

RESPONSIBLE INVESTMENT POLICY

1. Purpose and scope

- 1.1 This Responsible Investment Policy (**Policy**) sets out the minimum standards applied by La Mancha Resource Capital LLP (**LMRC**) in relation to environmental, social and governance (**ESG**) matters when carrying out investment-management activities. LMRC acts as investment manager or portfolio manager, typically under delegation from an alternative investment fund manager (**AIFM**), for funds investing in mining equities (each, a **La Mancha Fund**).
- 1.2 The Policy applies to all La Mancha Funds, whether existing or established in future, and irrespective of how classified under SFDR (as defined below). It describes how LMRC identifies, assesses and integrates ESG matters, and in particular sustainability risks, into investment analysis, investment recommendations and decisions, and the ongoing monitoring of portfolio investments.
- 1.3 The Policy is a house policy of LMRC. The constitutional and offering documents, investment management agreement and regulatory disclosures of a La Mancha Fund (together, its **Fund Documentation**) may impose additional or more stringent requirements. Where they do, those requirements apply to that La Mancha Fund in addition to this Policy and, to the extent more stringent, prevail over it.

2. Regulatory context

- 2.1 The ESG disclosure requirements applicable to La Mancha Funds are determined primarily by reference to Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (**SFDR**). SFDR distinguishes between three classifications:
 - 2.1.1 Article 6, which applies by default and requires funds to disclose how they integrate sustainability risks into investment decisions and the likely impact of those risks on investment returns;
 - 2.1.2 Article 8, which imposes additional disclosure requirements on funds that promote environmental and/or social characteristics; and
 - 2.1.3 Article 9, which imposes yet further disclosure requirements on funds that have sustainable investment as their objective.
- 2.2 The SFDR classification of each La Mancha Fund is set out in its Fund Documentation. Nothing in this Policy implies that every La Mancha Fund promotes environmental or social characteristics, or has a sustainable investment objective, within the meaning of SFDR.
- 2.3 Where LMRC acts as delegated portfolio manager of a La Mancha Fund whose AIFM is subject to SFDR, LMRC integrates sustainability risks into the investment decision-

making process for that La Mancha Fund in accordance with this Policy, the relevant Fund Documentation and the applicable policies of the AIFM. The AIFM's own sustainability risk policy addresses the AIFM's obligations under Article 3 SFDR.

3. ESG concepts used in this Policy

- 3.1 This Policy refers to several connected but distinct ESG concepts. This section explains how LMRC uses them in this Policy and how they relate.
- 3.2 **ESG matters** are considerations that relate to ESG and may be relevant to LMRC's investment activities. This is LMRC's umbrella term, not an SFDR-defined term.
- 3.3 This Policy also refers to certain narrower terms referred to in SFDR:
- 3.3.1 **Sustainability factors** are environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters.¹
- 3.3.2 **Sustainability risks** are ESG events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of an investment.² Sustainability risks manifest through other risks to which an investment is exposed, including market and valuation risk, operational risk, legal and regulatory risk, liquidity risk and reputational risk. The identification and management of sustainability risks is a principal focus of this Policy.
- 3.3.3 **Principal adverse impacts (PAIs)** are adverse impacts of investment decisions on sustainability factors, which are addressed by the specific PAI disclosure regime under SFDR.³ They are conceptually distinct from sustainability risks, although the same underlying ESG matter may be relevant to both. For example, environmental harm arising from a mining operation may represent a PAI and, at the same time, materially negatively impact the value of a La Mancha Fund's investment, and so also represent a sustainability risk. Conversely, not every ESG matter considered by LMRC will constitute a sustainability risk or a PAI. Where a La Mancha Fund considers PAIs, LMRC's approach is set out in the relevant Fund Documentation and, where applicable, in a separate PAI disclosure.

4. Integration of ESG into the investment process

ESG analysis forms part of LMRC's investment process; it is not a separate exercise conducted alongside it. LMRC integrates ESG matters at each stage of the investment lifecycle:

- before investment, through ESG due diligence and screening, including screening for the fatal-flaw exclusions in section 6 (see section 5);

¹ See Article 2(24) SFDR.

² See Article 2(22) SFDR.

³ See Recital 20 SFDR.

- *at the point of decision*, by seeking to ensure that relevant ESG matters are considered before an investment recommendation or decision is made (see section 7);
- *after investment*, through ongoing monitoring of, and engagement with, investee companies (see section 8); and
- *through reporting*, as required by applicable law, regulation and Fund Documentation (see section 9).

5. ESG due diligence

5.1 Before recommending an investment for a La Mancha Fund, LMRC conducts ESG due diligence, the objectives of which are to:

- identify the ESG matters that are relevant to the investment case, and the sustainability risks arising from them;
- assess how the operator identifies, manages and monitors those matters and risks, including the adequacy of its policies, systems and management capability;
- assess whether the project enjoys, or could reasonably be expected to achieve, the community and stakeholder support necessary to operate;
- assess the governance of the prospective investee company; and
- establish whether any fatal-flaw exclusion in section 6, or any exclusion or restriction in the relevant Fund Documentation, applies.

5.2 The depth and focus of ESG due diligence are risk-based. They are determined by, among other things, the relevance of the ESG matter concerned to the investment; the investment strategy; the jurisdiction in which the project is located; the stage of development of the project or company; the size and nature of the proposed investment; the availability and reliability of information; and the influence LMRC expects to have over the prospective investee company. The Policy does not require every investment to be tested against every matter listed in paragraph 5.3.

5.3 Depending on the circumstances, ESG due diligence may include the following matters:

Environmental

- climate-related risks, including physical risks to operations and transition risks;
- energy use and greenhouse-gas emissions;
- water use, water management, discharges to water and flooding;
- tailings and waste management, including hazardous waste;
- biodiversity and land use, including proximity to sensitive areas;
- pollution, contamination and legacy environmental liabilities;

- environmental permitting, compliance and the status of environmental approvals; and
- mine closure planning, rehabilitation and associated financial provisioning.

Social

- occupational health and safety performance, systems and culture;
- employees, labour practices and workforce matters, including compliance with applicable labour law and internationally recognised labour standards;
- the rights and interests of indigenous peoples, including consultation and agreement-making;
- community relations and social licence to operate, including grievance mechanisms, local employment and local procurement;
- human rights, including the management of security arrangements and the use of public or private security forces;
- relationships with host governments and other local stakeholders, and the political and security context of the host country; and
- supply-chain matters, where relevant to the investee company's operations.

Governance

- board composition, independence and effectiveness, and the quality and track record of management;
- anti-bribery and anti-corruption controls, including in dealings with government officials and in the procurement of permits and licences;
- compliance systems and the record of compliance with applicable law and regulation;
- business ethics and the treatment of conflicts of interest;
- shareholder rights and related-party arrangements;
- executive remuneration and incentive structures;
- risk management, including crisis preparedness and response; and
- the quality, transparency and reliability of corporate disclosure, including sustainability reporting.

5.4 ESG due diligence draws on information reasonably available to LMRC, which may include meetings with management, site visits, technical and environmental reports, permits and regulatory correspondence, governance records, public disclosure, third-party and expert reports and, where available, ESG data providers. Where investments are made by private placement, the subscription documents typically include representations and undertakings from the prospective investee company that are

relevant to ESG matters. LMRC may also have regard to the recognised standards and frameworks described in section 10.

5.5 In its own assessment, LMRC distinguishes between:

- **fatal flaws**, being the characteristics described in section 6, which preclude an investment; and
- **red flags**, being material ESG weaknesses or sustainability risks which are, in LMRC's judgement, capable of being managed or mitigated and which are addressed through the process described in section 7.

Separately from that classification, an investment must in any event comply with any additional exclusion or restriction imposed by the relevant Fund Documentation.

5.6 Investee companies, particularly at exploration and development stage, may have limited ESG data and reporting. LMRC exercises reasonable judgement on the basis of the information available to it and may treat significant information gaps as a matter to be addressed through conditions, engagement or monitoring.

6. Fatal-flaw exclusions

6.1 LMRC will not knowingly recommend an investment for any La Mancha Fund in a business that exhibits any of the following characteristics.

6.1.1 Child labour and forced labour. The use of child labour or forced labour in the operations of the prospective investee company or its controlled subsidiaries, whether directly or via contractors. For this purpose, the terms child labour and forced labour are assessed by reference to the more stringent of applicable local law and internationally recognised minimum labour standards.

6.1.2 Bribery and corruption. Material, systemic or ongoing bribery or corruption which has not been satisfactorily remediated and which LMRC considers cannot be adequately mitigated. This exclusion does not automatically exclude an otherwise investable company by reason only of an isolated historic incident, an unsubstantiated allegation, or misconduct that has been properly investigated, remediated and addressed.

6.1.3 Weapons. A business that is materially engaged in the manufacture or sale of weapons, munitions, or components specifically designed for incorporation therein. Many metals and minerals have defence as well as civilian applications, and this exclusion shall not apply merely because a company mines, produces, processes or sells materials that may ultimately be used by downstream customers in defence applications.

6.2 The exclusions in this section are applied in exercise of LMRC's reasonable judgement on the basis of information reasonably available to it, having regard to matters such as the nature, scale and recency of the potential issue, and the response of the company to the issue when raised. If, after an investment has been made, LMRC becomes aware

of a characteristic that would have been a fatal flaw or engaged an exclusion in the Fund Documentation had it been known at the time of investment, LMRC will assess the position and consider the appropriate response in the interests of the relevant La Mancha Fund, which may include engagement, seeking remediation or disposal.

7. Investment decision-making and escalation

- 7.1 Material ESG matters identified during due diligence are documented and considered before an investment recommendation or decision is made. They form part of the investment case presented to LMRC's investment advisory committee (**IAC**).
- 7.2 Where a material concern is identified that does not amount to a fatal flaw or a fund exclusion, LMRC will:
- analyse the nature, likelihood and potential financial consequences of the concern;
 - raise the concern with the relevant investment personnel and, where appropriate, with the IAC;
 - consider whether the concern should be reflected in valuation, in the structuring or terms of the investment, in conditions to be satisfied before or after investment, in an engagement plan with the investee company, or in other mitigation; and
 - where LMRC concludes that the concern cannot be adequately mitigated or is not acceptable for the La Mancha Fund, decline to proceed.
- 7.3 The presence of a red flag (as opposed to a fatal flaw or a restriction in the relevant Fund Documentation) does not of itself preclude investment. LMRC's strategy frequently involves investing in companies whose ESG practices can be improved with the support of a long-term shareholder, and the identification of such opportunities for improvement is part of LMRC's investment analysis.

8. Monitoring and engagement

- 8.1 LMRC monitors the sustainability performance of investee companies for the duration of each investment. Monitoring is periodic and proportionate. It draws on information provided by investee companies, public disclosure, LMRC's own engagement with management and boards and, where applicable, information obtained through contractual information rights or board representation. The scope, form and frequency of information sought from an investee company will vary according to the nature of the investment, the materiality of the relevant risks and the rights available to the La Mancha Fund, and need not be uniform across the portfolio.
- 8.2 Where monitoring identifies a material change in an investment's sustainability-risk profile, LMRC considers the implications for the investment case, including for valuation, and for the La Mancha Fund's position, and may adjust its engagement or its investment accordingly.

- 8.3 LMRC seeks to engage with investee companies on material ESG matters and to use its influence, where appropriate, to support improvements in sustainability performance. The nature and extent of engagement are proportionate to LMRC's ownership level, board representation, contractual and information rights, practical influence, the stage and nature of the investment and the materiality of the matter concerned. In the course of engagement LMRC may, as appropriate:
- encourage investee companies to identify and address their sustainability risks and to set appropriate improvement objectives;
 - encourage the adoption of systems that enable sustainability performance to be measured and reported;
 - encourage the adoption of, or a formal commitment to, appropriate recognised industry standards (see section 10);
 - seek appropriate mitigation of identified risks and monitor progress; and
 - support constructive relationships between investee companies and their host communities, host governments and other stakeholders.
- 8.4 LMRC typically invests as a significant but non-controlling shareholder. It does not control the companies in which La Mancha Funds invest and cannot require any investee company to adopt particular ESG objectives or practices. Investee companies remain responsible for their own operations and for compliance with applicable law.

9. Reporting and disclosure

- 9.1 LMRC compiles qualitative and, where available, quantitative information on the sustainability performance of investee companies and reports on that performance as required by the relevant Fund Documentation and applicable law or regulation. The content, format and frequency of reporting are determined by the requirements applicable to each La Mancha Fund.
- 9.2 LMRC makes such public disclosures in relation to ESG matters as are required by applicable law or regulation or by Fund Documentation, and may publish further information on its approach to ESG on its website as it considers appropriate.
- 9.3 In preparing reports and disclosures LMRC may have regard to recognised reporting frameworks, including those referred to in section 10, as appropriate to the La Mancha Fund concerned and to the information available from investee companies.

10. Recognised standards and frameworks

- 10.1 In applying this Policy, LMRC may have regard to recognised industry and reporting standards where relevant to the investment, the relevant La Mancha Fund and the information available. These include:

- *mining-sector standards*: Towards Sustainable Mining (Mining Association of Canada); the Global Industry Standard on Tailings Management; and the Responsible Gold Mining Principles (World Gold Council);
- *international standards on business conduct*: the OECD Guidelines for Multinational Enterprises; the UN Guiding Principles on Business and Human Rights; the principles of the UN Global Compact; and the fundamental conventions of the International Labour Organization; and
- *reporting frameworks*: the standards of the Global Reporting Initiative and the Sustainability Accounting Standards Board (now maintained by the IFRS Foundation) or successor standards.

10.2 LMRC may encourage investee companies to adopt, or to commit formally to, standards of this kind that are appropriate to their stage of development and operations. Neither LMRC nor any investee company is required by this Policy to comply with, or report under, any particular standard unless applicable law, regulation or Fund Documentation so requires. LMRC may update the standards to which it has regard from time to time to reflect developments in industry practice.

11. Governance, responsibility and review

- 11.1 LMRC is responsible for this Policy and for its implementation. LMRC's Management Committee oversees the implementation of the Policy.
- 11.2 LMRC's investment personnel are responsible for applying the Policy in the analysis, recommendation and monitoring of investments. LMRC's compliance function monitors adherence to the Policy and reports on it to the Management Committee as appropriate. The Management Committee may designate individuals with specific responsibilities for ESG matters from time to time.
- 11.3 Where LMRC acts under delegation from an AIFM, the implementation of this Policy in respect of the relevant La Mancha Fund is subject, where relevant, to the oversight of that AIFM under the applicable delegation arrangements.
- 11.4 LMRC will review this Policy periodically and update it as appropriate, including in response to changes in applicable law and regulation, changes in LMRC's business or investment strategies, the establishment of new La Mancha Funds, and developments in relevant industry standards and market practice.

12. Interpretation

- 12.1 This Policy does not commit LMRC or any La Mancha Fund to achieving any particular environmental or social outcome.
- 12.2 This Policy does not create rights in favour of any person, does not form part of any contract, and does not constitute a representation or warranty as to the ESG characteristics or performance of any investment or La Mancha Fund. It should be read

together with the relevant Fund Documentation, which prevails to the extent it imposes more stringent requirements.

- 12.3 References to any regulation, standard or framework are to that regulation, standard or framework as amended, replaced or succeeded from time to time.