



Website Product Disclosures

Article 10 of the Sustainable Finance Disclosure Regulation (“SFDR”)

Summary

This Article 10 disclosure outlines the approach taken by La Mancha Resource Capital LLP (“**LMRC**”) and La Mancha Resource Fund SCSp (the “**Fund**”) to promote environmental, social, or governance characteristics in its investment products.

The Fund is an Article 8 Fund under SFDR that promotes, among other characteristics, the environmental or social characteristics of its investment products. However, the Fund's promoted objective is not to make sustainable investments.

The Fund's promoted environmental, social, or governance characteristics entail:

- LMRC screening potential investments for sustainability risks during due diligence prior to recommending the Fund make a new investment; and
- LMRC monitoring the sustainability performance of each Fund portfolio company and reporting that portfolio company sustainability performance to its stakeholders as set out in LMRC's Responsible Investment Policy.

Reviewed by: **Michael Raine**

Date: **26 July 2024**

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](#).

3. No Sustainable Investment Objective

The Fund is an Article 8 fund under SFDR that promotes, among other characteristics, the environmental or social characteristics of its investment products. However, the Fund’s promoted objective is not to make sustainable investments.

4. Environmental or Social Characteristics of the Financial Product

The Fund’s promoted environmental, social, or governance characteristics entail:

- LMRC screening potential investments for sustainability risks during due diligence prior to recommending the Fund make a new investment; and
- LMRC monitoring the sustainability performance of each Fund portfolio company and reporting that portfolio company sustainability performance to its stakeholders as set out in LMRC’s Responsible Investment Policy.

The Fund includes information on the performance of environmental or social characteristics of its investment products in quarterly and annual investor reports.

The Fund (a) excludes investments that conflict with LMRC’s Responsible Investment Policy and (b) supports Fund portfolio companies with the objective of improving their sustainability performance once the Fund has made an investment.

The Fund regularly reviews the inherent sustainability risks and opportunities associated with the mining sector. The Fund endorses, amongst others, the following environmental and social characteristics in its portfolio companies:

Environmental Characteristics

- a) **environmental management practices**, including:
- i. adoption of an environmental management strategy;

- ii. use of an environmental management system;
 - iii. companywide integration of environmental risk monitoring tailored to the company's site, sector, or geographic specific characteristics; and
 - iv. adoption of a climate change mitigation strategy.
- b) **environmental impact controls**, including:
- i. actions mitigating climate change;
 - ii. water and waste management; and
 - iii. biodiversity preservation.

Social Characteristics

- a) **human rights**, including:
- i. policies and procedures designed to identify and prevent human rights violations; and
 - ii. health and safety policies and procedures designed to ensure stakeholder safety and security.
- b) **social stakeholder management**, including:
- i. active engagement with local communities; and
 - ii. workforce diversity.
- c) **supply chain management**, including:
- i. responsible supply chain management; and
 - ii. policies and procedures designed to ensure product safety and provenance.

5. Investment Strategy

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 <https://lamancharresourcecapital.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 screens for in its investment decision-making processes 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.

LMRC's responsible investment policy obligates LMRC investment personnel to:

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

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

LMRC personnel must address sustainability characteristics which may or could have a negative impact, but which are not ‘fatal flaws’, in accordance with LMRC’s Responsible Investment Policy.

To view LMRC’s Responsible Investment Policy

<https://lamancharresourcecapital.com/sustainability-related-disclosures/>.

LMRC’s Sustainability Risk section of the Responsible Investment Policy contains criteria, standards, procedures, and control processes for various sustainability issues with the aim of managing, as far as possible, the major sustainability risks associated with (potential) Fund investments.

LMRC engages in regular dialogue with Fund portfolio companies with the aim of monitoring and improving portfolio company performance against LMRC’s Responsible Investment Policy.

6. Proportion of Investments

The Fund does not make sustainable investments as defined in Article 9 of SFDR nor does it have a minimum investment quota for investments possessing certain environmental or social characteristics.

7. Monitoring Environmental and Social Characteristics

LMRC’s Sustainable Investment Policy provides that LMRC’s designated sustainability manager must monitor and assess portfolio company sustainability performance by:

- (a) engaging with portfolio company management to (i) align portfolio company sustainability goals to LMRC’s sustainability goals and (ii) define portfolio company sustainability goals; and
- (b) 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:

- (a) request quarterly updates on portfolio company sustainability performance;
- (b) review publicly available information on portfolio company sustainability performance; and
- (c) use information received on portfolio company sustainability performance to track progress towards portfolio company sustainability goals.

8. Methodologies

LMRC promotes sustainability improvements by:

- (a) **screening potential investments for sustainability characteristics** and excluding opportunities that contain ‘fatal flaws’ or do not adequately address, in LMRC’s opinion, a potential investment’s sustainability features.
- (b) **engaging with portfolio companies** to (i) align sustainability goals to LMRC’s Responsible Investment Policy and (ii) encourage portfolio companies to adopt systems to monitor sustainability performance.

LMRC’s management committee (the “**Management Committee**”) is responsible for ensuring that the Responsible Investment 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 Responsible Investment 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.

9. Data Sources and Processing

Data sources used to measure environmental or social characteristics promoted by the Fund include:

- Bloomberg
- Portfolio company Global Reporting Initiative or Sustainability Accounting Standards Board reports
- Data obtained during due diligence prior to or in connection with a Fund investment

Measures taken to ensure data quality include referencing portfolio company sustainability performance to recognised industry standards and externally audited company sustainability reports.

Portfolio company sustainability data is updated in LMRC’s internal databases via Bloomberg and reviewed by LMRC’s designated sustainability manager.

LMRC does not use estimated data in the calculation of ‘Principal Adverse Impact’ reporting.

10. Limitation to Methodologies and Data

Good corporate governance can be difficult to monitor and evaluate by an external investor with limited visibility into a portfolio company’s day-to-day operations. Sustainability indicators of the Fund are measured via Sustainability Accounting Standards Board and Global Reporting Initiative reports. However, those reports rely on data provided by portfolio companies, which is not independently verified. LMRC addresses those limitations by continually monitoring new data sets indicative of portfolio company sustainability performance.

11. Due Diligence

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

- (a) sustainability due diligence findings in contemplation of each project’s overall positive or negative impact;
- (b) how the operator manages and monitors each project’s sustainability features; and

- (c) 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 characteristics into two categories:

- (a) mitigable or manageable sustainability characteristics, which are referred to as ‘red flags’, and can be included in an improvement action plan if a Fund investment is made; and
- (b) unmanageable or unmitigable sustainability characteristics, 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:

- (a) identifying, analysing, and evaluating critical sustainability characteristics and their mitigation; and
- (b) ensuring no fatal flaws are present which could realistically cause irrecoverable reputational, stakeholder, or environmental damage.

Due diligence sustainability 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 due diligence sustainability 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 due diligence sustainability assessments.

12. Engagement Policies

LMRC engages in the following practices with portfolio companies:

- (a) exchanging information, including through an active dialogue with management and boards of portfolio companies; and
- (b) producing and diffusing sustainability knowledge, including through sustainability reporting, developing knowledge of sustainability issues, gathering feedback on sustainability issues, and participating in external sustainability industry associations.

13. Designated reference benchmark

No specific sustainability index has been designated to meet the environmental or social characteristics promoted by the Fund's financial products.

14. 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. LMRC's Principal Adverse Impacts disclosure can be found here: <https://lamancharresourcecapital.com/sustainability-related-disclosures/>