

Environmental, Social and Governance Investment Policy

Baker Steel Resources Trust Limited

December 2020

1. Our Philosophy

Baker Steel Resources Trust Limited (“BSRT” or the “Company”) 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. BSRT 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 long-term.

The Company has therefore developed this ESG Investment Policy which draws from international best practice and builds upon the principles and processes outlined in the United Nations Principles for Responsible Investment (“PRI”), of which the BSRT’s Investment Manager, Baker Steel Capital Managers LLP is a signatory.

ESG considerations are considered as part of investment due diligence in terms of enhanced risk management and, as such, are incorporated into BSRT’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 in order to incorporate ESG issues holistically into our investment process. The Company is an active investor and frequently has board representation in its investee companies and will use its voting rights to influence investee company direction in a sustainable way where deemed appropriate. We believe that social and environmental responsibility, along with good governance, are an integral element of running a successful mining company.

2. ESG Positions

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

The Company notes 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 with our investee companies to enhance our effectiveness in implementing the PRI.
- **Principle 6:** We will each report on our activities and progress towards implementing the PRI.

2.1 Governance

The Company 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 Bribery & Corruption

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

BSRT 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.

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

2.1.2 Board Structure

BSRT will seek to invest in companies which appoint experienced and diverse boards. Where this is not currently the case Baker Steel commits to encourage reform in line with these principles.

2.2 Environmental

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

2.2.3 Environmental policy & management systems

BSRT expects all portfolio investee companies to have an adequate environmental policy, preferably ISO 14001 certified or similar standard. The Company 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, BSRT 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, the Company, through its Investment Manager will directly engage with the management of portfolio companies if this issue is deemed to be material or fall short of industry standards.

2.2.4 CO₂ and greenhouse gas production

BSRT expects portfolio investee companies to be working towards reducing emissions of greenhouse and toxic gases, as appropriate to their stage of development.

2.3 Social

BSRT commits to being a responsible investor and unequivocally supports the argument that mining companies should contribute to the development of communities where they operate.

2.3.1 Worker Safety

BSRT expects all portfolio investee companies to maintain effective health & safety management systems, preferably ISO 45001 certified or similar standard. Similarly, BSRT expects lost time injury frequency rate (“LITFR”) figures to be communicated and to be within industry norms.

2.3.2 Stakeholder relations

Baker Steel recognises as fundamental, 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.

BSRT 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.

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

3. Implementation

BSRT hereby adopts and undertakes to comply with this Investment Policy. We also undertake, as best as we can, to ensure that all future operations of the Company 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.

3.1 Stock Analysis & Selection

3.1.1 Exclusionary factors

BSRT will not invest in companies utilising child or forced labour.

BSRT 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 these investments expeditiously, where possible, without prejudice to shareholders’ 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 Company's ESG principles, as outlined in Clause 2, or the UN PRI. This 'blacklist' shall be continually monitored and will be updated as and when global events dictate.

BSRT shall aim not to invest in companies whose primary business is producing fossil fuels (with the exception of metallurgical coal which is critical to steel manufacturing) or uranium enrichment.

BSRT will seek Board representation in its investee companies in order to seek to adequately monitor and positively influence governance.

3.1.2 Investee Engagement

A qualitative assessment of a company's ESG practices is undertaken as an integral part of BSRT's investment process. Generally, both meetings with a company's management as well as site visits will be undertaken with prospective companies. 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.

3.1.3 Conduct due diligence on prospective investee companies

In addition to direct management meetings and on-site visits the Investment Manager 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, as well as a review of the prospective investee's internal governance procedures and ESG management.

3.2 Investment Stage

Once a prospective investee company has passed through all stages of the outlined investment process, and where the Company has remaining concerns, it shall ask the Board of each portfolio company to agree to commit to seek to adhere to BSRT's ESG Principles (3.2.1) as a condition of BSRT's investment:

3.2.1 Commit to adhere to BSRT's ESG Principles

Each portfolio company will acknowledge that the Investment Manager is a signatory to UN PRI and is thereby subject to its principles. They shall acknowledge that their ESG performance has a material impact on the Investment Manager's compliance with the UN PRI and shall therefore comply and adhere to the principles of both UN PRI and BSRT as if the investee company is a signatory also. Portfolio companies shall aim to incorporate the ESG Principles of BSRT, as set out in Clause 2 of this Policy, into their day-to-day business. They shall communicate these principles to employees of their own company directly and, via appropriate means, to key external stakeholders.

3.3 Portfolio Monitoring

The Company is an active investor, in line with Principle 2 of the PRI, and undertakes site visits to portfolio companies during which verification of compliance with BSRT's ESG principles are typically undertaken. The Company will utilise voting rights, when deemed necessary, to align a portfolio company's operations more directly with our ESG principles, which are outlined in Clause 2.

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

3.3.1 Realignment to principles

If BSRT deems that a portfolio company is not sufficiently meeting the standards outlined throughout this Policy then it will require the portfolio company to take action to address such deficiencies and for the investee company's management to maintain direct contact with BSRT whilst doing so.

On making a new investment, BSRT usually enters into a convertible loan or shareholders agreement. It will be a provision all new agreements that investee companies will adhere to BSRT's ESG policy with penalties to be incurred should identified breaches fail to be addressed satisfactorily.

5. Policy Review

BSRT 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.

8. Definitions

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)

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).

'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 improve 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.

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

LTIFR - stands for Lost Time Injury Frequency Rate