



RCF Climate Change Policy

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1) Mandate

Resource Capital Funds is a mining-focused alternative investments firm that manages investment vehicles (“Fund” or “Funds”) and works closely with its portfolio companies to build strong, successful and sustainable businesses that produce superior returns to all shareholders. The Funds invest in public and private mining and mining services across a diversified range of mineral commodities and geographic regions. RCF Management L.L.C. (“RCF” or the “Company”) acts as the manager and investment advisor to the Funds.

2) Approach to Climate Change

RCF maintains a Responsible Investment Policy and Strategy which outline its commitment to integrating environmental, social and corporate governance (“ESG”) factors into investment processes and ownership activities to improve long-term returns and create more sustainable businesses. The RCF Responsible Investment Policy and Strategy along with other RCF supplemental information should be read in conjunction with this policy as those documents also address climate change, emissions and impacts on future returns.

RCF understands that a changing climate and its impacts represent a physical risk to mining operations, infrastructure, transport routes and communities. Therefore, RCF seeks information from its portfolio companies such as climate change impact preparation planning, including extreme weather events or water scarcity during exploration, construction, operation and closure. RCF also assesses how companies are incorporating climate risks within existing corporate strategic plans, risk management processes, engineering and the health and safety of employees and the wider community.

RCF invests in companies that generate greenhouse gas emissions, both directly and indirectly. These emissions may be subject to climate change regulations based on their geographic location, type of emission and other related factors. RCF’s investment analysis is based on specialized research and key information collected, which includes analyzing climate-related matters such as:

- Compliance with applicable jurisdictional air emission limits
- Carbon trading regulations
- Emissions offset requirements
- Reporting obligations

In 2016, RCF enhanced its investment strategy by adding additional rigor to its thermal coal investment criteria and set a cap in its two most recently established funds that thermal coal investment will not exceed 15% of the Fund's total subscriptions. Additionally, any future thermal coal investments must meet certain environmental/efficiency criteria.

Direct Costs of Climate Change on Future Returns

The integration of specific ESG criteria in investment analysis enables RCF to better understand, evaluate and assess ESG-related risks and opportunities, including climate-related matters, which may affect an investment's performance. Specifically, RCF evaluates direct costs associated with climate matters including the cost of government and regulatory policies aimed at reducing greenhouse gas emissions, such as equipment required for compliance, carbon taxes or regulatory requirements, and models entry pricing and return expectations accordingly. This approach is consistent with how RCF models all external costs that could impact an investment.

Climate Change Regulatory Assessment

Mining is subject to potential risks and liabilities associated with the pollution of the environment. RCF recognizes that environmental legislation, including climate change regulation, is evolving in a manner which will require stricter standards and enforcement and increased fines and penalties for non-compliance. RCF tracks emerging climate change regulations and policy developments internally through its legal, compliance, ESG professionals and its investment teams. In some instances, RCF also works with external consultants on a range of regulatory and environmental matters, including climate change.

Many governments require mining companies to measure/estimate greenhouse gas emissions (GHGs) resulting from the project and assess the potential climate change impacts on the project during the Environmental and Social Impact Assessment (ESIA) process. International best practice also encourages mining companies to:

- 1) Avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities.
- 2) Promote more sustainable use of resources, including energy and water.
- 3) Reduce project related GHGs. Many of RCF's portfolio companies have completed robust ESIA's, some of which estimate GHG emissions and identify areas for mitigation and reduction.

Additionally, a number of RCF's portfolio companies have made commitments to GHG reductions and renewable energy opportunities if available.

Portfolio Company Engagement

RCF's investment practices are in compliance with regulatory requirements and, likewise, the companies it invests in are expected to adhere to all applicable laws and regulations. In relation to existing investments, RCF endeavors to engage with management teams of portfolio companies to ensure specific ESG risks and opportunities applicable to the investment are identified and understood. RCF strives to ensure that its portfolio companies are held accountable for ESG performance, and to support that effort, RCF collects formalized ESG metrics (including some climate-related metrics) from its portfolio companies.

RCF believes that measuring ESG performance can contribute to a company's ability to earn and maintain its social license to operate. The information collected from portfolio companies is cross-referenced against applicable legal and regulatory requirements, the RCF Responsible Investment Policy and Strategy

and standards from sources such as the International Finance Corporation, Sustainable Development Goals and Equator Principles along with other voluntary standards.

RCF's Actions to Address Climate Change

1. Increase understanding of portfolio company exposure to climate change.
2. Update the Climate Change Policy based on findings to capture any new actions or procedures for RCF to implement.
3. Evaluate various climate change voluntary initiatives for applicability.

RCF remains committed to increasing its understanding of best practice in the management of climate change risk and opportunity and, for this reason, RCF acknowledges that the above actions may change in response to legal requirements and evolving best practice.