharge its duties.
5. Having regard to the skills, experience, diversity, independence and knowledge required and the balance of skills, experience, diversity, independence and knowledge represented on the Board, the Committee will implement a succession planning process for the identification of suitable candidates for appointment to the Board. This process will focus on the short, medium and long term.
6. In determining the process for the identification of suitable candidates for appointment to the Board, the Committee will ordinarily ensure that:
  - its diversity aspirations for the Board are taken into account by considering a broad range of candidates with diversity of gender, nationality and geography;
  - a search is undertaken by an appropriately qualified independent third party acting on a brief prepared by the Committee which identifies the skills, experience and knowledge sought;
  - the search is international.
7. The Committee will make recommendations to the Board on candidates it considers appropriate for appointment, after undertaking appropriate checks.
8. The Committee will make recommendations to the Board on the membership of the Board's Committees. The membership of the Board's Committees will be reviewed every three years, or earlier if circumstances dictate.

## Chairman succession planning process

9. The Committee will oversee and periodically evaluate, and make recommendations to the Board in relation to, the succession planning process for the role of Group Chairman.
10. The Group Chairman succession planning process is the responsibility of the Board which will make all decisions on Chairman succession, including the final decision. The role of the Committee is to support the Board in its decision-making by undertaking tasks or activities, at the request of the Board.

## CEO succession planning process

11. The Committee will oversee and periodically evaluate, and make recommendations to the Board in relation to, the succession planning process for the role of CEO, recognising that the CEO succession planning process is:
  - an integral part of the Group's overall succession management to build, develop, renew, recruit and promote the Group's leaders; and
  - an ongoing process, not a one-time event.

## Board and Director performance evaluation

12. The Committee will develop and oversee the performance evaluation process for the Board, the Board Committees and Directors individually.
13. The Committee will inform the Board of the names of non-executive Directors who are retiring in accordance with the provisions of the Constitution of BHP Billiton Limited (**Constitution**) or the Articles of Association of BHP Billiton Plc (**Articles**) or the Board's policy on annual election.
14. The Committee will make recommendations to the Board as to whether the Board should support the re-nomination of a non-executive Director seeking re-election.
15. In making recommendations in accordance with clause 14, the Committee will undertake a process of review of the retiring non-executive Director's performance during the period in which the non-executive Director has been a member of the Board, and will conduct that review by whatever means it considers appropriate, including using external advisers and assessment of performance by peers and self.
16. A Committee member will not participate in the review of his or her own performance.

## Director independence

17. The Committee will assess, and make recommendations to the Board in relation to, the independence of non-executive Directors on appointment, and then annually and whenever any new interests or relationships are disclosed by a Director.

## Director time commitment

18. The Committee will regularly review the time required from non-executive Directors and whether they are meeting that requirement, taking account of all aspects of the role including site visits and other non-meeting related aspects.

## Director training and development

19. The Committee will oversee, review and make recommendations to the Board in relation to the Training and Development Program for Directors (including induction processes), to ensure that Directors have access to appropriate training and development opportunities that support the work of Directors and the Board.

## Authorisation of actual or potential conflicts

20. The Committee will review requests from Directors for authorisation of situations of actual or potential conflict and make recommendations to the Board in relation to the authorisation of such situations, in accordance with the Articles.
21. The Committee will regularly review any situations of actual or potential conflict that have been previously authorised by the Board, together with any updates, and make recommendations to the Board regarding whether the authorisation (and any conditions attached to such authorisation) remain appropriate.

## The Group's corporate governance practices

22. The Committee will review and, if thought fit, recommend to the Board for approval the Corporate Governance Statement for inclusion in the Annual Report.
23. The Committee will advise the Board on the Group's compliance with the UK Corporate Governance Code, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and the New York Stock Exchange Listed Company Manual and other applicable governance requirements.
24. The Committee will consider and, if thought fit, approve the Group's section 303A Annual Written Affirmation for the purposes of the New York Stock Exchange listing requirements.
25. Where departure from "comply or explain" standards is required or believed to be appropriate, the Committee will recommend to the Board the appropriate explanation to be communicated to shareholders in the Annual Report. Where this overlaps with the work of another Board Committee the proposed explanation will also be reviewed by the relevant Board Committee.
26. The Committee will advise the Board periodically with respect to significant developments in the law and practice of corporate governance, recognising that other Board Committees may also advise the Board in relation to significant governance developments within their specific areas of responsibility.
27. The Committee will make recommendations to the Board on all matters of corporate governance including any proposed changes to existing structures or practices, recognising that other Board Committees may also make recommendations to the Board on governance matters within their specific areas of responsibility.
28. The Committee will assist the Board in its review, at least annually, of the relative proportion of men and women in the Group's workforce and the Group's progress in achieving its diversity objectives.

## Training and understanding

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

## Reports

30. The Committee will prepare and adopt an annual report on its activities for incorporation in the Annual Report.
31. The Committee Chairman, or a delegate, will report to the Board following each meeting of the Committee.
32. The report to the Board will be a comprehensive report in order to:
  - ensure the Board as a whole has an insight into the key issues discussed by, and 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

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

## Membership

34. All Committee members must be independent non-executive Directors, as determined by the Board in accordance with its Policy on the Independence of Directors. The Committee must consist of at least three members.
35. Members will be proposed by the Committee and, if thought fit, approved by the Board. In proposing members for approval by the Board, the Committee will take into account the skills, experience and diversity it would be desirable for the Committee to reflect, and the attributes required of its members.
36. Where the Group Chairman is the Committee Chairman, he or she shall not chair the Committee when it is dealing with the succession of the Group Chairmanship.

## Advice and resourcing

37. 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.
38. The Committee will have available to it sufficient resources as determined by the Committee, to run effectively including funds 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.
39. 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.
40. 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

41. The Group Company Secretary, or a designate, shall be the Secretary of the Committee.
42. Proceedings and meetings of the Committee will be governed by the provisions of the Constitution and the Articles for regulating meetings and proceedings of the Board, in so far as they are applicable and not inconsistent with these Terms of Reference.
43. The Committee shall have unrestricted access to personnel, records 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.
44. The Committee will meet as frequently as required but not less than three times a year.
45. Any Committee member may request the Secretary to call a meeting.
46. Any person may be invited to attend meetings of the Committee, but not necessarily for the full duration of the meeting. The Committee Chairman may invite the CEO to attend for all or any part of the meeting, as and when the Committee Chairman considers it appropriate. A standing invitation will be issued to all Non-executive Directors to attend with the consent of the Committee Chairman.

47. The Committee will approve the Committee's Annual Forward Plan.
48. 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 Committee Chairman for that meeting.
49. The Committee Chairman shall not have a second or casting vote.
50. The Committee will evaluate its performance each year having regard to the principles and requirements of its Terms of Reference
51. The Committee will ensure that the results of evaluations of its effectiveness and material changes to its Terms of Reference are reported to shareholders.