

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 and treating risk so that, together with our partner organizations, we can contribute to addressing the root cause of sustainability challenges relevant to the resources sector.

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
Addressing critical sustainability challenges Opportunity seeking	<p>Intent: We exercise courage in our strategic decisions so that we can make a positive difference to complex sustainability challenges that are relevant to the resources sector, specifically in the areas of Indigenous Peoples and local communities (IP&LC) and Education.</p> <p>Approach: <i>We pursue investments that reflect an understanding of complex challenges and systems. We are unapologetic in our commitment and drive. We support evidence-based decision-making. We 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 the strategy areas, whilst still aligning with policy and governance requirements.</i></p>
Investment selection Opportunity seeking	<p>Intent: We recognize that investment in social and environmental change of the nature captured in the Foundation's strategy is complex and carries risk in the delivery of the intended outcomes. Effective investments are those where the design is agile and resilient so that partner organizations are able to learn from both progress and challenges, respond to risk and pivot as required.</p> <p>Approach: <i>We work with partner organizations to assess investment choices against a robust investment criteria and support partners through a design and due diligence process. We recognize that in contributing to systemic change, the Foundation is one of many actors and change may take many years. We recognise and acknowledge that risk needs to be taken when making investments of this nature and that regardless of process, outcomes may differ from those initially intended.</i></p>
Partner organization selection Striking a balance	<p>Intent: Recognising the scarcity of resources available, we are willing to embrace a reasonable level of organizational risk within partner organizations that act with integrity, are purpose driven, have mechanisms for accountability and demonstrate a capacity to learn and grow. Our relationships with partner organizations are built on trust, collaboration and transparency.</p>

Risk Area / Appetite	Risk Appetite Statement
	<p>Approach: We place preference on partner organizations that are purpose driven, demonstrate integrity and are effective advocates; with mechanisms for accountability to their beneficiaries and stakeholders. To support effective execution of the Foundation’s strategy, with limited exceptions we choose to fund organizations that are US Public Charities or are determined to be equivalent. We also seek partner organizations who have a track record of successful delivery of impact and an ability to execute in a timely way at the scale required for successful delivery of the intended investment design. These organizations may exhibit diversity of organization type, scale and capacity which at times may require additional resourcing. We are willing to provide financial support to partner organizations to build their institutional, financial and governance capacity alongside delivery of the Foundation’s investment to support their longer-term organizational resilience and success.</p>
<p>Advocacy and influence</p> <p>Striking a balance</p>	<p>Intent: We encourage collaboration, recognizing systems change is complex and requires effort from many. We support partner organizations to share their impact and learnings with others in order to add to the evidence base, engage with policy makers and key influencers and ultimately create enduring impact at scale. Advocacy should not be confused with lobbying or politicking,¹ for which our funds must not be used.</p> <p>Approach: We provide financial support to partner organizations as part of our investment to ensure they can, where relevant, share their experiences and influence decision-makers. Opportunities to advocate for positive change for the long term, will be balanced against any potential reputational risk for the Foundation, our partners and our donor in the short term.</p>
<p>Investment performance</p> <p>Risk avoiding</p>	<p>Intent: We invest to protect our financial assets and endeavour to invest in low risk environmental, social, governance (ESG) responsible investment choices.</p> <p>Approach: 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 corporate bond investments.</p>
<p>Health, safety and security</p> <p>Risk avoiding</p>	<p>Intent: We always seek to safeguard the health, safety and security of Foundation personnel. We also require our partner organizations to safeguard the health, safety and security of their personnel, any sub-grantees, community participants and other impacted stakeholders.</p>

¹ **Lobbying** is described as “carrying on propaganda or otherwise attempting to influence legislation”. Lobbying can be either:

- ‘grassroots’ (or indirect) lobbying’ i.e. communications that attempt to influence the opinion of the general public or any segment of it, with respect to legislation; or
- ‘direct lobbying’ i.e. attempting to influence legislation through communications with (i) a member or employee of a legislative body; or (ii) any government official or employee who may participate in the formulation of the legislation.

In each case, the communication must refer to ‘specific legislation’, which means either (i) legislation that has already been introduced into a legislative body; or (ii) a specific legislative proposal (even if not yet introduced into a legislative body) and legislation is defined broadly can be either U.S. or foreign.

Politicking is described as “influencing (or seeking to influence) the outcome of any specific public election or carrying on, directly or indirectly, any voter registration drive”, whether in the U.S. or elsewhere.

Certain exceptions may apply to both Lobbying and Politicking definitions on a case-by-case basis.

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	<p>Approach: We work closely with partner organizations during the investment design phase to understand the organization's approach to identifying and managing health, safety and security risks. Partner organizations are required to maintain and make accessible mechanisms for the reporting and remediation of concerns relating to health, safety and security risks. We recognise that effectively managing these risks may require financial resources, and we support our partner organizations to appropriately budget for managing these risks by providing flexible funding.</p>
<p>Human Rights</p> <p>Risk avoiding</p>	<p>Intent: We seek to safeguard and contribute to the realization of human rights in all of our work. We require our 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> <p>Approach: We aspire to uphold the human rights of participants and stakeholders in our approach to partner selection, investment design and grant-making. We seek to protect and support the rights, traditional knowledges and practices of IP&LC peoples who may be impacted by the funded activities. We advance the emerging principles of Indigenous Data Sovereignty when collecting, using and sharing Indigenous data. Our partner organizations are required to maintain and make accessible mechanisms for the reporting and remediation of concerns relating to human rights risks. We recognise that effectively managing these risks can require financial resources, and we support our partner organizations to appropriately budget for managing these risks by providing flexible funding.</p>
<p>Anti-bribery and corruption</p> <p>Risk avoiding</p>	<p>Intent: We have no tolerance for acts of bribery, corruption, fraud, unmitigated conflicts of interest, dealings with sanctioned individuals or countries or terrorism financing. This includes no tolerance for breaches of related laws by Foundation personnel, partner organizations or sub-grantees.</p> <p>Approach: We apply controls, consistent with the intent of our risk appetite, relating to anti-bribery and corruption, trade sanctions, terrorism financing, fraud and unmitigated conflicts of interest across the work of the Foundation. We work closely with partner organizations during the investment design phase to understand the organization's approach to identifying and managing compliance risks and we require them to apply risk-based controls including due diligence processes and contractual provisions, as applicable, when using our funds. We recognise that effectively managing these risks can require financial resources, and we support our partner organizations to appropriately budget for managing these risks by providing flexible funding.</p>
<p>Transparency, accountability and disclosure</p> <p>Risk avoiding</p>	<p>Intent: 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 investment performance in our and partner organizations' public communications and we always seek to safeguard any sensitive data we manage.</p> <p>Approach: 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 investment 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 always seek to safeguard any sensitive data that we manage.</p>

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<p>Operating within our means</p> <p>Risk avoiding</p>	<p>Intent: We will not commit to new investments unless adequate resources (financial, human and other) are already available within the Foundation.</p> <p>Approach: <i>We will not make commitments beyond our available financial resources. We will undertake robust financial modelling so that we do not commit to new investments unless we can confidently fulfil and sustain our obligations. We will support partner organizations to consider financial sustainability planning so 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></p>
<p>Upholding BHP Values and Code of Conduct</p> <p>Risk avoiding</p>	<p>Intent: We will uphold BHP's Values and of BHP's Code of Conduct (as it applies in the context of the Foundation).</p> <p>Approach: <i>We have determined that the Foundation and its Board operate under the tenet of BHP's Values; we also follow the BHP Code of Conduct as it applies in the context of the Foundation.</i></p>

Approved December 2024