Policy on the Identification and Prioritisation of Principal Adverse Sustainability Impacts and Indicators

Baker Steel Capital Managers LLP ("Baker Steel", or the "Firm") makes the following disclosure in accordance with Article 4 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 ("SFDR").

Article 4 of SFDR requires transparency of the Firm's policy on the consideration of the principal adverse impacts of investment decisions on the environment, social and employee matters, human rights and matters relating to corruption or bribery (collectively, "principal adverse impacts").

Baker Steel manages and advises a number of fund vehicles whose strategies involve investing in the natural resource sector. The Firm seeks to identify, monitor and minimise the principal adverse impacts relating to these activities in accordance with Article 4 of SFDR.

In order to do this, Baker Steel has identified a range of sustainability indicators which it uses in its investment decision making, to quantify and monitor the principal adverse impacts of sustainability factors, and assess the overall sustainability performance of companies.

Baker Steel's environmental, social and governance (ESG) policy integrates the consideration of sustainability risks and principal adverse impacts into each stage of the investment decision-making process. Principal adverse impacts are identified, prioritised and monitored within Baker Steel's ESG investment universe construction screening processes.

The investible universe is shortlisted by an initial exclusion factor screening. Many of the screening metrics are sustainability indicators covering the principal adverse impact categories. Examples of the initial exclusion factors include companies utilising child or forced labour and those operating in 'blacklisted' jurisdictions. These factors have been prioritised as unacceptable meaning any company which does not satisfy all of the exclusion factors collectively will fail this initial screening process and will be excluded from the investable universe.

Companies shortlisted within the investable universe are then subject to an ESG scoring process. The scoring process is designed to evaluate the ESG performance of investee companies, including the measurement of any principal adverse impacts identified. Baker Steel has selected 20 ESG indictors that best reflect the values of the Firm's ESG Policy.

These ESG indicators address and expand upon the climate and the environment, social and employee matters, human rights, anti-corruption and anti-bribery sustainability factor categories within the environmental, social and governance pillars of ESG. The metrics are weighted to prioritise ESG risks and their associated principal adverse impacts. Evaluating each company's performance across these sustainability metrics will indicate the distribution, scope and scale of principal adverse impacts within the company and highlight the most appropriate plan of action to address and mitigate them.

Principal Adverse Impacts Considered and Related Actions Taken

Baker Steel quantifies and measures a range of sustainability indicators associated with principal adverse impacts at various stages within the investment process. Baker Steel's firm-wide ESG Policy details the Firm's ESG position and identifies the principal adverse sustainability indicator metrics selected and prioritised for both the initial exclusion screening and the investee company sustainability performance assessment. The metrics are categorised under the environmental, social and governance pillars of ESG. The purpose of the principal adverse sustainability indicators is to monitor the distribution, scope and scale of principal adverse sustainability impacts within an investee company.

The selected principal adverse climate and environmental indicators cover environmental management, including insufficient environmental management systems (EMS) greenhouse gas emissions, including high carbon scope 1 and 2 emission intensities[1]; poor energy efficiency; water, including insufficient water management and high water intensity[1]; and insufficient biodiversity preservation practices.

The selected principal adverse social indicators cover employee matters, including insufficient health and safety management with significant risk and occurrence of incidents; poor stakeholder relations, including insufficient community spending and insufficient taxes paid to governments; human rights issues and incidents including ethics violations and child and forced labour; and insufficient anti-corruption and anti-bribery standards and actions to address breaches.

The selected principal adverse governance indicators cover board independence, including a lack of independent chair or lead independent director and majority independent directors; a lack of gender diversity; insufficient sustainability governance; insufficient compensation policy; poor audit risk and oversight; and insufficient shareholder rights.

Where available, sustainability indicator data is collected for companies within each fund portfolio and wider investible universe. The sustainability data indicative of the principal adverse impacts specified above is collected annually from a combination of sources including third party data providers and directly from company sustainability reports, annual reports and company policies. Baker Steel undertakes benchmarking of investee companies against data from independent third-party research and analysis.

The data gathered for each indicator is quantified to facilitate the identification of unacceptable levels of principal adverse impacts. Each indicator metric is assigned a threshold below which a more detailed analysis is conducted overall sustainability performance of individual portfolio companies and the weighted portfolio as a whole can therefore be assessed.

Bake Steel may occasionally assess a company to have a high level of adverse impacts yet still invest on the basis that measurable improvements are made over a specified time frame. Where such a situation arises Baker Steel will meet with senior management of the investee company on a regular basis to monitor progress made and the commitment to agreed goals..

Where company ESG performance data is not available, the management of Baker Steel evaluates the company on an individual basis. Examples of actions include in-depth management meetings, site visits and in some cases holding a position on the board.

Shareholder Engagement Policy

Baker Steel has a Shareholder Engagement Policy in place that complies with the requirements of the Shareholders Rights Directive II ("SRD2") and COBS 2.2B. This Policy sets out how Baker Steel engages

[1] Baker Steel recognises that carbon emission and water use intensities will vary between commodity, stage of development, jurisdiction and market cap and will therefore evaluate as such on an individual basis.

with investee companies with a view to enhancing shareholder value, as well as furthering sustainability and ESG objectives, and covers the methods and nature of engagement, exercise of voting rights, management of conflicts of interest, cooperation with other shareholders and public disclosure. Please refer to Baker Steel's website for further details.

Adherence to International Codes and Standards

Baker Steel's ESG Policy builds upon the objectives of the UN's Sustainable Development Goals (SDG), Principles for Responsible Investment (PRI) and industry best practice. As signatories of the UNPRI, we commit to implementing their six Principles for Responsible Investment.

Baker Steel commits to encouraging portfolio companies to adhere to responsible business conduct codes and recognised standards for due diligence and reporting, including where relevant the objectives of the Paris Agreement.