BHP | Foundation

Designing Better Grant Agreements

Toolkit

Practical guidance for fairer, clearer and more effective funding partnerships



How to use the Designing Grant Agreements Toolkit

Purpose: This toolkit is designed to help social investment teams and grantees develop and review grant agreements that are clear, proportionate and support shared accountability.

It provides guidance for developing better grant agreements – and the processes around them – to support good partnerships, funding practices and better understanding of the implications for both sides.

Owners & contributors: Led by the social investment team, with input from partners and relevant legal, finance, compliance and safeguarding specialists.

When to use: During investment development, agreement negotiation, significant agreement changes, and funding renewal.

How to use: Consider each of the 5 dimensions and discuss the funder's minimum standards and requirements vs 'nice to have' conditions or those that could create burdens on partners. Review key drafting questions to refine grant agreement templates, ensuring clauses and terms are as easy to understand as possible.

Key inputs: The funding proposal, due diligence findings, budget, delivery plan, reporting requirements and any relevant organizational policies or grant agreement templates.

BHP | Foundation

Grant Agreement Key Areas

The toolkit uses five assessment areas. Together, they help practitioners identify how grant terms may affect the partner, the funder and the people involved in delivery.

Funding Design

Test whether funding, timing and payment arrangements support realistic delivery.

Partnerships

Check whether responsibilities, risk and decision-making are shared appropriately.

Communication & Relationship Management

Embed strong communication with partners to support adaptive management and identify challenges early.

Due Diligence

Identify operational or expertise gaps that need specific funding. Set clear guidance on selection of sub-grantees and sub-contractors.

Accountability & Remedy

Establish safe ways to raise concerns and clear expectations for responding.

BHP | Foundation

Responsible funding practices overview

The funding terms of grant agreements can unintentionally create pressure or shift risk to partners and communities.

Responsible practice requires us to understand and manage those potential effects. Scope for harm to partners and communities includes:

Direct cause

Harm funders can create directly through their own actions or omissions.

Contribution

Pressure created by underfunding, tight timelines or heavy reporting.

Directly linked

Harm arising through partners or project delivery, even where the funder did not cause it directly.

In corporate philanthropy, contribution through funding design is often the most important.

Key guiding questions

To what extent could funding terms or practices:

- Impose unreasonable terms or timelines on the partner
- Limit the scope for reasonable ‘failure’
- Use our power in the funding relationship to steer the project in a particular way

BHP | Foundation

Funding Design Guidance

In corporate philanthropy, the funding design stage can often be the starting point for risks. Funders can unintentionally contribute to risks to partners and communities through underfunding programs, unrealistic timelines or requirements that divert resources away from delivery.

Drafting Checklist – Funding conditions

- **Does the agreement clearly state the purpose and intended outcomes clearly?** Agreements should be simple and avoid binding grantees to pre-determined project activities
- **Do payments conditions support partner cashflow, with realistic timelines and milestones?** Consider releasing payments to the grantee at the outset or align funding drawdowns with safe and effective delivery. Identify opportunities to fund organizational and delivery costs more fully where appropriate.
- **Which budget changes genuinely require approval?** Consider budget movement within agreed parameters to support delivery.
- **Are reporting requirements proportionate to the investment and risk?** Consider simplifying or staggering reporting to reduce partner burden.
- **Is there sufficient flexibility to respond to changing circumstances?** Consider processes to adapt timelines, activities or budgets.

Key areas to review

- ✓ Funding level and eligible costs
- ✓ Payment timing and conditions
- ✓ Delivery timeline
- ✓ Budget flexibility
- ✓ Contingencies
- ✓ Currency risk
- ✓ Reporting burden

BHP Foundation Example

To address potential risks, we moved away from grant payments being bound to the achievement of time-bound KPIs.

Instead, we made a one-off upfront payment, trusting partners to phase resources across the project.

Partners in turn gained the certainty to invest in longer-term costs such as staffing and equipment.

BHP | Foundation

Partnerships

A well-designed agreement recognizes the partner’s expertise, allocates responsibilities fairly and supports open discussion when circumstances change.

Drafting Checklist – Partnership terms

- **Do commitments use language that reflects collaboration rather than control?** Consider including mechanisms that support good faith and constructive engagement - terms should reinforce efforts to avoid extractive relationships and support more equal partnership dynamics.
- **Does the agreement recognize the partner's expertise?** Consider reducing unnecessary controls and providing greater flexibility.
- **Do terms clearly allocate roles and responsibilities? Are risks and obligations shared fairly?** Consider rebalancing obligations that place a disproportionate burden on partner.
- **Does terms support capability building where needed**? Consider opportunities for organizational or capacity-building support.
- **Do intellectual property and data provisions protect partner and community interests?** If not, consider revising ownership, consent and use provisions

Key areas to review

- ✓ Decision-making and change control
- ✓ Capability-strengthening support
- ✓ Suspension and termination provisions
- ✓ Obligations imposed on only one party
- ✓ Ownership and use of knowledge and data
- ✓ Indigenous cultural and intellectual property
- ✓ Branding and communications approvals

BHP Foundation Example

We identified key elements of our grant agreements that could encourage both the Foundation and our partners to be less extractive in the relationship.

We shifted the focus of our Intellectual Property provisions away from brand assets to instead focus on proactively protecting and promoting Indigenous interests and participants from academic and wider exploitation.

BHP | Foundation

Communication & Relationship Management

Strong communication prevents misunderstandings, supports adaptive management, and allows challenges to be identified early before they become compliance or performance issue

Drafting Checklist – Communication

- **Does the agreement establish clear expectations regarding communication?** Terms should encourage formal and informal catch ups, to support ongoing trust building.
- **Does the agreement encourage early discussion of challenges and risks?** Consider embedding terms that promote open dialogue, good faith and adaptive management.
- **Does the agreement and day-to-day relationship create opportunities for shared learning and reflection?** Consider adapting the structure and frequency of reporting requirements to encourage two-way dialogue
- **Does the agreement and day-to-day relationship encourage solution-focused conversations when issues arise?** Consider terms and practices that frame issues as shared learning opportunities.

Key areas to review

- ✓ Clear structure and frequency of communications
- ✓ Formal and informal check-ins
- ✓ Provisions for adaptive management
- ✓ Two way dialogue
- ✓ Early discussion of issues
- ✓ Issues as learning rather than failures

BHP Foundation Example

We moved away from quarterly written reports to annual reports with six-monthly informal catch-ups, designed to foster two-way sharing and transparency.

We shifted reporting away from a review of on activities to sharing learnings. This avoided a sense of rigidity and reframed potential ‘failures’ as ‘learnings’, reducing pressure and encouraging ongoing openness.

BHP | Foundation

Due Diligence

Due diligence should help shape how work is designed, funded and managed, not simply assess partner risk. Findings can identify opportunities to strengthen organizations, support effective delivery and build trust through more flexible funding arrangements.

Drafting Checklist – Due Diligence

- **Has due diligence identified organizational needs that should be funded?** Identified capability needs should be incorporated into the grant, budget and implementation plan
- **Is the agreement clear on expectations for due diligence for sub-grantees/contractors?** Ensure grantees are set up for success with clarity on what is and isn't required for the selection of third party partners
- **Is oversight proportionate to risk?** To avoid unnecessary approvals, consider adjusting timelines or simplifying controls and reporting
- **Do identified issues need a contractual condition?** Consider managing issues through governance and regular review rather than additional conditions.
- **Does the agreement allow for adaptive management?** Conditions should support partner ownership of implementation decisions.

Key areas to review

- ✓ Organizational capacity and governance
- ✓ Funding and capability needs
- ✓ Delivery risks and assumptions
- ✓ Reporting and compliance requirements
- ✓ Ongoing oversight and support needs
- ✓ Potential agreement implications

BHP Foundation Example

With **SmartIce**, due diligence showed that the license for the project's ice-monitoring technology was critical to success. We built funding and time into the proposal to formalize the licensing arrangements, strengthening the organization's ability distribute the products and generate income to sustain the project's objectives.

With **Nature for Justice**, our due diligence identified an opportunity to formalize governance among the project's coalition partners. Establishing this structure became the first step in the funded project, and partners later reported that it helped them navigate early-stage challenges.

BHP | Foundation

Accountability & Remedy

Accountability and remedy are about ensuring people can safely raise concerns, that concerns are addressed appropriately, and that both funders and partners are held accountable for their commitments.

Drafting Checklist – Accountability & Remedy

- **Are there safe and accessible ways for people to raise concerns?** If not, consider strengthening existing channels or establishing appropriate mechanisms.
- **Would partners or community members feel comfortable using these channels?** If not, consider how trust, confidentiality and accessibility can be strengthened.
- **Are reporting and escalation requirements proportionate to the risks involved?** If not, consider simplifying or tailoring requirements.
- **Are responsibilities for responding to concerns clearly understood?** If not, clarify roles and processes with partners.
- **Are we holding ourselves to the same standards we expect of partners?** If not, consider creating channels for partners to raise concerns about the funder.

Key Areas to Review

- ✓ Grievance and complaints mechanisms
- ✓ Reporting and escalation requirements
- ✓ Community feedback channels
- ✓ Responsibilities for responding to concerns
- ✓ Confidentiality and protection from retaliation
- ✓ Escalation pathways for concerns about the funder

BHP Foundation Example

We replaced a long-list of zero-tolerance issues that partners were required to report on with a shorter, tailored list focused on the most salient human rights issues.

We also asked partners to establish their own grievance mechanism, rather than report upward to us.

In turn, we held ourselves to the same standard, inviting partners to raise concerns about us with us or with our donor, BHP, through a dedicated channel.

BHP | Foundation

Summary of Drafting Grant Agreement Guiding Questions:

Across each of the five dimensions, have an honest discussion as a team to consider:

- **What are our core standards and minimum requirements?** Versus ‘nice to have’ terms or the inclusion of clauses to cover ‘just in case’ issues
- **Which issues really matter and best reflect our values as a funder and how we want to show up in the partnership?**
- **Are we being fair in terms of requirements and risk sharing?**
- **Where we’ve drafted obligations or warranties to cover ‘just in case’ issues, could these be better addressed through governance reviews or additional funding?**
- **Are the clauses in the agreement as clear and direct as possible?** If clauses aren’t easy to understand, they can be hard to comply with, undermining the potential of a good partnership
- **When we review and change our agreement templates, have we asked our grantees for feedback?** Being vulnerable and adaptive builds trust and means partners are more likely to flag issues to you throughout the partnership.

Guiding questions for drafting

When drafting any clause, ask yourself:

- Is it clear and easy for a non-lawyer or technical specialist to understand?
- Does it support partnership and shared outcomes?
- Does it encourage constructive communication?
- Is it proportionate to the risks involved?

BHP | Foundation

Grant Agreement Golden Rules

A strong grant agreement should be:

- Be written in plain English
- Focus on shared outcomes
- Promote mutual respect and partnership
- Encourage open communication and two-way dialogue
- Allocate risk fairly and proportionately
- Support learning and adaptation
- Minimize unnecessary compliance and reporting burdens
- Help both parties achieve impact together or at a minimum, empower the grantee to do so

BHP | Foundation

Summary of best practice drafting checklist

Funding Design	• Does the agreement clearly state the purpose and intended outcomes clearly? • Do payments conditions support partner cashflow? • Are timelines and milestones realistic? • Which budget changes genuinely require approval? • Are reporting requirements proportionate to the investment and risk? • Is there sufficient flexibility to respond to changing circumstances?
Partnerships	• Do commitments use language that reflects collaboration rather than control? • Does the agreement recognize the partner's expertise? • Do terms clearly allocate roles and responsibilities? • Are risks and obligations shared fairly? • Do terms support capability building where needed? • Do intellectual property and data provisions protect partner and community interests?
Communication & Relationship Management	• Does the agreement establish clear expectations regarding communication? • Does the agreement and day-to-day relationship create opportunities for shared learning and reflection? • Do terms encourage early discussion of challenges and risks? • Does the agreement and day-to-day relationship encourage solution-focused conversations when issues arise?
Due Diligence	• Has due diligence identified organizational needs that should be funded? • Is the agreement clear on expectations for due diligence for sub-grantees/contractors • Is oversight proportionate to risk? • Do identified issues need a contractual condition? • Does the agreement allow for adaptive management?
Accountability & Remedy	• Are there safe and accessible ways for people to raise concerns? • Would partners or community members feel comfortable using these channels? • Are reporting and escalation requirements proportionate to the risks involved? • Are responsibilities for responding to concerns clearly understood? • Are we holding ourselves to the same standards we expect of partners?

Thank you