

# Provision of audit and other services by the external auditor

## BHP Group Limited and BHP Group Plc

Approved by the Risk and Audit Committee on 9 June 2020.

Defines the circumstances within which an External Auditor may provide audit and other services.

### 1. Intent

BHP's approach to engaging the external auditor for the performance of audit and other services ensures that those services:

- Are approved by appropriate levels of BHP management.
- Do not impair the independence of the external auditor.
- Are regularly reported to the BHP Board Risk and Audit Committee (Board RAC).

Any engagement of the external auditor must satisfy applicable rules and legislation, including regulatory rules and the independence rules of the auditing profession in the countries in which BHP operates, including but not limited to the United States, United Kingdom and Australia.

The external auditor does not have a preferred supplier status for the provision of other services and is to be appointed only when they must undertake the work and do not have a conflict of interest due to a relationship with another entity or a regulatory prohibition. The external auditor must not be engaged where there is a potential for regulatory disqualification in the provision of an external audit opinion.

### 2. Independence statement by the Directors

The Australian Corporations Act 2001 requires a statement by the BHP Directors that they are satisfied that the services provided by the external auditors do not compromise external auditor independence.

Factors that the BHP Directors must consider in making this statement include:

- The level of fees paid for the provision of other services as a proportion of total fees paid to the external auditor.
- Whether the compensation of individuals employed by the external auditor who are performing the audit of BHP is tied to the provision of other services, which would impair the external auditor's independence.
- Whether the individuals performing the audit would also be involved in providing other services.
- Whether the audit fees are sufficient to adequately compensate the external auditors or whether the audit fees are at a level that could increase the need for the external auditor to perform other services to make the external audit commercially viable.
- The Independence Declaration required to be provided by the external auditor which is required to identify whether there have been any contraventions of external auditor independence requirements.

### 3. Reporting

- All other services provided by the external auditor must be reported every quarter to the Board RAC by the external auditor.
- Details of fees paid to the external auditor must be disclosed in the Group's financial reports as specified by applicable financial reporting standards, listing rules and laws.
- The pre approval framework must be disclosed in the Group's annual report. BHP also voluntarily discloses this framework on its website.

### 4. Approval process

BHP protects the independence of the external auditor by mandating an approval process for engaging the external auditor. BHP has defined the services that may not be provided by the external auditor; refer to Section 5 *Prohibited external auditor services*. No approval can be given under any authority for the provision of prohibited services. The Board RAC has identified specific types of services that are considered to be pre- approved, refer to Section 6 *Pre-approved audit and other services*. All engagements of the external auditor for the provision of other services are subject to the following approval requirements.

#### 4.1 Approval requirements

- Approval must be obtained before the engagement of the external auditor for other services.
- The external auditor must provide a written statement of independence for all engagements, approved by the appropriate authority within the audit firm (typically the principal engagement partner, or where significant in nature or value, the external auditor's Independence Partner or SEC Centre or equivalent authority).
- All engagements requiring approval by the Group Financial Controller or the Board RAC must be described in a written recommendation setting out the:
  - Nature and scope of the proposed services, including why such services are not considered prohibited.
  - Supplier selection process and criteria.
  - Chosen supplier and rationale as to selection of that supplier.
  - Relationship of individuals within the firm to perform the proposed other services with those within the firm undertaking audit work.
  - Fee estimate, identifying the total cost and the cost expected for the current financial year.
  - Category of pre-approved service where relevant.
- All engagements involving the provision of any tax service must also be accompanied by BHP documented analysis of the potential effects of the services on the external auditor's independence, and described in an engagement letter from the external auditor stating:
  - The nature and scope of the proposed services, including why such services are not considered prohibited.
  - The fee structure.
  - Details of any side letter or other form of amendment to the engagement letter or equivalent.
  - Confirmation that there is no compensation arrangement, or other agreement between the external auditor and any other party with respect to the promoting, marketing or recommending of a transaction covered by the service.
- Where Board RAC approval is required, it must be given by at least two (of four) Board RAC members, communicated by email or phone to the Group Financial Controller and be noted in the minutes of the next RAC meeting.

### 4.1.1 Approvals

BHP has established the following thresholds for the approval of services by the external auditor.

	Endorse	Approve	Inform
<b>Hiring of staff from the Group's external auditor</b>			
Group Financial Controller		✓	
<b>External auditor fee for each financial year</b>			
Board Risk and Audit Committee		✓	
<b>Variations to agreed external auditor fee</b>			
Head of Global Governance and Policy		✓	
<b>Services not specifically pre-approved regardless of fee</b>			
Group Financial Controller	✓		
Board Risk and Audit Committee		✓	
<b>Any engagement &gt; US\$100,000</b>			
Group Financial Controller	✓		
Board Risk and Audit Committee		✓	
<b>Pre-approved service with fee US\$20,000 - US\$100,000</b>			
Group Financial Controller		✓	
Board Risk and Audit Committee			✓
<b>Pre-approved service with fee &lt; US\$20,000</b>			
Regional Vice President / Head of Reporting		✓	
<b>or</b>		✓	
<b>or</b>		✓	
<b>or</b>		✓	
Board Risk and Audit Committee			✓

**Note:**

Management approvals can only be given for specific engagements that fall within an existing category of service that has been pre-approved by the Board RAC. Management cannot give pre-approval for types of services.

Fees must be based on the greater of the amount quoted by the external auditor or market value where it is evident that the fee quote is below market value.

Where the nature or scope of an external auditor engagement changes such that the prior approval obtained is insufficient, subsequent approval of the revised engagement must be obtained. For example, if a pre-approved service with a fee estimate of US\$20,000 increases in scope to US\$150,000, the approval of the Board RAC must be obtained.

## 5. Prohibited external auditor services

The external auditor must not provide services that impair, or appear to impair, their independence as external auditor. Generally, services that are prohibited include those where the external auditor:

- Participates in activities that are normally undertaken by management.
- Is remunerated by way of success fees, contingent fees or commissions.
- Acts in an advocacy role for BHP.
- May be required to audit their own work.

**The following services must not be provided by the external auditor to BHP or its controlled undertakings:**

- Book-keeping, preparation of, and other services in relation to, accounting records and financial statements;
- Payroll services;
- The design and implementation of financial information technology systems or the design and implementation of internal control or, risk management procedures related to the preparation and/or control of or financial information;
- Appraisals or fairness opinions;
- Outsourced internal audit services or services related to BHP's internal audit function;
- Secondments from the audit firm to BHP;
- Human resources and recruitment services;
- All Actuarial, Legal and Valuation services, including valuation services in connection with actuarial or litigation support services;
- Services involving playing any part in management or decision making functions;
- Broker-dealer, investment advisor or investment banking services;
- Expert services unrelated to the audit (advocacy in litigation proceedings);
- Services linked to the financing, capital structure and allocation, and investment strategy of BHP (except providing assurance services in relation to the financial statements) and including those in connection with restructuring services;
- Promoting, dealing in, or underwriting shares in BHP;
- Tax services relating to:
  - preparation of tax forms
  - payroll tax;
  - customs duties;
  - identification of public subsidies and tax incentives, unless support from the statutory auditor or the audit firm in respect of such services is required by law;
  - support regarding tax inspections by tax authorities, unless support from the statutory auditor or the audit firm in respect of such services is required by law;
  - calculation of direct and indirect tax and deferred tax;
  - provision of tax advice;
  - the marketing, planning or positively opining on the tax treatment of confidential transactions or aggressive tax position transactions;
  - personal income tax services to a person in a financial reporting oversight role.

## 6. Pre-approved audit and other services

In accordance with the requirements of the Sarbanes-Oxley Act (2002) and PCAOB Release 2004-00, only the Board RAC is permitted to grant pre-approval for specific types of services. All specific pre-approved services are prescribed in Schedules A to C.

The list of pre-approved services is not an exhaustive list of all permissible services. Any service not listed in Schedules A to C which is assessed as being permissible following engagements are not pre-approved and requires specific Board RAC approval.

**For the avoidance of doubt, any engagement that contains an internal control element is not pre-approved.** All engagements of the external auditor relating to internal control work require specific prior approval of the RAC.

### 6.1. Schedule A: Pre-approved audit services by the external auditor

Pre-approved audit services is work that constitutes the agreed scope of the statutory audit (including interim reviews or audits) of the Group consolidated financial report and the financial reports of all subsidiaries and affiliates of the Group.

The Board RAC monitors the audit services engagements, and approves, if necessary, any changes in terms and conditions resulting from changes in audit scope, Group structure or other relevant events.

The following services are pre-approved:

- Statutory audit engagements for the Company, the Group and each subsidiary and affiliate as required by applicable companies and securities legislation.
- Financial statement audit engagements for any Group entity, incremental to the audit work required for the purpose of the consolidated financial statements, where required by applicable laws or regulations, or as requested to meet internal management requirements for audited financial statements of nominated Group entities.
- Audits of selected financial information as required by applicable laws or regulations for the purpose of the Group satisfying self-insurance and workers compensation arrangements.
- Reviews of interim financial reports of the Group as required by applicable companies and securities legislation.
- Audits of management certifications as to the adequacy of internal controls where such audits are mandated by applicable companies and securities legislation.

## 6.2. Schedule B: Pre-approved audit related and other assurance services by the external auditor

Pre-approved audit related and other assurance services comprise work that is outside the required scope of a statutory audit, but is consistent with the role of the statutory external auditor.

The following are pre-approved services:

- Audits of financial statements of Group entities for the purpose of inclusion in prospectuses and other forms of offering documents relating to the issuance or registration of debt or equity securities of Group entities.
- Conduct of agreed procedures to permit the issuance of comfort letters in connection with prospectuses and other forms of offering documents referred to above.
- Financial statement audits of employee benefit plans as required by applicable legislation.
- Conduct of review procedures to permit the issuance of Working Capital Reports as specified by UK listing rules.
- Conduct of review or audit procedures to permit the issuance of an Independent Accountants Report that BHP may call for in connection with regulated market transactions, but only where that report addresses historical financial information.
- Agreed-upon procedures, extended audit procedures and regulated attest engagements applied to selected accounting financial and non-financial information or financial statements required to respond to or comply with financial, accounting, or regulatory reporting matters, including procedures over royalty, emissions and similar returns.
- Assurance over reports containing financial or non-financial information prepared to meet Group governance objectives, such as the annual Sustainability Report or the Economic Contribution and Payments to Government Report.
- Any reporting required by a competent authority or regulator under law or regulation to be provided by the statutory auditor or identified that the statutory auditor would be an appropriate choice for service provider.
- Reporting on the iXBRL tagging of financial statements.
- Reporting on government grants.
- Reporting on covenant or loan agreements, which require independent verification.
- Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards.

### 6.3. Schedule C: Pre-approved tax services by the external auditor

The following tax services are permissible and pre-approved only when support from the external auditor, or audit firm, is required by law:

- Identification of public subsidies and tax incentives; and
- Support regarding tax inspections by tax authorities.