Baker Steel Capital Managers LLP

UCITS Environmental, Social and Governance Investment Policy

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1. Our Philosophy

Baker Steel Capital Managers LLP ("Baker Steel" or the "Firm") believes that promoting environmental, social and governance ("ESG") factors is important not only to support sustainable and ethical investment but because ESG considerations are key for creating and maintaining shareholder value through risk avoidance and instilling progressive standards of best practice. Baker Steel believes that companies that produce goods in an ethical and sustainable manner and maintain a higher standard of corporate governance and transparency will financially outperform over the medium- to long-term.

Baker Steel's ESG Policy draws from international best practice and builds upon the principles and processes outlined in the United Nations Principles for Responsible Investment ("PRI"), of which Baker Steel is a signatory.

Baker Steel is committed to improving sustainability and reducing the environmental impact of its own operations. Along with compliance with all applicable legislation and regulations, the Firm incorporates recycling, energy saving and waste avoidance into its everyday business practices. Staff are encouraged to support charitable activities and to align themselves with the Firm's sustainability policies, such as by taking public transport.

Baker Steel recognises the sustainability risk associated in investment decisions and pays due care to sustainability factors. ESG considerations are taken into account as part of investment due diligence in terms of enhanced risk management and, as such, are incorporated into Baker Steel's investment decisions including being directly addressed with company management during meetings and on-site visits. Point 3 of this document outlines the processes that we have established to incorporate ESG issues holistically into our investment process. Baker Steel is an active investment manager and will use its engagement with senior management and the exercise of its voting rights to influence investee company direction towards better sustainability where deemed appropriate. We believe that social and environmental responsibility, along with good governance, are an integral element of running a successful mining company.

Baker Steel's Precious Metals Fund and Electrum Fund, both UCITS sub-funds of BAKERSTEEL Global Funds SICAV, are funds which promote ESG characteristics in accordance with Article 8 of the EU Sustainable Finance Disclosure Regulation ("SFDR"). Baker Steel has therefore developed this enhanced ESG Investment Policy which builds upon the firm-wide ESG Investment Policy in relation to these funds only. This Policy provides greater detail on ESG strategy and integration of ESG within the investment process. Moreover, the investible universe for these funds is subjected to an annual screening and scoring process to evaluate sustainability performance and progress, alongside on-going monitoring and engagement reporting.

2. ESG Positions

The following points form the basis for both this Investment Policy and investment decisions across the Firm. They build upon the points of the UN's Sustainable Development Goals (SDG), Principles of Responsible Investment (PRI) and industry best practice.

As signatories of the UN PRI, we note the organisation's six Principles for Responsible Investment:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the PRI within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the PRI.
- **Principle 6:** We will each report on our activities and progress towards implementing the PRI.

As signatories of the UN PRI, Baker Steel commits to reporting annually on our responsible investment activities.

2.1 Governance

Baker Steel places additional emphasis on governance factors as we regard management effectiveness to be the key to ensuring that meaningful ESG policies and operations are successfully implemented.

2.1.1 Business Ethics

Baker Steel will not tolerate bribery, money laundering or any other forms of corrupt activities by portfolio investee companies. Baker Steel also expects that portfolio investee companies actively discourage and act to eliminate such practices from their supply chain.

2.1.2 Anti-Bribery and Corruption

Baker Steel's approach to preventing bribery is formalised in its Anti-Bribery Policy.

Baker Steel expects investee companies to have explicitly defined what constitutes 'Conflicts of Interest' and 'Facilitation Payments', for an investee company's employees to be aware of these definitions and for them to be prohibited from engaging in such activities.

Baker Steel commits to working against corruption and will continue to operate robust internal control systems such as conducting appropriate due diligence on prospective investee companies.

2.1.3 Board Structure

Baker Steel will seek to invest in companies which maintain a majority of independent directors and who appoint experienced and diverse boards. Where this is not currently the case Baker Steel commits to encourage reform in line with these principles.

2.1.4 Sustainability Governance

Baker Steel expects investee companies to have a sustainability committee. Baker Steel believes this is a core part of demonstrating strong governance with the integration of business and sustainability priorities to enhance business performance.

2.1.5 Compensation

Baker Steel expects investee companies to have compensation committees in place which maintain a majority of independent directors and/or an independent chairperson. Where this is not currently the case Baker Steel commits to encourage reform in line with these principles.

Baker Steel is supportive of the implementation of "Say-on-Pay" provisions at investee companies and will work to enhance the effectiveness of such provisions over time.

2.1.6 Audit Risk and Oversight

The audit committee plays a critical role in establishing and monitoring corporate governance practices. Baker Steel expects companies to have a majority of independent directors on their audit committee and for the chair of the committee to be an independent director. Where this is not currently the case Baker Steel commits to encourage reform in line with these principles.

2.1.7 Shareholder Rights

Baker Steel expects companies to take the interests of all shareholders seriously and for all shareholders to be treated equally. Consequently, where there are unequal voting rights we engage with the company to understand the reasons why before we invest.

Where a shareholder rights plan exists (e.g. poison pill provisions) we look for there to be a sunset provision on any such plan. We feel this is important to ensure that there are no permanent provisions in place which give rise to conflicts between shareholders as a whole and the interests of the board and/or certain incumbent shareholders.

2.2 Environmental

Baker Steel recognises the unique and material impact of mining on the natural world and for this reason supports environmentally sustainable practices. ESG concerns are continuing to catalyse improvements in the environmental performance of mining companies and by supporting ESG investing, Baker Steel aims to accelerate that process.

2.2.1 Environmental Policy & Management Systems

Baker Steel expects all portfolio investee companies to have an adequate environmental policy, preferably ISO 14001 certified or similar standard. Baker Steel acknowledges there may be limitations on reporting standards for smaller companies or circumstances where ISO 14001 is not appropriate. Baker Steel recognises that 'adequate' will vary between commodity, stage of development, jurisdiction and market cap and will therefore evaluate as such on an individual basis.

Similarly, Baker Steel expects all portfolio investee companies to have adequate environmental management systems (spanning mineral waste, effluents, cyanide, water, water risk, greenhouse gas ("GHG") reduction/risk, biodiversity and closure & rehabilitation, as is appropriate to each operation). Once again, these systems will preferably be ISO 14001 certified or similar standard and will be evaluated as 'adequate' on an individual basis.

In the case of specific environmental issues occurring including, but not limited to, pollution impacts and liabilities, water pressure, biodiversity impacts and tailings management, Baker Steel will directly engage with the management of portfolio companies if this issue is deemed to be material or fall short of industry standards.

2.2.2 CO_2 and Greenhouse Gas Production

Baker Steel expects portfolio investee companies to report both their direct and indirect greenhouse gas emissions as appropriate to their stage of development.

Baker Steel expects portfolio investee companies to be working towards reducing emissions of greenhouse and toxic gases, not least on a unit of production basis.

Baker Steel expects investee companies to be working towards improving energy efficiency.

2.2.3 Water Management

Baker Steel expects all portfolio investee companies to have an 'adequate' water management policy. Baker Steel recognises that water is a resource investee companies share with surrounding communities. Using water efficiently and protecting water quality helps investee companies maintain positive relationships with stakeholders and ensures operational stability. Baker Steel recognises that 'adequate' will vary not only between commodity, stage of development, jurisdiction and market cap but also on where the asset is located and the availability of water in that area. Baker Steel will therefore evaluate water usage on an individual basis.

2.2.4 Tailings Management

Minimising the risk of tailings dam failures is one of the greatest challenges of the mining sector. It is also the area where mistakes can have the greatest consequences for the local communities as we have seen all too often in recent years.

Baker Steel is engaged with and supports the efforts of the Global Tailings Review industry group. Baker Steel have attended meetings and offered advice to the working group, companies and NGO on shaping the reporting framework. Baker Steel also maintains an active dialogue with the Church of England. We seek to be an industry leader and advocate for change in this area. We believe that enhanced Governance procedures are an important first step in the acceptance of industry wide standards but that these standards must fully account for the wide range of different dams and risk profiles.

2.3 Social

Baker Steel commits to being a responsible investor and unequivocally supports the argument that mining companies should contribute to the development of communities where they operate. Where we have specific concerns we also undertake to address those issues directly with the company.

2.3.1 Worker Safety

Baker Steel expects all portfolio investee companies to maintain effective health & safety management systems, preferably ISO 45001 certified or similar standard. Similarly, Baker Steel expects LTIFR figures[1] to be communicated and to be within industry norms.

[1] LTIFR refers to Lost Time Injury Frequency Rate, which is the number of injuries that prevent a worker from performing their duties or missing work occurring in a workplace per 1 million hours worked.

2.3.2 UN Global Compact
Baker Steel expects companies to act in accordance with the UN Global Compact Principles. Serious violations of the Principles will preclude initial investment and provide grounds for divestment.

Baker Steel will seek to invest in companies who are signatories of the UN Global Compact. Signatories of the UN Global Compact commit their organisations to meeting fundamental responsibilities in four areas: human rights, labour, environment and anti-corruption.

2.3.3 Stakeholder Relations
Baker Steel recognises as fundamental the human and labour rights of investee company stakeholders, and expects all companies which we conduct business with to fully comply and support the UN's Universal Declaration of Human Rights.

Baker Steel encourages portfolio companies to include local communities within their decision-making process as well as to make efforts to be accessible to and foster positive relations with such communities.

Baker Steel also expects portfolio companies to interact with local and national governments on a transparent basis.

3. ESG Strategy

Baker Steel recognises the sustainability risk associated with investment decisions and pays due care to sustainability factors. Sustainability risks are considered as part of investment due diligence in terms of enhanced risk management and, as such, are incorporated into Baker Steel's investment decisions. Baker Steel's ESG strategy has multiple components and demonstrates how considerations of sustainability risks are integrated into various stages of the investment process.

A multi-component exclusion strategy shortlists the investible universe. The ESG performance of companies shortlisted within the investible universe is screened and scored to implement a best-in-class strategy. The ESG scores generated for the companies will be incorporated into the stock selection process within an ESG integration strategy. Sustainability risk has significant weighting within the Fund's risk management analysis.

3.1 Non-financial Investment Objectives
Baker Steel believes that ESG and sustainability factors are an integral component of non-financial risk. ESG screening of investment opportunities integrates non-financial objectives into the investment process.

Baker Steel believes that by preferentially allocating capital to companies which meet best practice guidelines in areas of environmental management, community engagement and corporate governance it can help raise standards across the mining industry. By raising standards across the board the industry becomes more sustainable, improves its reputation amongst the general public and can better serve the communities and host countries in which it operates.

Baker Steel believes that the mining industry can be a powerful force for good for those communities and host countries when best practice guidelines are followed.

3.2 Exclusion Strategy

Sustainability risks are firstly identified and eliminated within the initial multiple exclusion factor screening. This screening process shortlists the investible universe by excluding any companies which engage in activities specified in the Exclusion Policy (Section 4.1.1).

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. These exclusionary factors are regularly monitored across the investable universe.

3.3 ESG Scoring Process

Companies shortlisted within the investment universe are subject to an annual ESG screening and scoring process. This process is designed to evaluate the sustainability performance of investee companies. Baker Steel has shortlisted a selection of 20 sustainability metrics that best reflect the values of this ESG Policy. These metrics cover a range of sustainability factors under the environmental, social and governance pillars of ESG. Evaluating an investee company's performance across these metrics will indicate the distribution of sustainability risk within the company and highlight the most appropriate plan of action to mitigate the sustainability risks and potential adverse impacts.

The scoring process adopts a best-in-class strategy. The metrics screened and incorporated into the ESG score are weighted under their respective environmental, social or governance pillar of ESG. The metrics are weighted to prioritise sustainability risks and their associated principal adverse impacts. The score generated will contribute to sustainability risk within risk management during the investment process.

4. ESG Implementation within the Investment Process

Baker Steel hereby adopts and undertakes to comply with this ESG Investment Policy with respect to the Precious Metals Fund and Electrum Fund, both UCITS sub-funds of BAKERSTEEL Global Funds SICAV. We also undertake, as best as we can, to ensure that all future operations of the named funds managed by Baker Steel comply with this Policy and to annually review this Policy in order to ensure it remains up-to-date and in line with industry best practice.

Priya Mukherjee is the Firm's Compliance Officer and has suitable authority and seniority to be able to challenge management as necessary. A compliance manual is maintained by the Firm, in line with FCA guidelines. The Firm has strict personal account dealing arrangements which include prior approval of all relevant share dealings. Compliance processes are internally reviewed and on a quarterly basis the processes are formally reviewed by external compliance consultants, Bovill.

Bovill have been appointed to provide ongoing regulatory assistance and general FCA compliance advice which includes undertaking compliance reviews and update visits, annual training and monthly written summaries of FCA regulatory developments. Breaches or concerns are immediately reported to the Compliance Officer for review and remedial action as necessary.

All staff receive regular compliance training and are encouraged to refer to the Firm's compliance manual and Compliance Officer for guidance. All personnel are required to complete an annual self-certification declaration confirming adherence to the Firm's compliance manual and FCA and other regulatory codes of practice and guidelines, including the Firm's Anti Bribery Policy.

The framework for ensuring that all Baker Steel entities comply with this ESG Investment Policy is as follows:

4.1 Construction of the Investment Universe

4.1.1 Exclusion Policy

Baker Steel shall not invest in companies with any turnover from the production and/or distribution of weapons. Baker Steel acknowledges and supports the principles covered by the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (“Ottawa Treaty”), the Convention on the Prohibition of Cluster Munitions (“Oslo Convention”), and the UN Conventions regarding B- and C- Weapons (UN BWC and UN CWC).

As a result of the above, Baker Steel will not invest in companies involved in the production, sales and distribution of controversial weapons, including depleted uranium, chemical weapons, biological weapons and white phosphorous.

Baker Steel shall not invest in companies involved in the production, sales and/or distribution of cigarettes and tobacco products. This exclusion includes, but is not limited to products such as e-cigarettes and next-generation tobacco and nicotine products as well as other similar products. In addition, this exclusion covers related supporting services including, but not limited to, the provision of filters and smoking halls.

Baker Steel shall not invest in companies involved in the production, operation and/or distribution of adult entertainment.

Baker Steel shall not invest in companies with turnover from the production of alcoholic beverages.

Baker Steel shall not invest in companies with turnover from owning and/or operating gambling establishments.

Baker Steel shall not invest in companies that are involved in uranium enrichment for weapons-grade material. For clarity, weapons-grade uranium refers to companies processing and enriching uranium for use in nuclear weapons. For the avoidance of doubt, while this definition does not include depleted uranium, this is also strictly excluded from the portfolios under the controversial weapons prohibition detailed above. Baker Steel may invest in companies which mine, purchase and process uranium intended for use as a nuclear fuel and other uses (excluding weapons).

Baker Steel shall aim not to invest in companies whose primary business is extracting fossil fuels. More specifically, Baker Steel shall aim not to invest in any company that has more than 30% of its revenues derived from the extraction, production or distribution of thermal coal. Exceptions may be granted to companies proactively reducing their dependence on revenues from thermal coal (e.g. through divestment plans).

Baker Steel will not make new investments in companies which operate in certain ‘blacklisted’ jurisdictions, or in the event that existing investee companies have interests in countries which subsequent to initial investment are deemed to be ‘blacklisted’, will seek to exit those investments expeditiously, where possible, without prejudice to clients’ interests. These are regions where either sovereign risk or security concerns preclude responsible investment being effectively implemented as well as countries where the operating environment is unlikely to facilitate conducting business in accordance with either the ESG principles outlined in Section 2, or the UN PRI. This 'blacklist' shall be continually monitored and will be updated by Baker Steel's investment team as and when global events dictate.

Baker Steel will not acquire or hold investments issued by or with their primary listing in countries specified in the United Nations Security Council Sanctions[2] and those high risk jurisdictions subject to a "Call for Action" identified by the Financial Action Task Force[3]. In addition, Baker Steel will not enter into any transaction that would cause it to breach any applicable sanctions regime, including the United Nations Security Council Sanctions.

Where possible, Baker Steel's funds mandated to invest in listed stocks, shall only invest in listed companies ensuring an appropriate standard of transparency on governance. Furthermore, Baker Steel managed funds aim to invest only in listed companies which maintain a majority of independent directors so as to ensure a higher standard of corporate governance.

Baker Steel shall not invest in any companies which commit serious violations of the UN Global Compact:

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.
- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Baker Steel shall aim to invest preferentially in companies which are actively working towards the UN SDG.

Finally, Baker Steel expects that all investee companies have a robust ESG policy in place. It is also expected that the company's ESG policy has been approved and formally adopted via a resolution of the Board.

4.1.2 Conduct Due Diligence on Prospective Investee Companies

In addition to direct management meetings and on-site visits, Baker Steel shall conduct adequate operational and legal due diligence on all entities. This includes assessment of adherence to the UN PRI as well as compliance with relevant anti-corruption legislation, in line with the Firm's Anti-Bribery Policy, as well as a review of the prospective investee company's internal governance procedures and ESG management.

[2] https://www.un.org/securitycouncil/sanctions/information
[3] At the time of writing this consisted of the Democratic People's Republic of North Korea (DPRK), Iran and Myanmar, as specified in the FATF Call for Action on 21 October 2022.

4.2 Investment Universe ESG Scoring

Companies shortlisted within the investable universe are subject to an annual ESG screening process. The screening process is designed to evaluate the sustainability performance of investee companies. Evaluating a 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. An ESG score is generated which quantifies the sustainability performance of each investee company. This ESG score forms the sustainability risk element of risk management which is analysed within the stock selection process.

4.2.1 Sustainability Performance Indicators

The ESG score compiles and analyses data covering sustainability metrics across the environmental, social and governance pillars of ESG. Baker Steel has shortlisted a selection of 20 sustainability metrics that are most relevant to the Firm's investment strategy and investee companies, and which best reflect the values of the ESG Policy.

The selected climate and environmental metrics cover environmental management; greenhouse gas emissions, including emission reduction and carbon scope 1 and 2 emission intensity calculations; energy efficiency; water, including water management and water intensity calculations; biodiversity policy; and waste reduction.

The selected social metrics cover employee matters, including health and safety management, statistical analysis and UN Global Compact engagement; stakeholder relations, including community spending and taxes paid to governments; human rights; anti-corruption; and anti-bribery.

The selected governance metrics cover board independence, including the presence of an independent chair or lead independent director and the percentage of independent directors; sustainability governance; diversity; compensation; audit risk and oversight; and shareholder rights.

4.2.3 ESG Data Collection and Processing

The company ESG performance data is collected annually from a combination of sources including third party data providers and directly from company sustainability reports.

The data for each metric is quantified for use in the scoring system and formulated into a data matrix. The matrix is conditionally formatted to evaluate company ESG performance compared to the established benchmark for each sustainability metric. The company data for each metric is divided into five 20% performance intervals which are assigned a number 1-5. For example, a company performing within the top 20% interval for a metric will be assigned the number 1 for that metric, whereas the worst performing 20% will be assigned the number 5. The numbers 1-5 are each assigned a colour (grading from green to red) indicative of company performance. This colour formatting very beneficial for visualising the distribution of sustainability risk from a company's sustainability performance

4.2.2 Scoring Process

These metrics are weighted under their respective environmental, social or governance pillar of ESG. The metrics are weighted to prioritise sustainability risks and their associated principal adverse impacts.

An initial score is generated from summing up the weighted scores of all sustainability metrics. A 'subjective' score is then incorporated into the final score to contribute the value of meetings with company management and on-site visits. Such engagements facilitate the possibility to directly address ESG and Corporate Social Responsibility ("CSR") factors with company management and offer greater insight into prospective investee companies. The subjective score will be weighted as 15% of the total score, collectively across the environmental, social and governance pillars. The subjective score will offer both positive and negative contributions to the initial score. Baker Steel has chosen to cap the positive contribution of the subjective score to 15% whilst the negative contribution will be uncapped. Once the subjective score is decided, a final ESG score will be generated. It is this final ESG score which will be incorporated into the stock selection process as sustainability risk. Sustainability risk has significant weighting within the Funds' risk management analysis.

4.3 Investment Stage

Once a prospective investee company has passed through all stages of the outlined stock selection process, and where Baker Steel has remaining concerns, it asks the Board of each portfolio company to agree to commit to seek to adhere to the ESG Principles set out in Section 2 of this Policy as a condition of Baker Steel's investment.

4.3.1 Commit to Adhere to ESG Principles

Since Baker Steel is a signatory to UN PRI, an investee company of Baker Steel is thereby subject to its principles. We recognize that investee companies' ESG performance has a material impact on Baker Steel's compliance with the UN PRI. As such we expect portfolio companies to aim to incorporate ESG principles similar to those of Baker Steel, as set out in Section 2 of this Policy, into their day-to-day business and operations. We expect portfolio companies to communicate ESG principles to employees of their own company directly and, via appropriate means, to key external stakeholders.

4.4 On-going Monitoring

Baker Steel is an active investment manager, in line with Principle 2 of the PRI, and undertakes site visits to portfolio companies during which verification of compliance with the ESG principles are typically undertaken. Baker Steel will utilise voting rights, when deemed necessary, to align a portfolio company's operations more directly with our ESG principles, which are outlined in Section 2 of this Policy.

In accordance with Principle 3 of the PRI, Baker Steel will engage each of our portfolio companies on ESG issues and encourage adherence to best practice.

The annual ESG data collection screening and scoring methodology will result in regular on-going monitoring of a company's sustainability performance and progress over time. An ESG weighted portfolio score will be generated and updated as the portfolio changes.

4.4.1 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 with investee companies with a view to enhancing shareholder value, as well as furthering sustainability and ESG objectives, and covers methods and nature of engagement, exercise of voting rights, management of conflicts of interest, cooperation with other shareholders and public disclosure.

4.4.2 Realignment to Principles

If the management of Baker Steel deem a portfolio company is not sufficiently meeting the standards outlined throughout this Policy then Baker Steel requires the portfolio company to take action to address such deficiencies and for the investee company's management to maintain direct contact with Baker Steel whilst doing so.

4.4.3 Divestment Policy

Baker Steel will engage directly with the management of an investee company where its monitoring of the investee company leads Baker Steel to question whether the company is being run in the best interests of its shareholders or in accordance with the ESG Principles set out in this Policy.

In such circumstances, Baker Steel will request a meeting with the management team of an investee company, preferably with a non-executive director in attendance to outline specific concerns and seek further information on certain matters in private rather than raising these issues publicly at the AGM or any EGM. Where necessary, this may be followed up with a letter to the board of directors of the investee company outlining the key concerns and justifications. Baker Steel would expect that any commitment by management to address concerns, is followed through with action that demonstrates that steps are being taken to rectify matters. Baker Steel would monitor company management's implementation of their plan as part of its ongoing due diligence process. In the event that the response from the investee company is inadequate, Baker Steel would divest within a reasonable timeframe. The situation may arise where Baker Steel would choose to divest immediately and then re-engage with a view to encouraging change, depending on the specific circumstances and alternative investment opportunities.

The exclusion factors (Section 4.1.1) continue to be monitored after initial investment takes place. In that monitoring, the following activities would be considered "red flags" and where the measures described above would be undertaken:

- Serious violations of the UN Global Compact Principles.
- Involvement in ESG-related controversies that appear to be substantiated. Severity assessments are conducted by the Investment Committee to determine the course of engagement with an investee company.
- A company scoring below 50% within Baker Steel's proprietary ESG scoring framework will be engaged with and investigated. It may be the case that this highlights an unsatisfactory ESG performance confined to just one of the environmental, social or governance pillars of ESG or may reflect poor performance across all three pillars. Exceptions are granted to companies with clear mitigating circumstances.

5. Reporting

5.1 Company ESG Performance

Baker Steel shall continuously monitor its fund management operations to ensure that they remain consistent with this Policy. Publicly available reports will be available annually on the UN PRI website from 1st April 2021 onwards.

5.2 Engagement

Baker Steel has committed to adhere to the requirements of the Shareholders Rights Directive II ("SRD2") and COBS 2.2B, as outlined in our separate Shareholder Engagement Policy. SRD2 requires that the Engagement Policy is publicly disclosed, and that the Firm reports publicly on an annual basis on how the

Engagement Policy has been implemented. Both of these disclosures will be made publicly on the Baker Steel website, and the annual disclosure will include details of the Firm's voting record. The first annual disclosure is expected to be made by 31st December 2021.

Site visit and management interviews are currently recorded and filed in chronological order. It is intended from March 2021 that separate ESG engagement folders for each portfolio company will be implemented and populated after each engagement and at least annually where no issues were raised directly.

6. Policy Review

Baker Steel commits to reviewing and amending as required this Policy annually from the date of adoption in order to keep it aligned with the evolution and progress regarding ESG standards and management compliance within the mining industry.

7. Contact

Documentation required by Baker Steel in accordance with this Policy as well as any comments or queries regarding this policy should be provided to Baker Steel via the following email address: ESG@bakersteelcap.com.

Trevor Steel
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8. Definitions

Child Labour – Work or service extracted from a minor deemed in violation of the Articles of the International Labour Organization Minimum Age Convention, 1973 (No˚138).

Corporate Social Responsibility ("CSR") - Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns into their business operations and interactions with their stakeholders.

Forced Labour – Work or service extracted from a person under threat or penalty, which includes penal sanctions and loss of rights and privileges, where the person has not offered him/herself voluntarily (Forced Labour Convention n˚29, 2001a).

LTIFR - stands for Lost Time Injury Frequency Rate, which is calculated as the number of injuries that prevent a worker from performing their duties or missing work occurring in a workplace per 1 million hours worked.

‘Primarily’ fossil fuel producer or uranium enrichment – Greater than 50% of income, by revenue, is derived from fossil fuels (excluding metallurgical coal required for steel making) or uranium enrichment.

‘Substantial’ ESG Policy – A company monitors or has undertaken to monitor improvement in key areas of ESG performance. The company shall also have in place plans to improve its performance in those areas and to report on the progress made.

Sustainability factors – Any external factor, outcome or impact of the investment process (including the activities of investee companies) including environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters

Sustainability risk – Any risk relating to 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 the investment.

10. Appendix

The following demonstrates examples where Baker Steel has followed this policy and engaged with investee companies about either our negative screens or over ESG principles.

Operating in a blacklisted jurisdiction	Blacklisted countries: North Korea, Iran, South Sudan
Utilising child or forced labour	o/s
Primary revenue source fossil fuel/ Uranium enrichment derived	o/s
Lack of a substantial ESG Policy	o/s
Engaging with investees on ESG issues:	Listed Company Example A - Directly asked about the number of independent directors maintained on the board and about independence of the chairperson. - Questioned a published code of ethics and whistleblowing policy. - Description of their internal ESG procedures provided: includes a quarterly declaration at senior level, reports on any incidents known to have occurred followed by an internal audit. - Outlined their response, in both the short and medium-term, to a fatal incident at one of its mines and the new procedures which have since been put into place. - Description of the literacy and HIV testing programmes they provide for workers. Listed Company Example B - Safety became an issue recently, so they are implementing a company wide cultural change programme emphasising H&S and communication

	between workers and management. This has produced a 76% drop in LTIs over the last year. - Key shift is creating a separate department for safety by removing it from within the operations umbrella. - Improved ESG over the last few years improving environmental monitoring and reporting. Incentivised this by developing an environmental scoring system which feeds into staff bonuses (for both small and large scale issues). - Have already implemented several community initiatives across health, education, agriculture and IT.