

# **BHP**

## **Remuneration Committee Terms of Reference**

**23 April 2021**

# Remuneration 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, 16 June 2016, 14 June 2018 and 8 August 2019.

## Role

1. The role of the Remuneration 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 the determination of remuneration policy and its application for senior executives, performance evaluation, the adoption of incentive plans, and various governance responsibilities related to remuneration.
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.

## Remuneration policy

4. The Committee will determine and agree with the Board the policy for the remuneration of the Group Chairman, the Chief Executive Officer (**CEO**), other members of the Executive Leadership Team (**other ELT members**), and the Group Company Secretary, noting that the policy as it applies to Directors is subject to shareholder approval at least every three years. No Director or executive shall be involved in deciding their own remuneration.
5. In determining the policy, the Committee will take into account all factors which it deems necessary including its periodic review of workforce remuneration and related policies and the alignment of incentives and reward with culture and stakeholder experience. The objective of the policy will be to:
  - support the execution of the combined BHP group's (**Group**) business strategy;
  - ensure that executive remuneration is aligned to BHP's purpose, values and risk appetite, including in relation to non-financial risk;
  - provide competitive rewards to attract, motivate and retain highly skilled executives willing to work around the world;
  - apply demanding performance measures, including key financial and non-financial measures of performance;
  - link a large component of pay to the Group's performance and the creation of value for the Group's shareholders;
  - ensure remuneration arrangements are equitable and facilitate the deployment of people around the Group; and
  - limit severance payments on termination to pre-established contractual arrangements (which do not commit the Group to making unjustified payments).

6. The Committee will review the ongoing appropriateness and relevance of the remuneration policy, taking account of shareholder and other stakeholder engagement in relation to the policy.

### **Remuneration - general**

7. The Committee will advise the Board as to the shareholder approvals required in respect of all elements of remuneration.
8. In determining remuneration packages, arrangements and reporting, the Committee will give due regard to any relevant legal requirements including the policy most recently approved by shareholders, the provisions and recommendations in the UK Corporate Governance Code, the UK Listing Authority's Listing Rules and associated guidance, the ASX Listing Rules and Corporate Governance Principles and Recommendations, key market trends and any other factors it deems relevant.
9. The Committee will review and note annually the remuneration trends across the Group and in particular, compare the trends in base pay for senior management to that of all Group employees.
10. The Committee will, periodically, review workforce remuneration and related policies and the alignment of incentives and reward with the Group's culture.
11. The Committee will, annually, engage with the workforce to explain how executive remuneration aligns with wider company pay policy.
12. The Committee will oversee any major changes in employee benefits structures throughout the Group.
13. The Committee will approve the policy on travel-related expenses for the Group Chairman and the non-executive directors, and the procedure for authorising claims for expenses from the Group Chairman, the non-executive Directors and the CEO.
14. The Committee will support the Board in its review, at least annually, of remuneration by gender.

### **Chairman and Non-executive Director remuneration**

15. The Committee will, having regard to the remuneration policy, consider and make recommendations to the Board on the remuneration for the Group Chairman each year.
16. The remuneration of non-executive Directors shall be a matter for the Group Chairman and the executive Directors and will be reviewed by them each year having regard to the remuneration policy.

### **Chief Executive Officer remuneration**

17. The Committee will, in consultation with the Group Chairman and having regard to the remuneration policy:
  - a. Determine, and recommend to the Board\* for its approval, the remuneration for the CEO on appointment.
  - b. Determine, and recommend to the Board\* for its approval, any change to the base salary of the CEO at the beginning of each Financial Year, having regard to pay and employment conditions across the Group;
  - c. After considering the recommendations from the Sustainability Committee in relation to health, safety, environment and community matters, and the Group Chairman in relation to the CEO's personal key performance indicators (KPIs), and any feedback from the Risk

and Audit Committee in relation to draft financial KPIs, recommend to the Board\* for its approval, appropriate KPIs for the CEO at the beginning of each Financial Year;

- d. After considering the recommendations from the Sustainability Committee in relation to health, safety, environment and community matters, and the Group Chairman in relation to the CEO's personal KPI outcomes, and any feedback from the Risk and Audit Committee in relation to financial KPI outcomes, determine, and recommend to the Board\* for its approval, at the end of each Financial Year, performance levels for the CEO against KPIs set at the beginning of the year;
- e. Should further information be required on health, safety, environment and community recommendations in paragraphs c) and d) the Committee will seek advice from the Sustainability Committee;
- f. Determine, and recommend to the Board\* for its approval, awards under incentive plans to the CEO;
- g. Determine, and recommend to the Board\* for its approval, the policy for, and scope of, pension or superannuation arrangements for the CEO; and
- h. Determine, and recommend to the Board\* for its approval, prior to implementation, changes to the contract terms of the CEO or to any aspect of the CEO's remuneration not specifically addressed elsewhere in these Terms of Reference.

\* All references to the Board in this clause are to the Board excluding non-independent Directors.

## Remuneration of other ELT members and the Group Company Secretary

18. The Committee will, in consultation with the CEO and having regard to the remuneration policy:
  - a. Determine, approve and recommend to the Board for its noting, the remuneration for other ELT members and the Group Company Secretary, on appointment;
  - b. Determine, approve and recommend to the Board for its noting, any change to the base salary of other ELT members and the Group Company Secretary at the beginning of each Financial Year, having regard to pay and employment conditions across the Group;
  - c. After considering the recommendations from the Sustainability Committee in relation to health, safety, environment and community matters, and the CEO in relation to personal KPIs, and any feedback from the Risk and Audit Committee in relation to draft financial KPIs, determine, approve and recommend to the Board for its noting, appropriate KPIs for other ELT members and the Group Company Secretary at the beginning of each Financial Year;
  - d. After considering the recommendations from the Sustainability Committee in relation to health, safety, environment and community matters, and the CEO in relation to personal KPI outcomes, and any feedback from the Risk and Audit Committee in relation to financial KPI outcomes, determine, approve and recommend to the Board for its noting at the end of each Financial Year, performance levels for other ELT members and the Group Company Secretary against the KPIs set at the beginning of the year;
  - e. Should further information be required on health, safety, environment and community recommendations in paragraphs c) and d) the Committee will seek advice from the Sustainability Committee;
  - f. Determine, approve and recommend to the Board for its noting, awards under incentive plans to other ELT members and the Group Company Secretary;

- g. Determine, approve and recommend to the Board for its noting, the policy for, and scope of, pension or superannuation arrangements for other ELT members and the Group Company Secretary; and
- h. Determine, approve and recommend to the Board for its noting, prior to implementation, changes to the contract terms of other ELT members and the Group Company Secretary; or to any aspect of their remuneration not specifically addressed elsewhere in these Terms of Reference.

### Leaving entitlements

19. The Committee will review leaving entitlements for the CEO, other ELT members and the Group Company Secretary to ensure they are consistent with the rules of any incentive scheme and the remuneration policy, and that any payments made are fair to the individual, and the Group, and that failure is not rewarded and that the duty to mitigate loss is fully recognised.

20. The Committee will:

- In consultation with the Group Chairman, determine, and recommend to the Board (excluding non-independent Directors) for its approval, prior to implementation, leaving arrangements for the CEO; and
- In consultation with the CEO, determine, approve and recommend to the Board for its noting, prior to implementation, leaving arrangements for other ELT members and the Group Company Secretary.

### Incentive plans

21. The Committee will review and make recommendations to the Board in relation to those executive incentive plans that require the approval of shareholders. In making those recommendations the Committee will have regard to the remuneration policy and to the total cost of each plan.

22. The Committee will:

- approve (within the scope approved by shareholders) the rules of all incentive plans (including the delegation of powers, as appropriate, to management to operate those plans); and
- keep all plans under review in the light of legislative, regulatory and market developments.

23. The Committee will, for each plan, except those where operational authority has been delegated to management and having regard to the remuneration policy:

- determine each year whether awards will be made under the plan;
- review and approve total proposed awards under the plan;
- review and approve proposed awards under the plan on an individual basis for executives as required under the rules governing the plan or as determined by the Committee;
- review and approve proposed vesting outcomes; and
- review, approve and constantly keep under review the performance targets to be used and the performance of the plan.

### Annual remuneration report

24. The Committee will endorse, and recommend to the Board for its approval, a Remuneration Report to be included in the Group's Annual Report.

## Training and understanding

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

## Reports

26. The Committee will prepare and adopt a report on its activities for incorporation in the Annual Report.

27. The Committee Chairman, or a delegate, will report to the Board following each meeting of the Committee.

28. 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

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

## Membership

30. All Committee members must be independent non-executive Directors, as determined by the Board in accordance with its Policy on Independence of Directors. The Committee must consist of at least three members.

31. 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 and, before appointment as Committee Chairman, will ordinarily have served on a remuneration committee for at least 12 months.

## Advice and resourcing

32. 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.

33. Before selecting any adviser to the Committee, the Committee will consider all factors relevant to such persons' independence from management, including:

- the provision of other services to the Group by the person that employs the adviser;
- the amount of fees received from the Group by the person that employs the adviser, as a percentage of the total revenue of the person that employs the adviser;
- the policies and procedures of the person that employs the adviser that are designed to prevent conflicts of interest;
- any business or personal relationship of the adviser with a member of the Committee;
- any shares in the Group owned by the adviser; and

- any business or personal relationship of the adviser or the person employing the adviser with an executive officer of the Group.
34. 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.
35. 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.
36. The Committee will assist the Board in its assessment of whether a remuneration recommendation made by an adviser was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates.
37. 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

38. The Group Company Secretary, or a designate, shall be the Secretary of the Committee.
39. 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.
40. 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.
41. The Committee will meet as frequently as required but not less than three times a year.
42. Any Committee member may request the Secretary to call a meeting.
43. 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, among others, the following to attend for all or part of any meeting as and when the Committee Chairman considers it appropriate:
- the Group Chairman
  - the CEO; and
  - the Chief People Officer
- A standing invitation will be issued to all Non-executive Directors to attend with the consent of the Committee Chairman.
44. The Committee will approve the Committee's Annual Forward Plan.
45. At the discretion of the Committee Chairman, separate meetings may also be held with any member of Group management.

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