Sustainability Risk Policy

Baker Steel Capital Managers LLP (“Baker Steel”, or the “Firm”) makes the following disclosure in accordance with Article 3 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (“SFDR”).

Article 3 of SFDR requires disclosure of the Firm’s policy on the integration of sustainability risks into its investment decision-making process. Under SFDR, sustainability risk is defined as an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

Baker Steel manages and advises a number of funds whose strategies involve investing in the equities of gold and precious metal mining companies, along with in some cases other industrial metals and other primary resources. The objectives of these funds are to generate attractive returns for investors while being mindful of and minimising all relevant risks, including sustainability risks.

Baker Steel assesses sustainability risks including those related to climate change, resource depletion, environmental degradation and societal issues. Examples of sustainability risks include negative impacts on investee companies arising from social responsibility risks that threaten the licence to operate a mining operation, reputational risks linked to investments in mining operations with possible environmentally degrading consequences, and climate change risks linked to investments operating in locations that are vulnerable to rising sea levels, global warming or pollution. Sustainability risk also includes compliance risks linked to the ability of mining companies to adhere to new carbon regulations and continue operations. Baker Steel recognises that proper management of sustainability risk is increasingly important in the current environment with the increasing risks related to climate change and societal issues.

Integrating Sustainability Risks into the Investment Decision-Making Process

The assessment of sustainability risk forms an integral element of investment risk appraisal within the investment decision-making process. Before investment decisions are made, Baker Steel completes an ESG screening process that aims to identify material risks associated with prospective investments, including relevant sustainability risks. The sustainability risk evaluated during the ESG screening stage of the investment process is quantified and considered with other risk factors in considering all investments. Sustainability risk is factored in when identifying the risks facing the fund and determining the fund’s risk tolerance limits.

The Investment Committee meets regularly, at least once a week. Within those meetings ESG topics are included as a standing agenda item, involving the identification and assessment of sustainability risks.

Mitigating Sustainability Risks

Where sustainability risks are identified, this may occur at different stages in the investment process. Where sustainability risks are identified prior to investment, then this may in many cases preclude investment. In some cases, however, company management will undertake to address the sustainability risks identified, in which case an investment may still occur and progress monitored.

In cases where sustainability risks are identified in relation to an existing portfolio company, or where sustainability risks worsen after an investment is made, then again the Firm will generally seek to engage with the management of the investee company in order to discuss the issue identified and agree a plan to address the identified sustainability risks. Where a satisfactory plan cannot be agreed with company management then Baker Steel will consider divestment.

Baker Steel’s Remuneration Policy has been revised to include consideration of sustainability risk.