

## BHP Foundation Risk Appetite Statement

This Risk Appetite Statement seeks to support decision making by articulating the BHP Foundation's (**Foundation**) appetite for harnessing opportunities and avoiding risk so that, together with our partner organizations, we can work towards transformational and sustained outcomes that address the world's most complex social and environmental challenges, consistent with *Our Commitment*.

We have used the following terms to describe the relativity of our appetite for risk:

| Risk Appetite       | Description  |
|---------------------|--|
| Risk avoiding       | Areas of risk where, due to their importance, we seek to maintain a strong environment for risk mitigation.        |
| Striking a balance  | Areas of risk where we seek to strike a balance between the opportunities and threats posed by any given decision. |
| Opportunity seeking | Areas of risk where calculated risk taking is required to realize potential benefits or opportunities.             |

| Risk Area / Appetite  | Risk Appetite Statement   |
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| <b>Addressing critical sustainable development challenges</b><br><br><b>Opportunity seeking</b> | <b>Intent:</b> We exercise courage in our strategic decisions so that we can make a positive difference to some of the world's most critical sustainable development challenges that are relevant to the resources sector.  |
|   | <b>Approach:</b> <i>We will pursue difficult issues that require a long-term commitment and unique and innovative solutions. We will be unapologetic in our commitment and drive. We will support evidence-based decision-making and exercise agility in our pursuits. We will maintain alignment with our strategy so as not to risk dilution of our impact. We recognize that effective crisis response may occasionally require interventions that are beyond individual Program strategies, while still aligning with Our Commitment.</i>   |
| <b>Catalytic Programs and Projects</b><br><br><b>Opportunity seeking</b>                        | <b>Intent:</b> We recognize that catalytic Programs, and the Projects of which they comprise, are complex and carry risk to the delivery of the intended outcomes. Effective Projects are those where the Project design is agile and resilient so that we all can learn from both progress and challenges, respond to risk and pivot as required. Successful Projects are as much about the delivery of transformational, systemic and sustained outcomes as they are about the learnings from which we and others can grow.   |
|   | <b>Approach:</b> <i>We are committed to developing and implementing Programs and scalable Projects that test and deliver sustainable solutions to the world's most complex social and environmental challenges. We acknowledge that risk needs to be taken and managed to make a material difference and outcomes may differ from those initially intended. We will work with partner organizations to design Projects in response to their risks so we can monitor, adapt, learn and grow. We recognize in contributing to systemic change, the Foundation is one of many actors and change may take many years. Effective relationships and an adaptive management approach are central if we are to develop new solutions and standards and achieve sustainable positive, systemic, transformational outcomes.</i> |

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| <p><b>Partner organization / Donee Selection</b></p> <p><i>Opportunity seeking</i></p>   | <p><b>Intent:</b> We are willing to embrace organizational risks within partner organizations that have cultural attributes of acting with integrity, being purpose driven, having mechanisms for accountability and demonstrate a capacity to learn and grow. This may require additional support from the Foundation for institutional, financial and governance capacity building so that our partner organizations are successful and resilient organizations in their own right.</p> <p><b>Approach:</b> <i>We place preference on partner organizations / donees that are purpose driven, demonstrate integrity and are effective advocates; with mechanisms for accountability to their beneficiaries and stakeholders. These organizations may exhibit significant diversity of organization type, scale and capacity which at times may require additional resourcing and/or time to build sufficient institutional, financial and governance capacity and capability. We will work toward shared goals in partnerships that foster genuine collaboration across communities, non-government organizations, industry, governments and international institutions. Our relationships are based on trust, collaboration, transparency, openness and integrity that facilitate learning and positively impact the overall effectiveness of the Foundation and our partner organizations.</i></p> |
| <p><b>Country selection</b></p> <p><i>Opportunity seeking</i></p>                        | <p><b>Intent:</b> We recognize the pursuit of catalytic change will at times require Project investment in countries with higher corruption, human rights and/or safety and security risks. Higher levels of these risks will only be tolerated where they can be sufficiently mitigated consistent with our ‘risk avoiding’ appetite areas, and governments and/or other influential actors demonstrate a commitment towards the proposed catalytic change.</p> <p><b>Approach:</b> <i>At times, in order to achieve catalytic change with governments and other actors that are supportive, we will need to support Projects that work in areas of higher country risk. Higher levels of country risk will only be tolerated where they can be sufficiently mitigated consistent with our ‘risk avoiding’ appetite areas. We recognize to achieve this we may need to provide dedicated financial support<sup>1</sup> to enable partner organizations to effectively manage these risks.</i></p>   |
| <p><b>Optimizing our Project portfolio – number</b></p> <p><i>Striking a balance</i></p> | <p><b>Intent:</b> We are willing to trade off the addition of new Projects in order to maximize the outcomes and sustainable impact of our existing Projects and our Programs.</p> <p><b>Approach:</b> <i>There is a balance between doing what we are currently doing well versus taking on new Projects to sustain our ambitions and purpose. We may choose to limit consideration of new Projects in favor of maximizing our ability to learn from, adapt, scale and/or enhance the impact of existing Projects.</i></p>  |

<sup>1</sup> **Support:** Project Risk management in alignment with the Foundation’s risk appetite, is enabled by the:

- provision of tailored financial support for partner organizations to develop and maintain effective risk management processes; and
- maintenance of an appropriate level of oversight by the Foundation.

The Foundation must not provide support for Project risk management activities via in-kind assistance, guidance or operational directives to partner organizations.

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| <p><b>Advocacy and influence</b></p> <p><i>Striking a balance</i></p> | <p><b>Intent:</b> We seek to amplify our impact by supporting partner organizations to deliver sustainable systems-change, including by taking successful interventions to scale. We do this by sharing learnings and knowledge; and engaging appropriately with policy makers and key influencers to facilitate impact and scaling. Advocacy<sup>2</sup> should not be confused with lobbying or politicking for which we have zero tolerance.</p> <p><b>Approach:</b> <i>We multiply the effectiveness of successful relationships and Projects by convening broad constituencies to share their experiences and influence decision-makers. We are willing to accept levels of political and/or reputational risk to enable positive change that raises the bar and sets new standards. A level of political and/or reputational risk at times may actually be an indicator of Program and/or Project success.</i></p>  |
| <p><b>Investment performance</b></p> <p><i>Risk avoiding</i></p>      | <p><b>Intent:</b> We will invest to protect our corpus, and endeavor to invest in low risk environmental, social, governance (ESG) responsible investment choices.</p> <p><b>Approach:</b> <i>We apply our Foundation Investment Policy and monitor compliance against it. This includes review of performance against market benchmarks and with reference to current market conditions to ensure our capital base is protected, and ESG screenings of investments.</i></p>  |
| <p><b>Health, safety and security</b></p> <p><i>Risk avoiding</i></p> | <p><b>Intent:</b> We always seek to safeguard the health, safety and security of Foundation personnel. Through the Project work that we support and the one-off donations that we make, we will seek to appropriately support partner organizations to safeguard the health, safety and security of their personnel, any sub-grantees, community participants and other stakeholders.</p> <p><b>Approach:</b> <i>We will work closely with partner organizations during partner selection and Project design to obtain adequate assurance that the partner organizations are capable of managing the health, safety and security risks of the proposed Projects, and (where necessary) that skills gaps are adequately identified and addressed. Personnel of the Foundation, partner organizations and sub-grantees and community participants and other stakeholders must have channels to both raise concerns and see them addressed where they believe health, safety and security risks may be intolerable. We recognize to achieve this we may need to provide dedicated financial support to enable partner organizations to effectively manage these risks.</i></p> |
| <p><b>Human Rights</b></p> <p><i>Risk avoiding</i></p>                | <p><b>Intent:</b> We always seek to safeguard the human rights of others. Through the Project work that we support and the one-off donations that we make, we will seek to support partner organizations to respect, uphold and promote the spectrum of civil, political, economic, cultural and social human rights, including Indigenous rights and gender equality.</p>  |

<sup>2</sup> **Advocacy:** To ensure that grantee/donee advocacy activities undertaken as part of a Project are not 'lobbying' activities, advocacy activities:

- a) must not refer to or closely relate to existing or draft legislation, nor to any detailed legislative proposal; UNLESS they provide balanced, non-partisan and factual accounts of the issue at hand; AND
- b) must never contain a "call to action" in relation to decision makers on actual or draft legislation (such as an entreaty to contact legislators or to vote in any particular way on a proposed change).

Foundation funds must not be used to influence (or seek to influence) the outcome of any public election, or to support or oppose a candidate in a public election, or to carry on, directly or indirectly, any voter registration drive.

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|  | <p><b>Approach:</b> Our Projects seek to contribute to the realization of the spectrum of human rights; and this is inherent in our approach to Project design and implementation. In all of the work we support, we aspire to Project processes and outcomes that do not violate or contribute to the diminution of the spectrum of human rights of Project participants and stakeholders through our approach to Project design, implementation and exit. Personnel of the Foundation, partner organizations, sub-grantees, community beneficiaries and other stakeholders must have channels to both raise concerns and see them addressed where they believe human rights risks may be intolerable. We recognize to achieve this we may need to provide dedicated financial support to enable partner organizations to effectively manage these risks.</p>  |
| <p><b>Anti-bribery and corruption</b></p> <p>Risk avoiding</p>                 | <p><b>Intent:</b> We have no tolerance for acts of bribery, corruption, unmitigated conflicts of interest, dealings with sanctioned individuals or countries or terrorism financing. This includes no tolerance for breaches of related laws by any within the Foundation, partner organizations/donees or sub-grantees.</p> <p><b>Approach:</b> We will apply controls, consistent with the intent of our risk appetite, across the areas of anti-bribery and corruption, trade sanctions, terrorism financing and unmitigated conflicts of interest across the work of the Foundation. We will support Project partner organizations to apply controls through risk-based due diligence, contractual provisions and verification processes. We will require Project partner organizations to apply equivalent risk-based controls including due diligence processes and contractual provisions, as applicable, when sub-granting and appointing certain contractors to work on a Project. We will also conduct risk-based due diligence and require contractual provisions as needed in relation to these risks for one-off donations and sponsorships.</p> |
| <p><b>Transparency, accountability and disclosure</b></p> <p>Risk avoiding</p> | <p><b>Intent:</b> We openly share our outcomes so that others can learn from and hold us to account for our contributions. In doing so, we aspire to no material misstatements regarding Project and Program performance in our and partner organizations' public communications and we will always seek to safeguard any sensitive data we manage.</p> <p><b>Approach:</b> We are committed to transparently sharing the results of the work we support to allow others to learn from our and our partner organizations' experiences. We must exercise complete integrity and due diligence in relation to what we say we do – including sharing lessons learnt when Project objectives are not met. Robust and appropriate processes of data and material statement verification will apply to references to Foundation activities in external communications. We will always seek to safeguard any sensitive data that we manage.</p>  |
| <p><b>Operating within our means</b></p> <p>Risk avoiding</p>                  | <p><b>Intent:</b> We will not commit to new Project investments unless adequate resources (financial, human and other) are already available within the Foundation.</p> <p><b>Approach:</b> We will not make commitments based on anticipated donations from the donor (BHP). We will undertake robust financial modelling and apply contingency provisions so that we do not commit to new investments unless we can confidently fulfil and sustain our obligations. We will support partner organizations to undertake robust financial modelling so that our grants have sufficient contingency to accommodate potential uncertainties including, as applicable, the exploration of additional revenue streams so</p>  |

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|   | <i>that the outcomes can be sustained in the long term. We will budget for a maximum aggregate annual value of one-off donations from the Foundation that does not jeopardize other commitments.</i>  |
| <b>Upholding BHP Charter Values and Code of Conduct</b><br><br><b>Risk avoiding</b> | <b>Intent:</b> We will uphold BHP’s Charter Values and of BHP’s Code of Conduct (as it applies in the context of the Foundation).<br><br><b>Approach:</b> <i>We have determined that the Foundation and its Board will operate under the tenet of BHP’s Charter Values; we will also follow the BHP Code of Conduct as it applies in the context of the Foundation.</i> |

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