

BHP

Responsible Minerals Program

2023

Bringing people and
resources together to
build a better world

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1 Introduction

We produce some of the essential resources needed to support global megatrends, such as decarbonisation and population growth, and we strive to produce them sustainably¹, efficiently and ethically. Our commodities include iron ore, copper, coal (predominately metallurgical coal), nickel and we are moving into potash.

BHP is committed to the responsible production and sourcing of minerals and metals in our supply chain, and conducting risk-based due diligence to support this through our Responsible Minerals Program.

The report is our first annual Responsible Minerals Program due diligence report. Annual reporting supports alignment with the OECD’s Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition (**OECD Guidance**). This report covers all minerals and metals purchased by BHP in FY2023, and details due diligence undertaken since the Responsible Minerals Program commenced in September 2022.

Responsible minerals and metals in our supply chain

Companies involved in the mining and trade of minerals and metals have the potential to contribute to sustainable development and prosperity, support livelihoods and foster local advancement. However, we acknowledge that, particularly for conflict-affected and/or high-risk areas, companies may be at risk of being associated with actual or potential adverse impacts, such as serious human rights abuses, conflict and financial crimes.

We have developed a fit-for-purpose due diligence program for our upstream minerals and metals supply chains for our operated assets² and third-party trading activities (**Responsible Minerals Program**) to align with the OECD Guidance.

The program prioritises due diligence over suppliers of minerals and metals where our operated assets or the inbound supply chain for the products those assets produce have any extraction, transportation or trade association with a conflict-affected and/or high-risk area. The program applies exclusively to suppliers selling minerals and/or metals directly into our operated assets that will physically form a part of our products or selling minerals and/or metals to BHP that BHP intends to market to a third party.

We generally purchase two types of minerals and metals products:

- Supply into our operated assets that forms part of our products. This supply could include ‘structural feed’ or ‘ad hoc feed’ that physically forms part of our products. Structural feed is typically necessary to achieve the right product blend. Ad-hoc feed is sometimes necessary to supplement our own minerals and metals products, depending on a range of factors; and
- Marketed to a third party which does not form part of our products or pass through our operated assets.

Responsible production

Our Chilean operations, Escondida and Spence, and Olympic Dam in Australia secured full accreditation against The Copper Mark during FY2023 (following provisional award in FY2022) to recognise their responsible production practices. The Copper Mark is a voluntary assurance framework that independently assesses participants against 32 performance criteria across environmental, social and governance dimensions. Spence, which also produces molybdenum, has also been awarded the Molybdenum Mark.

Additionally in FY2023, Nickel West, Olympic Dam, and BHP Mitsubishi Alliance (**BMA**) completed independent third-party verification of self-assessments against the International Council of Mining and Metals (**ICMM**) Mining Principles and associated Performance Expectations. The ICMM Mining Principles require member companies to conduct a prioritisation process to determine which assets will be subject to third party validation across a three-year cycle. All of BHP’s operated assets (excluding NSW Energy Coal, Cerro Colorado and acquired OZ Minerals assets) have completed their self-assessments against the ICMM Mining Principles and the associated Performance Expectations and the external validation sequence has been determined in consideration of commitments made by BHP to other standards, to enable operational efficiencies.

1 We describe our approach to sustainability and its governance in our Annual Report 2023 including Operating and Financial Review. Our references to sustainability (including sustainable and sustainably) in this Responsible Minerals Program Report and our other disclosures do not mean we will not have any adverse impact on the economy, the environment or society, and do not imply we will necessarily give primacy to consideration of, or achieve any absolute outcome in relation to, any one economic, environmental or social issue (such as zero greenhouse gas emissions or other environmental effects).

2 ‘Operated assets’ refers to assets that are wholly owned and/or operated by BHP or owned as a BHP-operated joint venture.

2 Due diligence and its objectives

Objectives

BHP has developed a risk-based and fit-for-purpose due diligence management system comprising our Responsible Minerals Program based on the international good practices set out in:

- the OECD Guidance and other relevant standards that guide their implementation such as the JDDS;
- Copper Mark Criteria 31 under the Risk Readiness Assessment;
- ICMM Performance Expectation criteria 4.2; and
- the London Metal Exchange (LME) Policy on Responsible Sourcing of LME-Listed Brands.

The Responsible Minerals Program focuses on identifying and managing risks as set out in Annex II of the OECD Guidance.

Our due diligence management system also includes consideration of environmental and work health and safety systems accreditations and any recent instances of legal non-compliance.

Risk-based due diligence (prioritising any association with a conflict-affected and/or high-risk area) is required to be conducted by BHP for our sourcing of all mined minerals and metals from third parties for the purpose of either:

- supply into our operated assets that forms a physical part of our products; or
- marketing to a third party/trading directly into the market.

Implementation

The Responsible Minerals Program commenced on 16 September 2022 with the publication of BHP's [Responsible Minerals Policy](#) on our website.

Due diligence is designed to be triggered at an early stage, while the relevant agreement to source mined minerals and metals from a third party, is being negotiated. Since implementation of the Responsible Minerals Program, all new agreements for mined minerals and metals acquired from third parties have undergone due diligence.

Over the course of FY2023, existing suppliers have been requested to participate in due diligence for ongoing agreements entered into before the implementation of the program, where there will be ongoing purchases, to have all relevant supply encompassed in the Responsible Minerals Program. We are continuing to assess how to ensure that those existing suppliers are progressively brought within the program.

Internal management structure

The BHP Commercial Sales and Marketing team is responsible for minerals and metals purchasing. Purchasing activities are undertaken by the Trading and Marketing Units (copper, nickel and raw coal). The Marketing Sustainability team is responsible for the design, implementation and governance of the Responsible Minerals Program. The executive sponsor of the program is the Group Sales and Marketing Officer who leads the BHP Commercial Sales and Marketing team, and reports to our Chief Commercial Officer, who is a member of BHP's Executive Leadership Team.

Each of our operated assets are responsible for ensuring there are effective systems of control for tracking and accounting for minerals and metals in place, as applicable to its sites to manage third party purchased products, and its own mined products.

Continuous Improvement

The BHP Responsible Minerals Governance Group includes representatives from the Marketing Sustainability, Trading and Marketing Units and Ethical Supply Chain & Transparency team (part of BHP's Compliance function) contains our internal modern slavery subject matter expertise, and manages due diligence in non-metals and minerals purchasing³. The Responsible Minerals Governance Group is responsible for:

- co-reviewing any high or very high risk (refer to section 4 below for how we define levels of risk) sourcing of metals and minerals purchasing;
- monitoring and regular reviews of the effectiveness of the program; and
- continuous improvement of the program.

³ For more about this see the BHP [Modern Slavery Statement 2023](#)

Responsible Minerals Program

Infographic 1 – OECD Guidance Annex II risk themes



3 Risk methodology process

The OECD Guidance recommends a 5-step framework for conducting due diligence and managing risks. BHP's Responsible Minerals Program follows the 5-step guidance as outlined in this report.

Step 1

Establishment of effective company management systems

BHP's [Our Charter](#) and [Our Code of Business Conduct](#) set out the standards of behaviour for those who work for us, with us or on our behalf, including with respect to BHP's human rights commitments.

- To ensure that our commitment to responsible sourcing is acknowledged by our minerals and metals suppliers, BHP has set out minimum expectations in a Responsible Minerals Policy, aligned with the OECD Guidance's Annex II risks. In order to strive for continuous improvement in responsible sourcing in our supply chain, BHP aims to foster long-term relationships with regular suppliers. As part of the relationship building efforts and to help suppliers better understand BHP's requirements pertaining to due diligence, BHP may engage minerals and metals suppliers in reasonable training and capacity building where appropriate.
- BHP has management structures in place to implement our due diligence management system, including systems of control and transparency over the supply chain. As part of this commitment, BHP trains relevant staff.
- BHP has a mechanism for internal and external stakeholders, including suppliers, to report complaints and grievances including those relating to BHP's responsible sourcing practices, in a confidential, or if chosen, anonymous manner via our EthicsPoint reporting tool: [EthicsPoint reporting tool](#). BHP will not tolerate retaliation or allow any form of punishment, discipline or retaliatory action to be taken against anyone for speaking up.

Step 2

Identifying and assessing risks in the supply chain

BHP collects basic information on minerals and metals suppliers to identify potential red flags as outlined in the OECD Guidance. In doing so, a key consideration is whether the material to be supplied is extracted from, transported through, or traded in a conflict affected or high risk area. BHP considers the TDi Sustainability's Conflict-Affected and High-Risk Areas (CAHRA) Index, as a comprehensive list of CAHRAs [TDi Sustainability's Conflict Affected and High Risk Areas \(CAHRA\) Index](#). Additional considerations include:

- whether artisanal mining could be involved in, or within the proximity of the area of the production of the material;
- recent convictions of unlawful activity;
- adverse media⁴; and
- if the supplier is located in an Extractive Industries Transparency Initiative (EITI) member country, whether the supplier is undertaking EITI aligned reporting.

BHP conducts further risk identification and assessment (enhanced due diligence) for suppliers where red flags have been identified to determine risks of potential or actual adverse impacts (see infographic 1 - OECD Guidance Annex II risks).

Step 3

Designing and implementing a strategy to respond to identified risks

BHP rates our minerals and metals suppliers according to the risk framework developed for the Responsible Minerals Program, aligned with the OECD Guidance. We define the risk levels according to the OECD Guidance Annex II categories, as well as an overarching summary for the relevant transaction.

4 Adverse media screening is a review of negative information and data sources about a supplier.

5 The Copper Mark Summary Report for Olympic Dam is pending re-issue by Copper Mark concurrently with the issuance of the JDDS certificates, which will amend the current report issued July 2023 from 'Partially Meets' for Criteria 31 to 'Fully Meets'.

Our risk levels are.

- **Very high:** A confirmed actual adverse impact is occurring or has occurred within the past year within supplier operations. The actual adverse impact was confirmed by the supplier or through an on-the-ground assessment and/or audit.
- **High:** There is a potential risk of adverse impacts occurring within supplier operations based on our assessment and/or due to absence of supplier policies, procedures or practices to prevent such adverse impacts and/or provision of inaccurate, incomplete or manipulated risk-related information by the supplier.
- **Moderate:** There is a possibility of actual adverse impacts occurring within supplier operations due to ineffective or incomplete supplier policies, procedures or practices to prevent such adverse impacts and/or lack of commitment to or participation in relevant frameworks and multi-stakeholder initiatives.
- **Low:** No information was identified or provided to suggest the presence of relevant risks.

Where any high or very high risks are identified, we aim to develop measurable risk mitigation plans in consultation with the supplier. These include risk mitigation measures which take into account the type and severity of risks identified, and agreed tracking of the implementation of measures set out in the action plans.

We monitor implementation of the risk mitigation plan (and mitigating measures) within an agreed timeframe, and continue to engage with suppliers to support them in seeking to prevent and mitigate adverse impacts identified in the supply chain.

Step 4

Ensure suppliers and BHP operated assets are identified points in the supply chain for assessment

The Responsible Minerals Program has been audited by external auditors against the JDDS for our operated assets that produce LME-approved Brand products: Olympic Dam, Spence, Escondida and Nickel West. Certificates against this standard are expected to be shortly issued by Copper Mark, under [Value chain sustainability](#) on our website. Our external auditor, Ernst and Young Australia, has also provided limited assurance over this report (see Appendix 1).

External auditors also tested compliance of the Responsible Minerals Program with the following components of responsible production standards:

- **Copper Mark Criteria 31 of the Risk Readiness Assessment** – to implement the OECD Guidance; and
- **ICMM Performance Expectation 4.2** – undertake risk-based due diligence on conflict and human rights that aligns with the OECD Guidance, when operating in, or sourcing from, a conflict-affected or high risk area.

The Program was found to fully meet the Copper Mark Criteria 31 at Escondida, Spence and Olympic Dam⁵, and fully meet the ICMM Performance Expectation 4.2 at Nickel West, Olympic Dam, and BMA in FY2023.

Internal validation at select operated assets (BMA, Olympic Dam and Nickel West) has also been conducted to test the equivalency of compliance with the ICMM requirements against compliance with the Responsible Sourcing Alignment Supplement from Towards Sustainable Mining (TSM) standard.

BHP expects our suppliers of minerals and metals to carry out similar due diligence on their minerals and metals supply. More information is contained in our [Responsible Minerals Policy](#). In doing so, we adopt a risk-based approach that includes education and support to suppliers where appropriate and embedding responsible supply chain commitments in contractual clauses where appropriate and possible.

Step 5

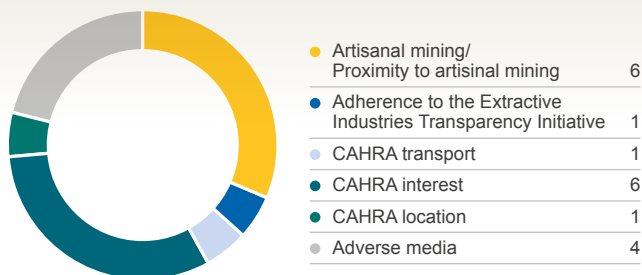
Publicly report on supply chain due diligence

This is our first annual Responsible Minerals Program due diligence report.

4 Risks in our metals and minerals supply chain

In FY2023, all of BHP's metals and minerals suppliers⁶ have undergone red flag risk assessments. Red flags were found in the following themes:

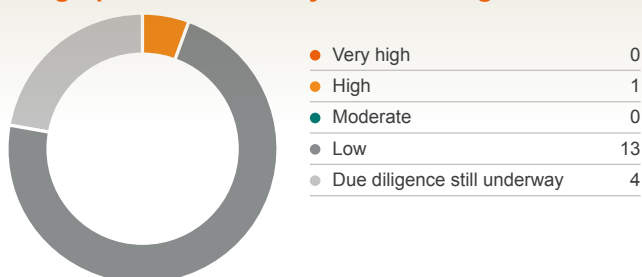
Infographic 2 – Red flag risk themes



Twenty-five per cent of metals and minerals suppliers assessed through red flag risk assessments triggered a requirement to conduct enhanced due diligence.

A high level summary of the risk ratings for BHP's 18 metals and minerals suppliers on which we completed due diligence in FY2023 is shown below:

Infographic 3 – Summary of risk ratings



BHP did not conduct any audits on minerals and metals suppliers in FY2023. However, in FY2023, for our high risk transactions, we were able to rely on independent third party audits to achieve our risk identification and mitigation goals.

We assigned 10 mitigating actions in areas related to each of the moderate and high risk OECD Guidance Annex II themes.

Mitigating actions for our one high risk transaction identified in FY2023 focused on seeking an update six months after the due diligence was completed by BHP to ensure mitigation actions, previously identified through the suppliers own independent on the ground audits, were being put in place. In doing so we were seeking increased transparency and reduction of risk over time.

In our first year of the Responsible Minerals Program, we have faced some challenges in measuring the effectiveness of mitigating actions intended to assist in reducing the risk of adverse impacts. This is attributed to:

- Our high risk transactions represented a very small proportion of total mine production at relevant operations, and so as a smaller customer we have limited leverage over such suppliers.
- In some instances we have indirect supply chains, and do not transact directly with the mine where the risks arise, i.e. we may purchase through a trader, which creates additional complexity in having all parties aligned for transparency and improvement; and
- Industry transparency and maturity regarding OECD Guidance Annex II risks and improvements is still emerging. To mitigate this we are seeking to focus on building a common understanding across our stakeholders by sharing our experiences with the broader industry.

We remain committed to seeking to eliminate risks of adverse impacts in our supply chain and we will continue to work towards this aim with our suppliers and the broader industry in FY2024.

The following OECD Guidance Annex II themes were found in our completed due diligence:

Infographic 4 – OECD Guidance Annex II risk themes identified



⁶ Verified by internal reporting on invoices received for metals and minerals across BHP globally in FY2023.

5 Achievements and challenges

Cultural change

We view embracing risk-based due diligence as a catalyst for change. We see this as much of a cultural change journey as it is a governance journey – not just for BHP but for broader industry as a whole – and one that will continue to require broad-based engagement.

Key engagement activities that we have been undertaking as part of this cultural change are:

- Internal training of our marketing teams focusing not just on the due diligence process, but on why we are seeking change, and how the risk based due diligence connects back to BHP's purpose and Social Value Framework;
- External engagement with actors across the industry and our supply chains; and
- Being part of the OECD 2023 Forum for Responsible Mineral Supply Chains Opening Panel on 26 April 2023 to share our leanings with the broader multi-stakeholder community.

Advocacy for improving effectiveness

Industry's conformance to OECD-aligned due diligence is assessed against industry standards rather than against the OECD Guidance itself. That means that we need to integrate varying interpretations of the Guidance across standards, regulations, suppliers, auditors, customers, and other stakeholders. We are seeking to encourage the harmonisation of standards and industry schemes. Lifting equivalency, cross-recognition and potentially (if done in an inclusive manner) convergence across standards, can empower industry to better focus on executing the key improvement programs required to lift ESG performance.

We do this through bilateral and multi-stakeholder dialogue with organisations such as the OECD's Centre for Responsible Business Conduct, The Copper Mark, ICMM, the LME, and the International Copper Association (ICA).

Certifications

As captured above, we expect to shortly attain certification against the JDDS for our operated assets that produce LME-approved brand products, in line with the LME's Policy for Responsible Sourcing of LME Brands.



6 Looking forward

Over the next financial year our focus will be:

- Embedding our annual reporting process for this report;
- Continuing to work with standards bodies on the evolution of minerals and metals due diligence to improve effectiveness; and
- Increasing engagement with key suppliers, with the intention of building longer term relationship and greater effectiveness in mitigating risk.

7 Appendix 1



Building a better
working world

Independent Limited Assurance Report to the Management and Directors of BHP Group Limited

Our Conclusion:

Ernst & Young ('EY', 'we') were engaged by BHP to undertake a limited assurance engagement as defined by International Auditing Standards, hereafter referred to as a 'review', over the Subject Matter defined below for the year ended 30 June 2023. Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe the Subject Matter has not been prepared, in all material respects, in accordance with the Criteria defined below.

What our review covered

We reviewed the following Subject Matter:

BHP's Responsible Minerals Program FY 23 Annual Report's ('the Report') adherence to the requirements of the Joint Due Diligence Standard for Copper, Lead, Molybdenum, Nickel and Zinc (JDDS) conformance criteria for Step 5: Reporting.

Our review also included a selection of performance disclosures in the Report.

Criteria applied by BHP

In preparing the Report, BHP applied the following Criteria:

- ▶ JDDS conformance criteria for Step 5: Reporting

Key responsibilities

EY's responsibility and independence

Our responsibility is to express a conclusion on the Subject Matter based on our review.

We have complied with the independence and relevant ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

BHP's responsibility

BHP's management is responsible for selecting the Criteria, and for presenting the Responsible Minerals Program Due Diligence Management System Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Our approach to conducting the review

We conducted this review in accordance with the International Auditing and Assurance Standards Board's *International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000'), the Copper Mark Assurance Process and the terms of reference for this engagement as agreed with BHP on 1 August 2023. That standard requires that we plan and perform our engagement to express a conclusion on whether anything has come to our attention that causes us to believe that the Subject Matter is not prepared, in all material respects, in accordance with the Criteria, and to issue a report.

Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the Responsible Minerals Program Due Diligence Management System Annual Report and related information and applying analytical and other review procedures.

The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error. The procedures we performed included, but were not limited to:

- ▶ Conducted interviews (in person and virtual) with personnel to understand the business and reporting process
- ▶ Conducted a site visit to Nickel West and completed a site walkthrough
- ▶ Assessed the Report against the requirements as defined in the JDDS
- ▶ Assessed referenced policies and documents for consistency with the disclosures made in the Report, including but not limited to BHP's Responsible Minerals Policy, Our Charter and Our Code of Business Conduct
- ▶ Assessed whether the information disclosed in the Report is consistent with our understanding and knowledge of BHP's responsible supply chain management system

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our review conclusion.

Inherent limitations

Procedures performed in a review engagement vary in nature and timing from and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a review engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to assessing aggregation or calculation of data within IT systems.

Other matters

We have not performed assurance procedures in respect of any information relating to prior reporting periods, including those presented in the Report. Our report does not extend to any disclosures or assertions made by BHP relating to future performance plans and/or strategies disclosed in the Report.

Use of our Assurance Report

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of BHP, or for any purpose other than that for which it was prepared.

Our review included web-based information that was available via web links as of the date of this Report. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Ernst & Young

Ernst & Young
Melbourne, Australia
2 October 2023

BHP