

## **Inclusion and Diversity at BHP**

At BHP, we believe all employees should have the opportunity to fulfil their potential and thrive in an inclusive and diverse workplace. We employ, develop and promote based on merit and we do not tolerate any form of discrimination, bullying or harassment. Our systems, processes and practices support fair treatment.

To better reflect the communities in which we work, we have set an ambitious, aspirational goal to achieve gender balance across BHP globally by FY2025. The aspiration is designed to harness the enormous potential that a more inclusive and diverse workplace will deliver at BHP and the impact of having a public goal has been significant. For example, in the year after its announcement, BHP saw greater progress on increasing the proportion of female employees than in the entire decade prior to the announcement.

The commercial case for action on gender balance at BHP is compelling. BHP's most inclusive and gender diverse operations have outperformed our average on a range of measures, including lower injury rates, adherence to work plans and meeting production targets.

## **Gender Pay Reporting**

BHP is fully supportive of the United Kingdom (**UK**) government's and other countries' initiatives to tackle the gender pay gap by increasing transparency in reporting of pay gaps by companies. We believe that those items that get measured and disclosed are better understood and acted upon.

The gender wage gap is a measure of pay disparity between men and women. While it can be measured in many different ways, the data consistently shows that women are still paid less relative to men. A number of varying methodologies are used to calculate the gender wage gap, such as comparing annual pay of full time workers or hourly pay of all workers. These can cover different fixed and variable pay elements, such as base salary, and short and long term incentive plans and can also vary between analysis of average and median results. Whatever calculation is used, all gender pay gaps matter, as they drive income inequality and result in poorer immediate and long-term economic outcomes for women.

BHP currently reports gender pay in accordance with a number of statutory and voluntary initiatives such as the Global Reporting Initiative (**GRI**); the Workplace Gender Equality Agency (**WGEA**) Report in Australia; and Gender Pay Reporting to the United States of America (**USA**) Government. Details of the pay gap at BHP are also published in BHP's Sustainability Report on an annual basis. This report is prepared in line with the aims and objectives of current UK requirements.

## **Drivers of the Pay Gap**

There are various factors that contribute to the gender pay gap, including:

- Societal factors, such as occupational sorting where women and men work in different industries (industrial segregation) and different roles (occupational segregation), where historically the female-dominated industries and roles attract lower pay<sup>1</sup> (and it is worth noting that the resources industry has traditionally had a lack of gender diversity);
- Economic and historical factors, such as lower levels of investment and participation in education, coupled with a preference for employment with lower commitment, due to the need to combine this with and fulfil work and family responsibilities<sup>2</sup>;
- Organisational structural factors, including a lack of women in senior positions and the associated issue of lack of diversity in the talent pipeline; few part-time roles or roles that can be worked flexibly, particularly for senior-level roles<sup>1</sup>; and
- Conscious and unconscious bias in organisation processes and frameworks, which leads to direct and indirect discrimination.<sup>1</sup>

## **BHP's Response to the Gender Pay Gap**

While certain factors set out above require addressing at a broader societal and policy level, BHP has been at the forefront of addressing some drivers of the pay gap and gender inequality in the workplace, both internally and externally. Accordingly, a range of initiatives and programmes, including those directly and indirectly aimed at gender pay equity, are underway in BHP.

A key activity undertaken annually is the gender pay gap review across BHP. This internal review assesses the gender pay gaps Company-wide between men and women's respective pay. In undertaking this review, we compare the pay of female employees to male employees performing similar roles in the same country. The purpose of the initiative is to identify any anomalous gaps and address pay equity issues immediately, as well as remedying any underlying causes. An example of immediate action to address pay equity issues include the application of pay increases which remove identified anomalies, while minimising the potential for bias in pay decisions upon recruitment and promotion through leader education and improved processes, to remedy underlying drivers of gender pay gaps.

It is important that this gender pay gap review is not a one-off event and so BHP conducts its review annually in order to sustainably reduce the gender pay gap in a targeted and systemic way. For example, our initiative to rapidly increase female representation in BHP's workforce may initially involve a greater intake of entry-level female employees, which may impact the overall gender pay gap in the short term. However, continuing vigilance will be required and applied through the annual gender pay gap review to ensure these short term impacts are monitored and addressed.

A further initiative we are implementing is at the time of recruitment. We recognise there is a gender pay gap within wider society, and we want to avoid replicating this when employees commence with BHP. To this end, we focus on the appropriate market-competitive remuneration for the role, aligned to the capabilities of the candidate, rather than basing offers of remuneration on the current remuneration or expected remuneration of the candidate.

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<sup>1</sup> WGEA, Gender Pay Gap Statistics, February 2017.

<sup>2</sup> Equal Pay as a Moving Target: International perspectives on forty-years of addressing the gender pay gap, Cambridge Journal of Economics, 2015.

Impactful and immediate change and influence has been, and will continue to be, driven by BHP. The Inclusion and Diversity Council, chaired by the Chief Executive Officer (**CEO**), agreed to address four common priorities, namely:

- Embedding **flexibility** in the way we work;
- Enabling our **supply chain** partners to support our commitment to inclusion and diversity;
- Uncovering and taking steps to **mitigate bias** in our behaviours, systems, policies and processes; and
- Ensuring our **brand** and industry are attractive to a diverse range of people.

BHP sees these actions, initiatives and programmes as critical to dealing with gender pay gaps and making progress towards our aspirational goal of gender balance by FY2025. Nevertheless, with a continuous improvement mindset, we fully expect that additional actions, initiatives and programmes will come to the fore in future years and further drive our ambitions to reality.

**UK Gender Pay Gap Reporting**

The UK regulations in “The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017” (**the Act**) require companies of 250 employees or more to publish their gender pay gap. BHP is strongly committed to gender pay equality and transparency as a means to drive that, and we aim to replicate best practice in the area of disclosure, regardless of the regulatory thresholds.

However, in this instance, as BHP’s UK workforce, located at its London office, has approximately 60 employees – far fewer than the 250 employee threshold – BHP has decided not to formally report through the UK government website according to the UK government mandated methodology. The reason for this decision is three-fold. Firstly, the data for BHP’s UK-based staff is so small that it is not robust statistically. Secondly, and related to the first point, the UK regulations only permit details for UK-based staff to be reported, and as BHP’s UK footprint is so small, public reporting would raise confidentiality issues. Thirdly, BHP’s UK workforce of approximately 60 employees is not representative of the type of work or workforce structure of BHP globally, where we have over 27,000 employees across 90 locations worldwide carrying out a wide range of operational and functional roles.

BHP is fully committed to policy and regulatory initiatives that foster greater transparency and inclusion and diversity more broadly, and is focused on eliminating gender pay inequalities, along with increasing rates of female participation in the workforce. BHP will continue to voluntarily publish details of the global pay gap in its annual Sustainability Report in line with the GRI, and in accordance with statutory obligations in various jurisdictions. In addition, through this UK gender pay gap report, we publish global pay gap data in line with the aims and objectives of the UK regulations.

**UK Reporting Requirements**

Regulations 8 to 13 of the Act define the reportable metrics and BHP’s outcomes are reported below in respect of its global employee population.

<b>Requirement</b>	<b>BHP Global Outcome</b>
Regulation 8: The difference between the mean hourly rate of pay of male employees and that of female employees	The female mean hourly rate of pay is 11.2% lower than the male mean hourly rate of pay
Regulation 9: The difference between the median hourly rate of pay of male employees and that of female employees	The female median hourly rate of pay is 15.0% lower than the male median hourly rate of pay

These outcomes reported under Regulations 8 and 9 are largely due to the factors mentioned earlier in the report, and confirm the need for continuing vigilance, both in ongoing and constant internal review and remedy within BHP of organisational factors and conscious and unconscious bias, and tackling wider external societal, economic and historical factors.

Requirement	BHP Global Outcome
Regulation 10: The difference between the mean bonus pay paid to male employees and that paid to female employees	The female mean bonus pay paid was 6.2% lower than the male mean bonus pay paid
Regulation 11: The difference between the median bonus pay paid to male employees and that paid to female employees	The female median bonus pay paid was 15.2% lower than the male median bonus pay paid

Under Regulations 10 and 11, bonus pay comprises comprising both short term incentives (i.e. cash bonuses) and long term incentives (i.e. mainly vested equity). Short term incentives make-up the majority of bonus pay and are the primary mechanism for recognising company and individual performance. In the relevant period, mean and median short term incentive outcomes awarded (against a target of 100 per cent) were 0.8 per cent higher for females than men.

Requirement	BHP Global Outcome
Regulation 12: The proportions of male and female employees who were paid bonus pay	85.6% of females and 74.2% of males were paid bonus pay

The outcomes under Regulation 12 mainly reflect employees engaged under industrial agreements, where such employees are generally ineligible to receive bonus pay. A higher proportion of males than females are employed under industrial agreements than the overall proportion of males and females across BHP.

Requirement	BHP Global Outcome
Regulation 13: The proportions of male and female employees in the lower, lower middle, upper middle and upper quartile pay bands.	Refer table below.

Gender	Lower	Lower Middle	Upper Middle	Upper
Female	28.7%	25.5%	13.1%	20.5%
Male	71.3%	74.5%	86.9%	79.5%

The outcomes under Regulation 13 reflect the overall gender proportions for BHP, and the total population analysed for this report is approximately 22 per cent female and 78 per cent male. The significantly higher than average male proportion in the Upper Middle quartile is primarily driven by the population in Australia (i.e. approximately 65 per cent of total BHP employees) which has a higher than average proportion of males in its mining operations, and this population is highly represented in this quartile.