La Mancha Resource Capital LLP

Responsible Investment Policy

La Mancha Resource Capital LLP's Responsible Investment Policy (the "**Policy**") sets out the firm's framework for addressing sustainability risks facing La Mancha Resource Fund SCSp.

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Approved by:

La Mancha Resource Capital LLP

La Mancha Capital Management GP S.a r.l. acting as general partner of **La Mancha Resource Fund SCSp**

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1. About La Mancha

La Mancha Resource Capital LLP ("**LMRC**") is an investment manager responsible for La Mancha Resource Fund SCSp's (the "**Fund**" or "**LMRF**") portfolio management. LMRC is authorised and regulated by the United Kingdom Financial Conduct Authority (FRN 978592). The Fund is a Luxembourg-based deep value fund focused on investments in the precious and energy transition metals space.

2. Sustainable Finance Disclosure Regulation

Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector (the "**SFDR**") is a **European Union regulation** introduced to (a) improve transparency in the market for sustainable investment products, (b) **prevent greenwashing**, and (c) **increase transparency around sustainability claims** made by financial market participants. More information on the SFDR can be found here.

Regulation (EU) 2020/852 establishes a framework to facilitate sustainable investment (the "**EU Taxonomy**") by providing guidelines on economic activities that constitute environmentally sustainable activities under the SFDR. More information on the EU Taxonomy can be found here.

The SFDR applies to financial market participants operating in the European Union, such as LMRF and LMRC. The SFDR separates financial products into three categories with varying sustainability disclosure obligations. LMRF falls under Article 8 of the SFDR because its financial products promote:

(a) Underlying investments that follow good governance practices

(b) Environmental or social characteristics

(c) Sustainable outcomes as an ancillary investment objective, rather than as a specific or primary investment objective

3. Sustainability Risks (SFDR Article 3)

Article 2 (22) of the SFDR defines 'sustainability risk' as 'an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment'. Article 3 of the SFDR obligates LMRC to assess sustainability risks and adverse sustainability impacts (known as 'Principal Adverse Impacts') associated with its investment activities and disclose how those factors are integrated into its investment decision-making process and investment advice. To view LMRC's Principal Adverse Impacts disclosure click here: https://lamancharesourcecapital.com/sustainability-related-disclosures/.

LMRC and LMRF are indirectly exposed to sustainability risks arising from the Fund's portfolio company operations, even though the Fund is not involved in, and does not have direct control over, the operational decisions of those companies. Sustainability risks that LMRC and LMRF frequently look for in their investment decision-making processes and investment advice include:

- ***Environmental risks*** such as environmental contamination, tailings mismanagement, or increased flooding due to climate change;
- ***Social risks*** such as operational security breaches, failures to comply with laws and regulations specifying minimum working conditions, human rights violations, or poor local community relations; and

- ***Governance risks*** such as inadequate internal controls permitting illegal or unauthorised actions, regulatory violations, or corruption.

For a more detailed list of sustainability risks see *Sustainability Risk Identification During Due Diligence* below.

4. Scope of Policy

LMRC's Responsible Investment Policy (the "**Policy**") outlines key organisational processes designed to address sustainability risks encountered while assessing, recommending, and managing investments. The Policy also ascribes responsibility for implementing and monitoring Policy processes.

The Policy and the sustainable investment process were developed with reference to European and international standards including the SFDR, the EU Taxonomy, the United Nations-supported Principles for Responsible Investment, United Nations Sustainable Development Goals, and Towards Sustainable Mining standard.

5. Responsible Investment Policy

LMRC investment teams must:

(a) interrogate potential investments for sustainability risks during due diligence and prior to presenting new investment opportunities to the Fund; and

(b) (i) monitor each investment's sustainability performance through portfolio company engagement and (ii) report portfolio company sustainability performance.

LMRC investment teams must not knowingly recommend the Fund invest in businesses possessing 'fatal flaw' sustainability characteristics at the time an investment is considered. Fatal flaws include bribery or corruption, child or forced labour, or the manufacture or sale of weapons. For more information see *Fatal flaws prohibiting an LMRF investment* below.

(a) Sustainability Risk Identification During Due Diligence

LMRC defines sustainability risk due diligence as '*the process of identifying potentially material sustainability risks that could positively or negatively affect an investment'.* Investment teams must assess:

(i) sustainability due diligence findings in contemplation of each project's overall positive or negative impact;

(ii) how the operator manages and monitors each project's sustainability features; and

(iii) whether broad community support for the operator's project exists or would likely exist if various initiatives were implemented as part of the Fund's investment.

LMRC divides sustainability features into two categories:

(i) mitigable or manageable sustainability features, which are referred to as '**red flags**', and can be included in an improvement action plan if an investment is made; and

(ii) unmanageable or unmitigable sustainability features, which are referred to as '**fatal flaws**', and make an investment by the Fund untenable.

LMRC investment teams must perform sustainability assessments during the due diligence phase and evaluate sustainability risks on potential investments by:

(i) identifying, analysing, and evaluating critical sustainability features and their mitigation; and

(ii) ensuring no fatal flaws are present which could realistically cause irrecoverable reputational, stakeholder, or environmental damage.

Sustainability due diligence assessments must address characteristics prescribed in recognised industry standards such as the Towards Sustainable Mining standard and the Global Industry Standard on Tailings Management. Each sustainability due diligence assessment should consider the presence and challenges posed by each of the following characteristics:

i. Environmental

- Energy and greenhouse gas emissions of mining operations
- Tailings management in each mine
- Biodiversity management associated with mining operations
- Responsible water management of mining operations

ii. Social

- Geopolitical features of the country in which mining operations are located
- Indigenous and community relationships in the areas surrounding each mine
- Health and safety performance and procedures of each mine
- Adherence with labour laws in each mine
- The presence of human rights violations, conflict, or child labour, at or around each mine or in the country where mines are located
- Diversity within the potential investment's personnel

iii. Governance

- The presence or absence of appropriate permits and licencing to conduct mining operations
- The presence of sustainability risks in the supply chain serving or flowing from mining operations
- The presence or absence of corruption in the mining operation or in the country where mining operations are located
- Operator awareness of the operational impacts of its mining activities on sustainability
- Operator crisis management preparedness and responses

The Fund's private placement memorandum contains further information on LMRC's sustainability due diligence assessments.

(b) Investment Monitoring & Engagement

LMRC's designated sustainability manager must monitor and assess portfolio company sustainability performance by:

(i) engaging with portfolio company management to (A) align portfolio company sustainability goals to LMRF's sustainability goals and (B) define portfolio company sustainability goals; and

(ii) ensuring adequate portfolio company systems are in place to enable LMRC to monitor portfolio company sustainability performance.

LMRC portfolio company sustainability monitoring and performance must incorporate factors prescribed in recognised industry standards such as the Global Reporting Initiative and Sustainability Accounting Standards Board.

LMRC personnel must:

(i) request quarterly updates on portfolio company sustainability performance;

(ii) review publicly available information on portfolio company sustainability performance; and

(iii) use information received on portfolio company sustainability performance to track progress towards portfolio company sustainability goals.

(c) Sustainability Reporting

LMRC must publish portfolio company sustainability performance (i) in the Fund's quarterly and annual reporting to its investors and (ii) annually to the public in a sustainability report available on LMRC's website.

LMRC's designated sustainability manager must comply with reporting obligations set forth in the SFDR and, on a quarterly and annual basis:

(i) compile qualitative and quantitative sustainability data across the Fund's portfolio companies;

(ii) review LMRF portfolio company sustainability performance and suggest actions to portfolio companies to improve their performance; and

(iii) report LMRF portfolio company sustainability performance and risks to LMRC's management committee.

6. Implementation Responsibility

LMRC's management committee (the "**Management Committee**") is responsible for ensuring that the Policy is implemented, complied with, reviewed, and updated from time to time.

LMRC's designated sustainability manager must periodically (a) evaluate LMRC's compliance with the Policy and report the findings of that evaluation to the Management Committee and (b) review the Policy and propose updates to the Management Committee he or she considers appropriate.

7. Fatal flaws prohibiting an LMRF investment

LMRC has identified several unmanageable or unmitigable sustainability characteristics it considers 'fatal' to progressing an investment opportunity if present at the time LMRC considers a potential investment. Those characteristics, referred to as 'fatal flaws', are:

- bribery or corruption
- child or forced labour
- the manufacture or sale of weapons

LMRC investment teams must not knowingly recommend the Fund invest in businesses possessing 'fatal flaw' sustainability features at the time an investment is considered.

LMRC's designated sustainability manager must periodically review and propose updates to LMRC's list of fatal flaws in conjunction with reviewing and updating this Policy.

LMRC personnel must address sustainability features which may or could have a negative impact, but which are not 'fatal flaws', in accordance with this Policy.

8. Review of the Policy

This Responsible Investment Policy (Version 1) is effective as of 14 February 2024 and will be reviewed annually by the Management Committee.

9. References

2. More information on the SFDR can be found here: https://eur-lex.europa.eu/eli/reg/2019/2088/2020-07-12

2. More information on the EU Taxonomy can be found here: https://ec.europa.eu/sustainable-finance-taxonomy/

3. More information on LMRC's Principal Adverse Impacts disclosure can be found here: https://lamancharesourcecapital.com/sustainability-related-disclosures/