



## Responsible Investment Strategy

*Guidance for environmental, social and governance due diligence and management activities*

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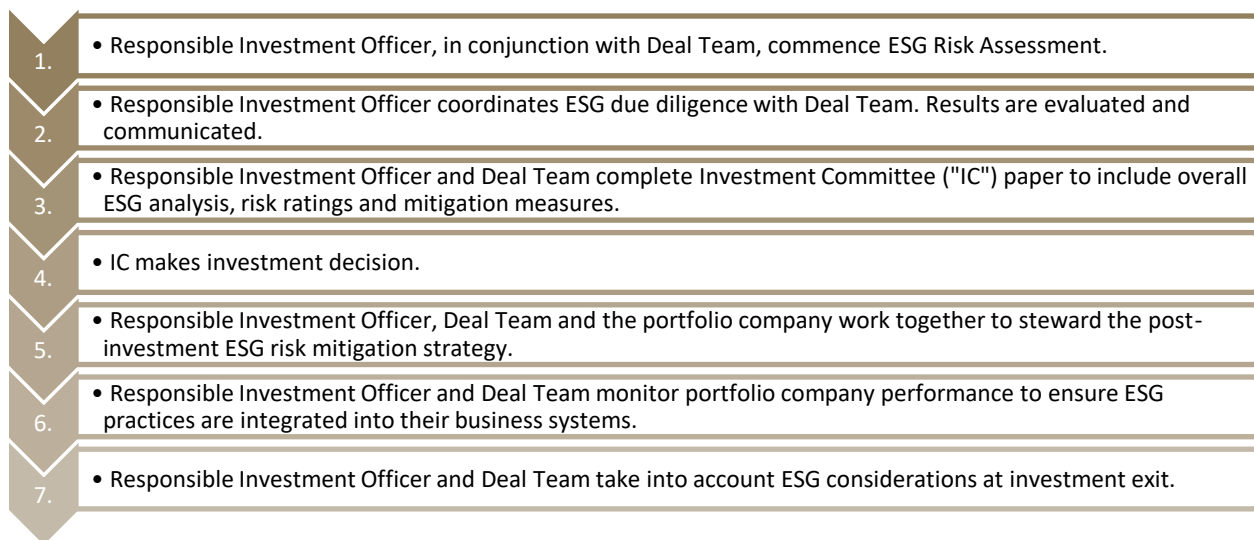
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## 1. Executive Summary

Investor concerns over increasing operational and financial risks are becoming more pronounced as access to emerging markets, raw materials, operating permits and capital are being influenced by environmental and social performance. Momentum has been building due in part to:

- Global trends associated with population growth, consumption, emerging markets, sustainability, climate change and local infrastructure development requirements;
- Recognition of natural resource constraints that are driving supply and demand imbalances, including energy and water;
- Increasing regulatory activity including new regulations and stringent conditions for granting permits;
- Catastrophic events resulting in unprecedented environmental and economic damages; and
- The global financial crisis and its implications on the drive for transparency and governance by environmental and financial regulators, investor groups and shareholders.

Given the developing regulatory environment and global dynamics, it is difficult to predict how environmental, social and governance (“ESG”) performance requirements will evolve amongst regulators and stakeholders. In response to these uncertainties, Resource Capital Funds (“RCF”) developed a Responsible Investment Strategy which is designed to position RCF and its portfolio companies to anticipate the drivers of regulatory and stakeholder expectations, achieve alignment with business objectives and respond to the implications of ESG performance as it relates to project development, reputation, compliance and company valuations. This Responsible Investment Strategy outlines adaptable, step-by-step processes to be utilized by RCF investment professionals (“Deal Teams”), the Responsible Investment Officer and other assessors when conducting ESG due diligence and management activities. Below is a summary of the RCF ESG investment integration process:



## 2. Overview

In September 2012, RCF created a role for a Responsible Investment Officer to help manage increased governance oversight, Corporate Social Responsibility ("CSR"), ESG and regulatory responsibilities across its growing portfolio of investments. The Responsible Investment Officer works closely with RCF Deal Teams and is responsible for ensuring that ESG and CSR matters are integrated into RCF's investment analysis and management activities.

As part of the initial responsible investment efforts, RCF adopted a Responsible Investment Policy which promotes responsible business practices by encouraging active management of ESG issues throughout the investment process. While the consideration of ESG factors has always been a part of RCF's investment process, the development of a policy was an important step in the journey to formalize ESG processes and procedures. RCF recognizes that identifying, monitoring and acting on ESG themes creates value through identification of opportunities to improve efficiency, reduce operating costs and manage environmental and social impacts.

RCF has maintained a Climate Change Policy since 2015. RCF recognizes that climate change is a global challenge and that the risks and opportunities associated with climate change, including regulatory change, could impact portfolio companies and potential returns to the Funds. RCF continues to evaluate climate change and, as such, is committed to increasing its understanding of the risks and opportunities and recognizes that its approach to climate change management may evolve overtime.

### 1.1 ESG in Private Equity / Alternative Investments

In recent years there has been an expanding effort to link ESG management to financial performance. In doing so, a number of private equity firms, including RCF, incorporate ESG exposures into their long-term strategic plan to provide a more robust picture of value to investors. RCF has a longer term investment horizon which allows for more effective ESG integration. RCF is integrating responsible investment

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practices into its investment decision process to address two fundamental themes: risk management and investor concern.

### 2.1.1. Risk Management: Standards and Reporting

An increasing number of monitoring and standard setting organizations track industry performance on a widening range of ESG metrics, including air emissions, energy consumption, environmental compliance and labor practices to water use, waste, stakeholder engagement and supply chain management. Many of these standards were relatively simple when first prepared; however, given the rapid growth in the complexity and applicability, ESG standards have continued to evolve and expand overtime. ESG reporting often relies on external, third party guidance and interpretation. Additionally, corporate rankings and disclosure scores related to ESG performance are becoming more prevalent and tend to affect not only reputation but also access to capital.

There is a lack of consistent, industry-specific ESG metrics which has caused inconsistent measurement and reporting of ESG matters, especially for mining investment. The United Nations-supported Principles for Responsible Investment (“PRI”) works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. Additionally, the PRI is striving to set performance baselines for its ESG reporting metrics.

A number of ESG principles and requirements, including the International Finance Corporation (“IFC”) Performance Standards on Environmental and Social Sustainability, the Equator Principles, the PRI and the Commonwealth Development Corporation (“CDC”) Toolkit on ESG for Fund Managers have been developed to guide fund managers as they integrate ESG themes into their investment program. Organizations such as the Global Reporting Initiative (“GRI”) and the Sustainable Development Goals (“SDGs”) have developed initiatives, frameworks and standardized metrics to help companies apply ESG considerations into project development, operations and closure. To better manage ESG risks, RCF utilizes the tools provided in the aforementioned frameworks to assign weight to ESG factors and to measure how ESG considerations affect value. As a result, some of the practices and procedures discussed in this strategy have been drawn from the above sources and in all instances this information has been tailored to meet RCF’s specific ESG requirements.

### 2.1.2. Investor Concern

Fund managers recognize that the consideration of ESG issues can be a differentiating factor for its business and that managing ESG risks and opportunities plays a role in securing access to capital. Seeking ways to collaborate with portfolio companies to enhance ESG performance at the operations level can support investor relations through the monitoring and reporting of ESG performance. Key stakeholders to private equity/alternative investment funds, some of whom have become signatories to the PRI, are placing higher expectations for triple bottom line management on fund managers. Investors are

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increasingly seeking to transform corporate ESG policies through shareholder proposals. In fact, investors file approximately 50% more shareholder proposals on ESG issues than they did a decade ago.

Regarding university endowments, increasing on-campus interest in natural resource investments could result in additional engagement among committees (comprising students, faculty and endowment officials) and resource companies. Some endowment officials remain hesitant to change their investment strategy, while others have made changes to their portfolio in response to calls for divestment.

## 2.2. ESG in Mining

### 2.2.1. Overview

Mining companies understand the need to meet both government and community requirements when operating mine sites. Those requirements, however, have increased in recent years and today CSR and ESG obligations extend well beyond meeting the minimum legal requirements associated with conducting environmental and social assessments. Commitment to ESG now involves understanding shifting community and government expectations, addressing the demands of non-governmental organizations (“NGOs”) and relevant stakeholder groups and committing to a higher level of transparency and operational sustainability.

Community stakeholders in areas influenced by mining activities require more than a contribution to social and physical infrastructure. Stakeholders expect employment opportunities, fair wages, skills training, access to advanced technologies, education for their families and modern healthcare. If these needs are not met or programs to address these needs are insufficient or ineffective, the result is often vocal opposition, or worse, labor strikes with the potential for violent protests which could result in significant project development and operational delays.

In addition to increasing stakeholder demands, governments also require greater concessions from mining companies. Some governments demand a higher level of local “value add” and have begun to impose export duties on raw minerals to dissuade companies from refining in different jurisdictions. Many nations require mining companies to staff their sites with a certain percentage of local labor. Additionally, mining companies must seek approvals from a significantly higher number of stakeholders than in previous generations. For example, failure to consult all Indigenous populations, relevant NGOs, environmental groups and government agencies results in project delays and even the loss of licenses to operate.

Climate change presents both risks and opportunities for the mining and metals sector. In 2016, RCF strengthened 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.

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Achieving responsible, sustainable development is challenging and complicated. Progress is being made along many fronts in many regions, however significant barriers remain. These barriers are often highest in countries where sustainable development is needed the most. These challenges demand multi-party, multi-stakeholder and multi-sector collaboration. Individual companies are struggling to continue to build their own roads, generate their own power and transport their own water. Improving collaboration by working with governments, communities, NGOs and corporations within multiple industries will help to change the economic dynamics and the risk-sharing models that govern infrastructure projects.

### 2.2.2. ESG Assessments, Reports and Systems in Mining

As a general rule, initial ESG scoping and baseline reports are commissioned by a company as part of a pre-feasibility study. Baseline environmental and social reports are particularly useful for green-field operations as reference for impacts associated with future operations. As the project advances, those reports should expand in scope and eventually evolve into the development of ESG policies, plans and systems.

As project development continues, companies will generally conduct environmental and social impact assessments that are aligned with local regulations and when applicable, international best practice. These assessments focus on the potential and actual impacts that are deemed to be significant from initial scoping. Although resources are likely limited during early phase projects, companies should begin to commission environmental and social policies and plans as early as possible. Best practice suggests that ESG management systems should be in place at any given time and proportional to the company's level of development. Consultation with local communities and authorities is critically important for all ESG reports, policies, plans and systems.

The following ESG reports and systems are typical for mining operations and should be used as a basis for ESG discussions with prospective portfolio company management teams when conducting ESG Risk Assessments and ESG due diligence and with current management teams for ESG monitoring:

- Environmental/social screening, scoping or baseline studies (ESG content may also be included in pre-feasibility studies) including permitting schedules;
- Environmental Impact Assessment ("EIA"), Social Impact Assessment ("SIA") or a combined Environmental and Social [Impact] Assessment ("ESIA" or "ESA");
- Environmental and Social Management Plan ("ESMP");
- Resettlement Action Plan ("RAP") (if applicable);
- Environmental and Social Management System ("ESMS");
- Mine Closure Plan and Rehabilitation Plans; and
- Stakeholder engagement framework/plan/records.



### 3. ESG Implementation

ESG due diligence involves the comprehensive assessment of a proposed project for compliance with legislation and for broader risks which could present both material reputational and financial risk to RCF and/or the investment. Due diligence is an on-going, proactive and reactive process through which the assessment of risks and opportunities are identified and managed at all stages of the investment process. During the beginning stages of project consideration, an ESG Risk Assessment will be commenced by the Responsible Investment Officer, in conjunction with RCF Deal Teams, to identify high-level ESG risks. The completion of the ESG Risk Assessment will help to determine the specific ESG due diligence required for a proposed project.

RCF's ESG pre-investment due diligence integrates standards from a number of sources into its investment analysis which enables assessors to systematically identify material ESG risks and opportunities. Investment analysis is based on specialized research and key information, which is cross-referenced against relevant standards from sources such as the IFC, World Bank, Equator Principles, the Organization for Economic Co-Operation and Development ("OECD"), the UN, GRI, the International Council on Mining and Metals ("ICMM"), Extractive Industries Transparency Initiative ("EITI"), E3 Plus, along with other applicable regulatory and voluntary standards. These standards are in use by the majority of banks, financial institutions and industry partners.

Applying a tailored approach to ESG due diligence enables RCF to better understand, evaluate and assess ESG-related risks and opportunities that may affect an investment's performance. RCF has developed pre-investment guidance for its assessors in two stages: firstly, conducting an ESG Risk Assessment and secondly, applying project specific ESG due diligence.

#### 3.1. ESG Risk Assessment



The ESG Risk Assessment is an initial, cursory review to be completed during the pre-investment stage, which upon completion, highlights relevant ESG issues to be further evaluated during the due diligence process. Deal Teams are encouraged to involve the Responsible Investment Officer as early as possible during pre-investment activities. The Responsible Investment Officer works in conjunction with Deal Teams to assist in the completion of the ESG Risk Assessment and coordinates ESG due diligence for specific projects.

The ESG Risk Assessment is intended to highlight risks that are both internal and external to the project including the following:

- Issues that have the potential to significantly impact the quality of life of local people;

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- Issues that have the potential to significantly impact the quality of the physical environment;
  - Issues that require external consultation (to further investigate local or complex issues);
  - Issues that are receiving local or national negative coverage and interest;
  - ESG permit status and schedule;
  - Broader societal risks that could significantly impact the site and its operations going forward; and
  - Issues that have the potential to significantly impact capacity for earning and/or maintaining a “social license to operate”.

RCF assessors are expected to apply a tailored approach to the ESG Risk Assessment for a particular project. This will enable RCF to better understand, evaluate and assess the ESG-related risks and opportunities that may affect a specific investment. The ESG Risk Assessment will be completed based on specific project characteristics; thus, not every risk applies to every project. For example, if there are no issues of Indigenous rights, assessors need not concern themselves with the intricacies of protocol for dealing with Indigenous communities. The main objective of the ESG Risk Assessment is to quickly identify the key issues on which to focus further efforts. High-level ESG risks have been pre-populated in the ESG Risk Assessment (shown on the following page). The Responsible Investment Officer, in conjunction with Deal Teams, will complete the four corresponding columns for each risk:

1. Internal Evaluation of the Company (company systems, strengths/weakness, etc.): To assess risks internal to the company. This includes the current process for managing risks and evaluation of the management team’s capabilities.
2. External Evaluation of the Project Environment: To assess risks external to the company. This includes assessing factors related to the project surroundings and environment.
3. Next Steps: Indicate if additional due diligence is required.
4. Risk Rating: To apply an initial rating to the risk (low: “L”, medium: “M”, or high: “H”). The risk rating will help to determine how much focus a particular topic will receive during the ESG due diligence.

ESG Risk Assessment: Initial Screening					
General ESG Risk Identification and Analysis					
ESG Risk Category	ESG Risk	Internal Evaluation of Company	External Evaluation of Project Environment	Next Steps	Risk Rating
E Environment	How has the management team demonstrated its understanding of legal ESG requirements?				
	Has the company obtained all required exploration and/or operating permits? What is the schedule for obtaining required permits?				
	Is access to process water available without compromising the needs of the local community?				
	How will the company manage water quality issues (waste rock, tailings, acid generation potential, etc.)?				
	How will the company manage overburden, rock, tailings and sludges (storage and disposal)?				
	Does the project have a mine closure plan that addresses required land rehabilitation, water monitoring, etc.?				
	Describe all environmental liabilities to which the property is subject, including reclamation bonds, liabilities, etc.				
	Have endangered or protected species or natural habitats been identified in the project area?				
S Social	Describe the social context of the project (composition, economic status, livelihood activities, NGO involvement, issues receiving media coverage, etc.).				
	Explain any human rights violations or violent conflicts in the project area during the last three years.				
	Are there people living on or near the mine site?				
	Is the project likely to require either relocation of communities or displacement as a result of disruption of livelihoods? Will other peoples' livelihoods be disrupted?				
	Explain conflict and/or mining opposition in the project area and its impact to mining projects, if any.				
	Explain past mining in the region. Is there a history of poorly managed and environmentally or socially damaging mining operations?				
	Will development affect traditional Indigenous land and resources or Indigenous communities?				
	Will sites of cultural or religious significance be disrupted?				
	Are artisanal miners working on site or in the vicinity?				
	Does the project area have adequate infrastructure, transportation, communication, energy, etc.?				
	What are the social or community related requirements and plans for the project?				
	Explain the level of community engagement that has occurred (status of any negotiations or agreements with local communities). What are the perceived impacts of the project on the community?				
	Provide an overview of the labor environment (i.e., sourcing, skill level, unrest, unions, etc.).				
G Governance	Identify material regulatory non-compliance or litigation risk.				
	Does the project operate in an area of high levels of endemic corruption?				
	Are there any corporate governance deficiencies (board composition, audit, in good standing, etc.)?				

ESG Risk Assessment: Initial Screening General ESG Risk Identification and Analysis					
ESG Risk Category	ESG Risk	Internal Evaluation of Company	External Evaluation of Project Environment	Next Steps	Risk Rating
	Does there appear to be a significant lack of government capacity to manage population, water, or need for housing, healthcare, energy, transportation or other resources?				
Other	List other risks identified to review during ESG due diligence.				

### 3.2. ESG Due Diligence



During the ESG due diligence phase, assessors will further evaluate the key risks identified in the ESG Risk Assessment and identify the resources and timing required to commence risk mitigation. Assessors evaluate the likely outcomes of mitigation and the potential impact to RCF as a stakeholder. For risks that are considered “red flags”, an investment ESG Action Plan is developed and stewarded to with regular monitoring, following the investment decision. Early dialogue between the Responsible Investment Officer and Deal Teams should address the most important issues that emerge in the ESG Risk Assessment.

#### 3.2.1. Methodology

The nature and extent of ESG due diligence depends on individual circumstances and may be affected by factors such as the scale and nature of the investment, the size of the project, the location of the activities, the situation in a particular country or community and the nature of the materials or services involved. Assessors are expected to apply a combination of scientific principles, professional judgment and flexibility which often times results in subjective interpretations. ESG due diligence also requires analysis of the interrelationship between issues. For example, groundwater contamination through mining activities implies environmental liabilities but will also have social/community implications in relation to potential public health consequences and compensation to be paid. The complexities of ESG issues are such that it is often difficult to apply an exact level of materiality or cost to all identified risks. Issues may fall into more than one “E”, “S” or “G” category. Examples of these types of cross-cutting issues have been included below:

##### *Corruption*

Combatting corruption is a serious challenge that may be relevant on local and/or national levels. A company that is serious about combatting corruption should have a firm, clear and transparent anti-corruption policy that is enforced company-wide and communicated to other stakeholders, specifically contractors. Company employees should receive thorough training on the different forms and manifestations of corruption and understanding the consequences. The requirements under relevant

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anti-corruption laws should be studied carefully to determine what actions are prohibited and what are permissible. Companies should identify and work with good partners and honest brokers to engage with different stakeholders and navigate the path locally. Strategies that emphasize local economic development with quick and highly visible on the ground results can help address this problem.

#### *Revenue Allocation, Management Plans and Poverty*

Revenue allocation, management plans and poverty are often the most important set of factors in the feasibility of a project and are often overlooked. When revenue is channelled to national government and there is no visible development benefit at the local level, or where development benefits flow to a narrow elite rather than the broader community, there is likely to be protest. Where these conditions exist, management plans should be quickly changed to provide visible results. Plans for the future of the project will have to include adequate resources to ensure the local population, particularly vulnerable members of the population benefit from development. This is especially true where people are displaced or resettled. Local development effort is generally necessary to prevent social unrest; where government cannot or will not provide that effort the company needs to find a way to do so. This will help ensure that the project achieves and maintains a social license to operate.

#### *Environment, Health and Safety*

Environmental, health and safety risks may include a wide variety of risks: exposure to contamination, landslides, tailings dams' failures, severe weather events, lack of government monitoring and enforcement capacity and vulnerability of the surrounding communities to natural disasters and human exploitation. Historical land use and biodiversity of the project area should be taken into consideration. While many of the risks are external, managing them successfully depends largely on the company's preparation, policies and actions.

Materials made available by the company along with other external materials must be reviewed and scanned for ESG issues prior to the site visit. The ESG due diligence review should include all materials related to:

- ESG project activities and performance;
- Corporate information (website content, annual and financial reports, sustainability reports, environmental and social reports, news releases, policies, expenditure on community/workforce development, etc.);
- Environmental/Social Management System (see Appendix C for a complete list of topics);
- Legal cases or regulatory violations;
- Country reports (human rights reports, World Bank reports, NGO reports, etc.);
- Neighboring mining company reports;

- Media concentrating on conflict or political, environmental, social and economic status of the project area; and
- External ESG rating systems, disclosure or transparency scores (Bloomberg, stock exchanges, GRI, etc.).

### 3.2.2. Framework

The ESG due diligence framework integrates the RCF Risk Matrix, shown in Table 1 below, and also includes the specific measures that should be considered for risk mitigation. The ESG due diligence framework has been separated into three main categories: Environment, Social and Governance due diligence. The framework incorporates and refers to a number of ESG initiatives, compacts and principles. RCF assessors conduct in-depth ESG due diligence using the framework in Appendix A.

Table 1: RCF Risk Ranking Matrix

			<b>CONSEQUENCE</b>				
			Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
<b>LIKELIHOOD</b>	Almost Certain	A	H	H	E	E	E
	Likely	B	M	H	H	E	E
	Moderate	C	L	M	H	E	E
	Unlikely	D	L	L	M	H	E
	Rare	E	L	L	M	H	H

Probability of Occurrence	E = Extreme Risk (90-100%) H = High Risk (55-90%)	M = Moderate Risk (30-55%) L = Low Risk (<30%)
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### 3.2.3. External Consultants/Content Experts

The nature and complexity of ESG matters often warrants the utilization of external consultants or content experts when conducting pre-investment due diligence, site visits (see Section 3.2.4) or carrying out portfolio company engagement. The Responsible Investment Officer is responsible for engaging and managing external consultants and/or content experts on ESG matters, when necessary. Content experts can include universities, non-profit organizations and other associations. The Responsible Investment Officer maintains a list of reliable and effective ESG consultants and will provide consultant recommendations to Deal Teams.

RCF assessors refer to the following procedures when engaging external consultants:

1. Define Scope: The Responsible Investment Officer, in conjunction with the Deal Teams, will clearly define the scope of the assessment.

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2. **Consultant Selection:** The Responsible Investment Officer, in conjunction with Deal Teams, will coordinate the selection of the consultant. This will include solicitation of consultant qualifications and project experience, a statement of work and coordinating consultant interviews. The Responsible Investment Officer, in conjunction with Deal Teams, will coordinate all associated documentation required to engage the consultant. This will include obtaining sign-off by RCF Legal Counsel.
  3. **Accountability:** The Responsible Investment Officer, in conjunction with Deal Teams, will be actively involved in the management of the consultant. The Team will work together to ensure project deliverables are clearly understood and that a plan with requirements and deadlines is clearly communicated to the consultant.

#### 3.2.4. Site Visits

The Responsible Investment Officer in conjunction with Deal Teams will, when possible, complete the ESG Risk Assessment and commence ESG due diligence prior to conducting a site visit. RCF believes that a site visit is a highly effective way to broaden its understanding of actual ESG challenges and opportunities associated with a project. Prior to the site visit, assessors will define the objectives of why a site visit should be conducted. When preparing for and conducting site visits, assessors will consider the following:

- Identify people in country who may be willing to talk to RCF. These could include industry contacts, consultants, academic, ministry or NGOs. Assessors should target candidates who are particularly knowledgeable about the area and issues of interest;
- Consult with the company's management team to determine whether any ESG issues identified during due diligence may be potential "fatal flaws";
- Cross-check information gathered with other assessors to determine whether potential ESG fatal flaws have been identified during other due diligence processes;
- Identify ESG-related gaps beyond those identified by company management;
- Conduct interviews with site management, workers and a diverse sample of community stakeholders. Similar questions should be asked to all stakeholders to verify the consistency of responses. Assessors need to be flexible, willing to listen and willing to adopt a variety of engagement methods;
- Review available on-site ESG documents;
- Engage local NGOs active in the area;
- Engage other relevant local sources (embassies, academia, governments, local business, etc.) for information concerning the project and the community; and
- Focus on understanding the community's true sentiment relating to the project by engaging with local residents, government officials, etc. Assessors will actively look for and take advantage of

any opportunity (within the limits of local safety and security considerations) to interact with local people independent from the host company. Being too closely identified with the company is likely to cause interviewees to be very cautious in what they talk about. Therefore, scheduling some time and meetings independent of the host company and utilizing independent resources is highly useful. It is important to recognize that sometimes host companies may be looking for good news more than objective answers.

When ESG due diligence uncovers inadequate standards, systems or processes for a potential investee company, RCF assessors and the management team work together to apply appropriate mitigation measures in the ESG Action Plan.

### 3.3. Investment Decision: ESG for Investment Committee Review



The Responsible Investment Officer, in conjunction with Deal Teams and other RCF assessors, will communicate ESG risks and opportunities to the RCF IC. The IC must have the opportunity to consider key aspects of ESG analysis so that risks and opportunities can be assessed in the context of the deal as a whole. Therefore, the IC paper should include the conclusions derived from the ESG Risk Assessment, ESG due diligence and an ESG Action Plan for necessary improvements over the investment duration with the associated timeframes and costs.

### 3.4. Investment ESG Action Plan



If RCF assessors have concerns about certain ESG issues, an ESG Action Plan will be prepared. The ESG Action Plan is discussed and jointly created by RCF, the management team of the potential investee company and any other relevant stakeholders. The ESG Action Plan prioritizes actions based on ESG matters that have the highest current or potential impact to the project's business and those issues that are of highest concern for the project's stakeholders. The ESG Action Plan includes the area of concern, risk rating, actions required, timeframe, proposed responsibilities and costs (as referenced in Appendix D). Additionally, RCF clearly communicates to the management team that the Action Plan and ESG performance will be monitored during the life of the investment.

In some instances, RCF has stipulated that a company must complete ESG-specific lender requirements.



When required, RCF may require or request a portfolio company to complete an independent E&S-focused Gap Analysis. A Gap Analysis involves document review and on-ground assessment by an independent third-party assessor to verify the status and implementation of the environmental, social, health and safety aspects of the current project, identify gaps against requirements and provide recommendations to achieve compliance. A typical scope for a Gap Analysis includes the following objectives:

- Objective 1: Assess compliance with environmental, social, health and safety (ESHS) requirements, including but not limited to:
  - Equator Principles III
  - IFC Performance Standards
  - Local regulations/national standards
  - Project commitments
  - World Bank Environmental, Health and Safety Guidelines
  - Good international industry practice guidance
- Objective 2: Report accomplishments and any non-compliant issues and opportunities for improvement as appropriate.
- Objective 3: Identify any ESHS factors that may adversely affect the future performance of the project.
- Objective 4: Identify any project practices, errors, omissions or other actions that may affect Shareholder reputation or overall project finance risk.
- Objective 5: Report overview of status of programs/compliance, gaps identified with justification and recommended compliance requirements with estimated time and cost for achieving compliance.
- Objective 6: Develop comprehensive Environmental and Social Action Plan (ESAP) for all aspects of the project (i.e., road, port, mine, etc.).

### 3.5. Management Activities: Monitoring Portfolio Companies



RCF can influence an investment’s ESG management either through direct consultation, representation on a board of directors, or through the terms of its investment, recognizing that the companies in which the Funds are invested are typically independently operated and managed. In those instances where RCF has direct influence on an investment’s management, RCF will strive to ensure that exploration and development, mining, processing and distribution activities are conducted in a responsible manner. RCF understands the value of earning and maintaining a “social license to operate” and believes that it is a critical factor in successful project development.

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Companies which monitor relevant standardized ESG metrics often have a more strategic approach to sustainability and transparency. Monitoring and reporting ESG metrics may help to improve relationships with stakeholders, identify operational efficiency improvements and encourage innovation opportunities. Deciding how and what to report helps to focus a company's efforts and resources on addressing the most important ESG issues affecting its business. Standardized reporting of ESG metrics is important for companies in emerging markets, where credibility, transparency and the trust of stakeholders is crucial to business success. RCF encourages its portfolio companies to monitor relevant standardized ESG metrics such as those developed by the GRI.

The Responsible Investment Officer, in conjunction with Deal Teams, will monitor portfolio company performance to ensure responsible mining and ESG business practices or other related industry standards are integrated into their business systems. The Responsible Investment Officer, in conjunction with Deal Teams, will encourage portfolio companies to regularly report on the following:

- Key, business-specific ESG risks;
- ESG performance metrics, commitments and management practices;
- Serious incidents that result in loss of life, serious injury, material effect on the environment or material breach of law;
- Company strategy in light of macro-economic or market changes, for example in regulation, markets and technology; and
- Opportunities for ESG improvement.

RCF assessors are committed to conducting regular interactive reviews of ESG risks and opportunities associated with its active investments. Site visits are undertaken on an as needed basis to further assess ESG programs and practices.

RCF-chaired Social and Environmental Committees ("SEC") have also been established with certain companies that require additional focus on ESG matters. The Social SEC comprises representatives from investors and company personnel and are tasked with monitoring the project's environmental and social performance, ensuring E&S gaps are identified, addressed, mitigated and managed appropriately and providing recommendations, when required, to the Owner Project Team. Specifically, the SEC carries out the following actions:

- Meet by phone biweekly, monthly or quarterly based on need
- Promote collaboration between RCF, Company, other financiers and specialists (RCF is chair)
- Provide a formal structure for analyzing ESG performance
- Review progress on fulfilling RCF/lender ESG requirements
- Review progress on fulfilling international best practice

- Analyze ESG risks and opportunities in depth (i.e., biodiversity, NGO interest, regulatory dynamics, community development, resettlement, etc).
- Recommend changes to the environmental/social strategy, budget and schedule, when necessary
- Identify areas for best practice sharing from members’ experience, which could serve to improve the project’s success

If business activity circumstances result in unpredicted or adverse ESG impacts, RCF will work with the management team to address the company’s ESG policy and practices, where appropriate. Additionally, if the management team fails to meet or maintain its ESG commitments, RCF will work with the portfolio company to help re-evaluate its commitments to the extent feasible (including the review of the company’s management systems).

### 3.6. Exit



When an investment is exited, it is highly desirable that effective ESG practices and improvements undertaken in a portfolio company continue under new management. The continuation of positive practices not only generates the best outcome for society as a whole but also for RCF’s reputation in terms of promoting the development of sustainable businesses. RCF will take suitable care during the exit screening process to assess how the new ownership may affect ESG matters; this may include a review of the reputation and track record of potential purchasers, funding, legal issues, formal policies, ESG management systems and any potential or perceived conflicts of interest. The exit screening review considers the impact that the exited portfolio company will have going forward on employees, local communities and the local environment. RCF may also choose to evaluate potential buyers based on their intentions in relation to responsible ESG practices.

The Responsible Investment Officer, in conjunction with Deal Teams, will track a project’s ESG successes and opportunities for improvement throughout the life of the investment. This information will be coordinated and disseminated to the entire RCF team once the exit is complete. This information will help Deal Teams to learn from previous experiences. Iterations of this information may be included in the ESG annual report.

## 4. ESG Policy Review, Training and Reporting

### 4.1. Annual Policy and Strategy Review

In 2017, RCF established an internal Environmental, Social, Safety and Governance (ESSG) Committee. The ESSG Committee, comprising RCF Partners and the Responsible Investment Officer, is responsible for policy development on ESG and sustainability-related matters affecting RCF’s portfolio companies and Limited Partners. The ESSG Committee meets at least twice per year. The Responsible Investment Officer

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evaluates the RCF Responsible Investment Policy and Strategy for compliance and relevance and, if appropriate, will make recommendations regarding modifications to the ESSG Committee. The Responsible Investment Officer also reviews the ESG Risk Assessment and Due Diligence framework annually.

## 4.2. ESG Training

The Responsible Investment Officer leads or facilitates organizational ESG training/information sessions. RCF employees will receive training on ESG matters annually and will participate in other ESG-related training on an as-needed basis.

## 4.3. ESG Reporting and Communications

The Responsible Investment Officer prepares reports, briefing materials and other publications relating to RCF's responsible investment practices for distribution to a variety of internal and external stakeholders. The Responsible Investment Officer is one of the primary spokespersons for informing internal and external stakeholders about RCF's responsible investment program. The Responsible Investment Officer will monitor and participate in industry organizations and initiatives within the responsible investment, responsible mining and ESG/CSR research fields to determine, refine and validate RCF's internal best practices. The Responsible Investment Officer will identify and communicate emerging ESG/CSR trends and social issues to the RCF team, as necessary.

### 4.3.1. Internal Reporting and Communications

The Responsible Investment Officer will annually report on ESG-related activities which include, but are not limited to, the following: ESG-related initiatives undertaken by portfolio companies, ESG training and emerging ESG-related trends. The annual report will focus on ESG successes and opportunities for continuous improvement and will specifically include key learnings from the previous year. Iterations of the annual report may be provided to RCF's Limited Partners ("LPs") or other parties. The Responsible Investment Officer will prepare and/or present other ESG-related materials on an as-needed basis. The Responsible Investment Officer will serve as a resource to LPs regarding RCF's responsible investment practices.

### 4.3.2. External Reporting and Communications

Public transparency serves to strengthen a fund manager's reputation. In the long term, public disclosure by fund managers of ESG/responsible investment policies and the ESG performance of portfolio companies may help to broaden public understanding of business activities and how investments in emerging markets promote private sector development and economic growth.

The Responsible Investment Officer completes the annual United Nations-supported PRI signatory reporting requirements along with any other applicable external reporting requirements relating to ESG. The PRI network comprises international investors that have committed to apply and advance six principles for responsible investment. The PRI framework was developed in partnership with the United

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Nations Environmental Programme (“UNEP”) Finance Initiative and the United Nations Global Compact to help investors build ESG issues into their investment process. The principles are a globally recognized platform for formalizing, raising internal awareness and providing a common language and set of expectations for our investment partners or portfolio company management teams and other stakeholders.

RCF has been an active signatory to the United Nations-supported Principles for Responsible Investment (PRI) since 2013. By becoming a signatory, RCF has committed to adopt and implement the following principles where consistent with fiduciary responsibilities :

- Incorporate ESG issues into investment analysis and decision-making processes.
- Be active owners and incorporate ESG issues into ownership policies and practices.
- Seek appropriate disclosure on ESG issues by the investment entities.
- Promote acceptance and implementation of the principles within the investment industry.
- Work together to enhance effectiveness in implementing the principles.
- Report activities and progress towards implementing the principles.

The Responsible Investment Officer will represent RCF on a variety of potential ESG related activities and/or commitments.

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## 5. Definitions

**Conflict-affected/high-risk areas:** are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as conflict with international or non-international characters, which may involve two or more states, or may consist of wars of liberation, insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence.

**Artisanal and Small-Scale Mining (“ASM”):** Formal or informal mining operations with predominately simplified forms of exploration, extraction, processing and transportation. ASM is normally low capital intensive and used high labor-intensive technology. ASM can include men and women working on an individual basis as well as those working in family group, in partnership, or as members of cooperatives or other types of associations and enterprises involving hundreds or even thousands of miners.

**Supply chain:** The term refers to the system of all the activities, organizations, stakeholders, technology, information, resources and services involved in moving the resource from the source to end consumers.

**Environmental Impact Assessment (“EIA”) or Social Impact Assessment (“SIA”):** These assessments should address the relevant environmental and social risks and impacts of the proposed project. The assessment should propose measures to prevent, mitigate and manage adverse impacts in a manner relevant and appropriate to the nature and scale of the proposed project. The assessment document may comprise a full-scale environmental or social impact assessment or a limited or focused environmental or social assessment/audit. See Appendix C for the list of potential ESG issues to be addressed in these assessments.

**Environmental and Social Management Plan (“ESMP”):** This plan is a summary of commitments to mitigate risks and impacts identified in an EIA, SIA or ESIA. This may range from a brief description of routine mitigation measures to a series of documents (resettlement action plan, Indigenous peoples plan, emergency preparedness and response plan, decommissioning plan). The level of detail and complexity of the ESMP and the priority of the identified measure and actions will be commensurate with the project’s potential risks and impacts.

**Environmental Management System (“EMS”) or Environmental and Social Management System (“ESMS”):** These systems are the overarching environmental, social, health, safety and security management systems which may be applicable at a corporate or project level. The ESMS is the overriding framework by which an ESMP is implemented. The system is designed to identify, assess and manage risk in respect to the project on an on-going basis. Separate systems may be in place for exploration, construction or operational phase of the project. The system consists of manuals and related source documents.

**Stakeholder engagement framework/plan/records:** A stakeholder engagement plan should be scaled to the project risks and impacts at the development stage and be tailored to the characteristics and interests

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of the affected communities. Disclosure of relevant project information helps affected communities and other stakeholders understand the risks, impacts and opportunities of a project. The company should provide the affected community with access to relevant information with relevant consultation on the following: the purpose, nature and scale of the project, the duration of proposed project activities, any risks to and potential impacts on such communities and relevant mitigation measures, the envisaged stakeholder engagement process and the grievance mechanism.

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## Appendix A: ESG Due Diligence

RCF assessors are expected to apply a tailored approach to ESG due diligence based on the issues identified in the Risk Assessment. This will enable RCF to better understand, evaluate and assess the ESG-related risks and opportunities that may affect a specific investment's performance. The following due diligence is applied based on specific project requirements; thus, not every due diligence question is applied to every project. For example, if there are no issues of Indigenous rights, assessors need not concern themselves with the intricacies of protocol for dealing with Indigenous communities.

While the following due diligence standards are critical to the ESG risk assessment and evaluation program, it is important to note that not all risks and opportunities can be identified by only referencing the due diligence below. The following ESG due diligence is updated as necessary and is formally reviewed annually to ensure applicability to best practice and other relevant standards.

ESG Due Diligence Environment				
ESG DD Category	Due Diligence on Environmental Matters	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
Compliance	Is the company in compliance with local, regional and national environmental laws, standards and regulation? Are required records kept up to date?			
	To what extent are environmental laws, standards and regulations effectively enforced by authorities?			
	Does the company comply with applicable local environmental laws, standards and regulations?			
	Are there any environmental inspections or audits required by authorities?			
	Has the company been denied any ESG regulatory approvals? Any delays?			
	Has the company received any citations regarding environmental violations in the past three years? If so, determine the following: number of citation(s), cost, nature of the violation(s) and action plan to achieve and maintain compliance.			
	Is the company exposed to potentially significant environmental liabilities, such as those from ongoing or future claims from negatively affected workers and/or communities, related to the company's past or ongoing operations? If yes, specify magnitude.			
Carbon Trading/ Reporting	What are the actual and expected impacts of carbon pricing systems?			
	What are the actual and expected impacts of carbon limits and trading systems? Describe the availability and price of emissions credits or offsets.			
	Does the company report performance according to the Carbon Disclosure Project ("CDP")?			
International Environmental Agreements	Does the company operate under any international environmental agreements?			
	Are there any international environmental conventions or standards of particular relevance to the operations of the company?			
Management Capacity, Performance and Risk Management	Does the company have an Environmental Policy?			
	What is the management approach to environmental issues (i.e., systems in place, incident reporting, reporting requirements, etc.)?			
	Does the company have an Environmental Management System? Is the company International Organization for Standardization ("ISO") certified? How is compliance with the program verified? If the company is ISO certified, which ISO certification does the company have or is striving to implement?			
	Does the company have an Environmental Compliance/Audit Program? What is the company's performance against its programs?			
	What are the resources (budget, qualifications and consultants) available for environmental matters and are they adequate to manage related risks?			
	Has management developed and implemented a systematic approach for identifying, assessing and prioritizing environmental risks and are appropriately qualified people involved in the process?			
Permitting/ Approvals	What environmental permits or approvals for the company's operations are required by the environmental authorities?			

ESG Due Diligence Environment				
ESG DD Category	Due Diligence on Environmental Matters	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
	Has the company obtained all relevant environmental permits and certifications and are they up to date? If certain permits are not fully secured, what is the process for tracking permit approval progress? Who is responsible for internally overseeing the permit approval process?			
	Which permits or approvals are required by authorities for the company's future operations?			
	Are there any significant ESG factors and/or risks that may affect access, title, or the right or ability to perform work on the property?			
Environmental Liabilities	What are the environmental liabilities related to past or on-going operations (i.e., ground water contamination, hazardous waste disposal, etc.)?			
	What is the likely timing and magnitude of known environmental liabilities?			
Training	Does the company have regular environmental training programs for staff?			
Record Keeping/ Incident Reporting	Are environmental records and contracts properly kept and are they current?			
	When was the most recent environmental audit conducted and what was the outcome?			
	Are systems in place for reporting serious environmental incidents internally and to relevant monitoring agencies? Are full investigations conducted for all serious environmental incidents?			
Air Emissions	Are air emissions regularly monitored and recorded by type and quantity (mobile sources and on-site stationary sources)?			
	Have company air emissions been out of compliance in the last three years? What was the outcome?			
	Are measures in place to reduce air emissions?			
	Are fugitive emissions such as dust from mining and processing activities or noise and seismic impacts from explosives use monitored and in compliance with regulatory limits?			
Waste Management (Hazardous and Non-Hazardous)	Does the company have or generate hazardous waste?			
	Are employees trained to handle hazardous waste?			
	Is hazardous and non-hazardous waste regularly monitored and recorded by volume and disposal method?			
	Have company hazardous and non-hazardous waste been out of compliance in the last three years? What was the outcome?			
	Are measures in place to reduce and/or recycle waste?			
Water Management	Is total water withdrawal by source monitored?			
	Are any water sources significantly affected by withdrawal of water?			
	Is water recycled and reused?			
	Will anticipated climatic variability affect water supplies?			
	Will there be potential water supply constraints with local communities now or in the future?			
	Is there potential for significant water quality disruption (i.e. acid generation potential)? See tailings management.			
	Is water discharge (effluent) regularly monitored and recorded by quality and destination?			
	Has company water discharge been out of compliance in the last three years? What was the outcome?			

ESG Due Diligence Environment				
ESG DD Category	Due Diligence on Environmental Matters	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
	Are measures in place to reduce water discharge (effluents)?			
Environmental Spills	Are significant environmental spills (including spillage of tailings, slimes or other significant process materials) regularly monitored and recorded by number and volume and have any occurred in the last three years?			
	Are spill prevention methods in compliance with laws, standards and regulations?			
	What measures are in place to prevent or reduce environmental spills?			
Tailings and Waste Rock	Are processes in place to assess and manage risks associated with overburden, waste rock, tailings, sludges and other residues (e.g., structural stability of storage facilities, metal leaching potential and hazardous properties)?			
	What are the types of tailings facilities that the company plans to operate or are currently operating (e.g., riverine, lake or submarine tailings disposal)?			
	Does the company plan to use or are they using lined or unlined pits? Have the risks been properly identified?			
	What approaches has the company taken to minimize waste and its potential impacts from overburden, waste rock, tailings, sludges and other residues?			
	For operating mines, what are the total amounts of overburden, rock, tailings, sludges and mineral processing waste generated annually, and what are the associated risks? What are the disposal methods for each (i.e., in pits or underground, on-site in engineered facilities, or offsite)?			
Energy	What are the energy sources for the operation?			
	What is the energy consumption by source for the operation?			
	Is the company subject to any energy efficiency standards and o/or building codes?			
	Does the company undertake any measures to reduce energy consumption or make improvements in efficiency?			
Biodiversity (Flora and Fauna)	What is the amount of natural habitat and or protected area (owned or leased for production activities) that will be disturbed or rehabilitated?			
	Has a biodiversity management plan been developed? Is one required?			
	Have habitats been protected or restored on site?			
	Are any there endangered or protected species affected by operations? Describe impacts.			
Mine Closure/ Rehabilitation	Are there requirements for land/ native vegetation offsets?			
	Has the company estimated its mine closure costs? Do they include: decommission and removal of infrastructure, earth moving and landform shaping, restoration of natural drainage, vegetation reestablishment, and post-closure monitoring and maintenance and project management?			
	What is the amount of land (owned or leased for production activities) that will be disturbed or rehabilitated?			
	What are the regulatory requirements for mine closure?			
	Is an environmental bond or provision required by authorities?			
	Describe the plans the company has developed to assist the established workforce to manage the progressive transition to post-closure phase of operations (which may include			

ESG Due Diligence Environment				
ESG DD Category	Due Diligence on Environmental Matters	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
	aspects such as re-deployment, assistance with re-employment, resettlement, redundancy, etc.).			
Climate Change including weather (see Carbon Trading and Air Emissions)	How is the company likely to be affected by changing weather patterns?			
	Has the company had to rebuild or repair facilities impacted by adverse weather events?			
	Is the company tracking and reporting its greenhouse gas emissions (GHGs)? If so, are they tracking Scope 1, 2 and/or 3? Are there strategies for GHG reductions?			
	Is the company in compliance with applicable jurisdictional air emission limits?			
Supply Chain	Is the company subject to any supply chain requirements relating to environmental matters?			
	Is the company aware of the environmental practices of its sub-contractors and/or of other companies from which it sources significant inputs?			
	Can the company influence its major sub-contractors and/or suppliers to improve their environmental practices, potentially by making improved practices a condition for continued business?			
Reputation	Has the company made any commitments or endorsements relating to the environment? If so, what are the commitments and are they being managed and adhered to?			
	Have there been changes in consumer preference or demand for goods and services offered by the company, in whole or in part to environmental matters or trends?			
Materials Stewardship	Describe the company's efforts for improving efficiencies and sustainability throughout procurement, use and disposal processes.			
	Describe the company's efforts to communicate product-related information to users up and down the value chain.			
	Describe the company's overall approach to, and progress with, use of Life Cycle Assessment to improve processes and products.			
	Describe the company's processes for assessing the eco-efficiency and sustainability attribute to products (e.g., recyclability, material use, energy use, toxicity, etc.).			
	Describe the company's traceability schemes.			
	Describe the company's collaborative efforts with groups such as product designers, manufacturers, consumers, local authorities, etc.			
	Describe the company's support of scientific research activities.			
	For Tin, Tantalum, Tungsten and Gold producers: Is the company prepared to respond to OECD supply chain requirements?			

ESG Due Diligence				
Social: Socio-political and Stakeholder Relations				
ESG DD Category	Due Diligence on Country and Stakeholder Relations	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
Socio-Political	Is RCF familiar with investing in the country or region?			
	Is the region largely dependent on mining?			
	Is the country/region politically stable?			
	Describe the social context of the project in terms of: <ul style="list-style-type: none"> <li>• Profile of neighboring communities,</li> <li>• Proximity, size of villages/towns/cities,</li> <li>• Religious and cultural composition,</li> <li>• Economic status and main livelihood activities.</li> </ul>			
	Has any of the following occurred recently: high inflation, unemployment and decrease in growth rate nationally or in the region of the project? Describe and state why.			
	Is there international sponsorship of the project or company (i.e., IFC, World Bank, EBRD, etc.)?			
	What is the historical profile of the current project? Have there been recent or past community conflicts, violence, history of resistance to government, physical displacement/resettlement of local population? Have any of those movements been directed at mining projects or specifically this project? Describe the circumstances of the incident, the date and who was involved. How was the issue resolved?			
	Describe any history of poorly managed mining operations in the region, including the operation, location and the companies involved.			
	Are there any influential anti-mining groups/lobbies in the country or similar groups in political parties that oppose mining?			
	Explain complaints, campaigns or legal action against the site by local citizens, groups, NGOs or other organizations.			
	Does the company have good relations with the local communities and NGOs?			
	If the project is a joint venture, assess the record/performance and reputation of the partner company.			
	Characterize the capacity of local/regional government to support community development and training (i.e., strong, weak, non-existent).			
Management Capacity, Performance, Risk Management	Does the company have a Stakeholder/Community Relations policy? Is it adhered to?			
	What are the resources (team, budget, qualifications) available for community relations and are they adequate to manage related social risks?			
	What is the management approach to community relations (i.e., systems in place, grievance mechanisms, incident reporting, reporting requirements, etc.)?			
	Are there established community relations performance indicators such as level of community support, quantifiable socio-economic value added, success in mitigating key negative social impacts, etc.?			
	Has management developed and implemented a systematic process for identifying, assessing and prioritizing community relations risks and are appropriately qualified people involved in the process?			
	Has a Social Impact Assessment (SIA) or equivalent been conducted and is it periodically updated for the site? Has it been prepared in compliance with international standards?			

ESG Due Diligence				
Social: Socio-political and Stakeholder Relations				
ESG DD Category	Due Diligence on Country and Stakeholder Relations	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
	If a SIA (or equivalent) has been prepared, did it closely look at human rights issues? Was a separate Human Rights Impact Assessment (HRIA) prepared?			
Stakeholder Relations and Sustainable Development	Is there a stakeholder engagement strategy, plan or program for the project? If so, are the following details included: <ul style="list-style-type: none"> <li>• Mechanism for continuing dialogue with local communities and stakeholders,</li> <li>• A policy of transparency,</li> <li>• Evaluation of the effectiveness of the on-going community communications efforts,</li> <li>• Records of engagement and stakeholder concerns, and</li> <li>• Free, Prior and Informed Consent (“FPIC”) obligations.</li> </ul>			
	Was stakeholder mapping conducted for the site?			
	Have any programs been implemented with direct involvement of the local population?			
	Are local issues, concerns and needs taken into account at the site?			
	What programs or initiatives have been developed by the site to manage community engagement/ social performance?			
	Are there systems in place for the company to regularly consult with the local community?			
	Does the company have active and demonstrable engagement with disadvantaged and vulnerable groups?			
	Are there programs in place for assessing the impacts of operations on local communities?			
	Has the community been consulted on production and/or extraction methods?			
	What is the total community investment last year? Is there an annual budgetary allocation for community investment? Does the budget appear to be appropriate? Are the programs sustainable beyond the life of the mine?			
	If there are any adverse effects on local communities or other stakeholders from the company’s operations, how are such effects minimized, reduced or compensated for?			
	Are there outstanding community expectations of the project?			
	Does the community have any outstanding compensation claims against the company?			
	Are migration issues linked to the site or its operations? Is there economic dependence on the site/operations of the communities? Has it increased over the years?			
What are the impacts and benefits of other mining companies in the region?				
Land Use	Have there been any significant disputes relating to land use, customary risks of local communities or Indigenous Peoples?			
Artisanal Miners (ASM)	Has baseline data been collected on ASM workers on or near the project site?			
	Will any ASM workers be relocated? Is there a plan in place? Have the ASM been properly informed or the relocation and have they agreed to move?			
	How does the company manage the risks associated with ASM (i.e., environmental risks such as mercury and cyanide pollution, dumping of tailings into river systems, social			

ESG Due Diligence				
Social: Socio-political and Stakeholder Relations				
ESG DD Category	Due Diligence on Country and Stakeholder Relations	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
	issues including potential conflict over land access with security and hazards to health and safety)?			
Grievances	Explain the process for redressing grievances whereby the communities can put forth their complaints/issues to the company.			
	What is the grievance profile in terms of trends, numbers, types and outcomes?			
Resettlement	Are there any land acquisition or resettlement issues connected to the project? If so, what are the land access risks and/or estimation of the potential scale of resettlement?			
	If resettlement is anticipated, has a Resettlement Action Plan ("RAP") been completed? If so, was it completed to international standards (i.e., IFC, World Bank)?			
	What are the costs associated with the implementation of the RAP? What are the resources (budget, qualifications) available for resettlement matters and are they adequate to manage related risks?			
	Has a conflict assessment been undertaken?			
	Has baseline data been collected on the affected persons, etc.?			
	If persons are being moved or otherwise negatively affected as a result of company operations, are they adequately compensated by the company, including through provision of new housing and/or financial compensations?			
	For surrounding communities, even if they are not being moved, might their livelihoods be affected because of a change in land use as a result of the company's operations?			
	Are there Indigenous communities on or near the site and are there related issues with the resettlement?			
	For projects where resettlement has already taken place, how many households were resettled and how were their livelihoods affected in the process? What were the consultation processes and measures put into place to re-establish the affected community, to mitigate any impacts of relocation and the outcomes, including sustainable land use. Were there any significant disputes related to the resettlement?			
Indigenous Land/ Indigenous Communities	Identify the traditional Indigenous land, resources or communities in or adjacent to the project.			
	What are the specific regulatory requirements in context with Indigenous communities relating to settlement such as native title agreements, consent, benefit sharing agreements, archaeological/cultural requirements or community development plans? What formal agreements are in place?			
	Has the company engaged the communities and developed any partnerships or programs?			
	Have any significant disputes occurred between the Indigenous community and the company?			
Cultural Heritage	What are the specific regulatory requirements relating to cultural heritage/religious landmarks?			
	Has the work that has been completed to date regarding cultural heritage been thorough?			
Commitments	Has the company made any commitments or endorsements relating to stakeholder/community relations? If so, what are			



ESG Due Diligence				
Social: Socio-political and Stakeholder Relations				
ESG DD Category	Due Diligence on Country and Stakeholder Relations	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
	the commitments and are they being managed and adhered to?			
Reputation	Have there been changes in consumer preference or demand for goods and services offered by the company, in whole or in part to local company engagement matters or trends?			

ESG Due Diligence				
Social: Labor and Workforce				
ESG DD Category	Due Diligence on Labor and Workforce	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
Compliance	Is the company in compliance with the applicable labor laws, standards and regulation? Do they maintain the required labor records and are they kept up to date?			
	Are the labor laws, standards and regulations effectively enforced by authorities?			
Remuneration	Does the company adhere to the statutory minimum wage (prescribed by national legislation) for the regular working time per month for regular full-time employees?			
	How is it ensured that contractors pay their workforce basic minimum wages adhering to legislation?			
	Is there additional employment or value added taxes as a condition of employment?			
	Have there been any recent lapses in payroll?			
Discrimination	Does the company have policies in place for overtime, maternity leave, sick leave and disability?			
	What is the recruitment procedure and compensation/benefits for various categories of workers?			
	Does the company have a non-discriminatory policy with respect to gender, race, color, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV/AIDS status?			
Freedom of Association	Are any local customs likely to result in discriminatory practices?			
	Does a workers' organization/trade union exist in the company? What policies are in place regarding Freedom of Association?			
Child Labor	Has the company experienced a strike, walkout, protest, demonstration, or other labor disruption by the workforce or significant conflict with employees during the past 2 years? What was the duration of the strike?			
	What is the minimum legal working age relevant to the project?			
	What process is in place to determine the age of workers?			
Local and Non-Local Labor	Is there a mechanism for ensuring that contractors enforce a 'no child labor' policy?			
	Is there an adequate population base to support the project within 50 km of the project?			
	What proportion of the operation's total workforce will come from the local community?			
	Does the company's operation require the import of non-local labor to the region?			
	Why is it appropriate or necessary to use non-local labor?			

ESG Due Diligence				
Social: Labor and Workforce				
ESG DD Category	Due Diligence on Labor and Workforce	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
	What are the company's measures to ensure that non-local labor has no or insignificant negative impact on the local communities? Note the risk of an increase in prostitution as a frequent result of the import of non-local male workers, with subsequent increases in HIV/AIDS prevalence.			
	Are housing facilities adequate for non-local workers? Where are they located relative to local communities and the project?			
	What are the plans for non-local labor to return to their destination of origin?			
	Are families of non-local workers also relocated by the company? If so, are provisions adequate (schools, health centers, housing, etc.)?			
Human Rights and Workers' Rights	Does the company have a Human Rights and/or Human Resources Policy?			
	Does the company have a process for identifying and managing human rights impacts?			
	Are workers aware of their rights?			
	Are proper labor contracts in place for all staff, including temporary and seasonal workers?			
	Do procedures for complaints about infringements of the rights of employees exist? Do employees have access to these procedures and are the familiar with them?			
	Have there been claims from any employees or former employees regarding labor practices or human rights violations in the last three years?			
	What are the engagement procedures with employees, other works and trade unions?			
Commitments	Has the company made any commitments or endorsements relating to human rights, labor or workforce? If so, what are the commitments and are they being stewarding to?			
Contractors/ Supply Chain	How does the company apply all policies, standards and practices to contractors?			
	Is the company subject to any supply chain requirements relating to labor matters?			
	Is the company aware of the labor practices of its sub-contractors and/or of other companies from which it sources significant inputs?			
	Can the company influence its major sub-contractors and/or suppliers to improve their labor practices, potentially by making improved practices a condition for continued business?			
Reputation	Has the company made any commitments or endorsements relating to labor? If so, what are the commitments and are they being managed and adhered to?			
	Have there been changes in consumer preference or demand for goods and services offered by the company, in whole or in part to labor matters or trends?			

ESG Due Diligence				
Social: Health, Safety and Security				
ESG DD Category	Due Diligence on Health, Safety and Security	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
Compliance	Is the company in compliance with local, regional and national health, safety and security laws, standards and regulation? Are required records kept up to date?			
	Does the local, regional or national government have specific laws, standards and regulation regarding mine safety?			
	Are health, safety and security laws, standards and regulations effectively enforced by authorities?			
	Which permits or certifications relating to health, safety and security are required by authorities for the company's current and future operations?			
	Are there any health and safety inspections or audits required by authorities?			
	Has the company received any citations regarding health, safety and security violations in the past three years? If so, provide the following: number of citation(s), dollar impact, nature of the violation(s), action plan to achieve and maintain compliance.			
	Determine the monetary value of significant fines and total number of non-monetary sanctions for noncompliance with health, safety and security laws and regulations.			
	Is the company exposed to potentially significant health, safety and security liabilities, such as those from ongoing or future claims from negatively affected workers and/or communities, related to the company's past or ongoing operations? If yes, specify magnitude.			
	How does the company apply the ILO Convention 176 on health and safety in mines?			
Management Capacity, Performance and Risk Management	Does the company have a Health, Safety and Security Policy?			
	Does the company have a Health, Safety and Security Management System relevant to its operations? Is the company ISO certified? Which ISO certifications does the company have or is striving to implement?			
	Does the company have a Health, Safety and Security Compliance/Audit Program? What is the company's performance against its programs?			
	What are the resources (budget, qualifications and consultants) available for health, safety and security matters and are they adequate to manage related risks?			
	Has management developed and implemented a systematic process for identifying, assessing and prioritizing health, safety and security risks and are appropriately qualified people involved in the process?			
Personal Protective Equipment and Training	Do employees have adequate personal protective equipment?			
	Are employees properly trained to safely perform their jobs and are training records maintained?			
Record Keeping/ Incident Reporting	Are health, safety and security records (incidents, training) and contracts are properly kept and are they current?			
	Does the company record health, safety and security performance indicators such as recordable incidents/illnesses, lost-time incidents/illnesses, fatalities, etc.? Does the company complete full investigations of serious incidents (including fatalities)?			
	Have any significant health, safety or security issues occurred in the past three years?			

ESG Due Diligence				
Social: Health, Safety and Security				
ESG DD Category	Due Diligence on Health, Safety and Security	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
Community Health and Safety	Has there been a health baseline established for the community? Has a Health Impact Assessment (HIA) been completed?			
	What are the common diseases and health risks that could pose a threat to the company's workforce (i.e., HIV/AIDS, Malaria, TB, etc.)?			
	Has the company implemented healthcare programs to benefit both workforce and local communities?			
	What is the local level of access to health care, for workers and the local population (outside of what the company has provided)?			
	If HIV/AIDS is a significant problem in the region has site management assessed the associated risks to business continuity and has it implemented a proactive, non-discriminatory HIV/AIDS support/management program for employees?			
Security	Has the company made any voluntary commitments on security?			
	Is violence, conflict, or thefts endemic within the community?			
	Have there been any security incidents at the site in the last 5 years? Is so, in each case, was a proper root-cause analysis undertaken by qualified personnel?			
	Who is providing site security and how is it perceived locally? Are local security forces involved? Are military forces involved?			
	Are all security personnel trained in human rights, including sub-contractors?			
	Describe the current provisions for security at the site.			
	Is the site subject to any legal or permit requirements regarding site security?			
	Has the site conducted a security risk assessment? If yes, was it conducted by competent persons and have the key findings and recommendations been acted upon?			
	If a site security risk evaluation were conducted, did it evaluate the risk to the safety of unauthorized persons who may enter onto the property and have measures been implemented to prevent such entry where the risk is significant?			
	For sites with multiple operators, how is security coordinated?			
	Are there any ethical concerns with respect to the way site security is set up and conducted (i.e., discrimination, harassment of employees, visitor, local residents, etc.)?			
	Have there been any complaints about security guards?			
Have there been any accidents and/or fatalities associated with the company's security guards during the last 5 years?				
Emergency Preparedness	Does the company have an emergency plan in place, if relevant including provisions for fire, pollution control, explosions? Have local emergency crews been briefed on the company's plans and procedures?			
	How has the company educated the communities adjacent to mining operations about the hazards and risks the operations (will) generate? Has the community been adequately informed and prepared on how to respond to an incident or an emergency?			

<b>ESG Due Diligence</b>				
<b>Social: Health, Safety and Security</b>				
<b>ESG DD Category</b>	<b>Due Diligence on Health, Safety and Security</b>	<b>Suggested Measures for Risk Mitigation</b>	<b>Risk Ranking</b>	<b>Standard</b>
Transportation	Does the company have any driver safety programs in place?			
	Have there been any significant accidents and/or fatalities relating to transportation in the last three years?			
	Does the company provide transportation services to employees?			
	Are third party transportation services properly managed?			
	Are transportation practices in accordance with local, regional, national or international laws (i.e., transport of hazardous materials)?			
Supply Chain	Is the company subject to any supply chain requirements relating to health, safety or security matters?			
	Is the company aware of the health, safety or security practices of its sub-contractors and/or of other companies from which it sources significant inputs?			
	Can the company influence its major sub-contractors and/or suppliers to improve their health, safety or security practices, potentially by making improved practices a condition for continued business?			
Public Commitments	Has the company made any commitments or endorsements relating to health, safety or security? If so, what are the commitments and are they being managed and adhered to?			
	Have there been changes in consumer preference or demand for goods and services offered by the company, in whole or in part to health, safety or security matters or trends?			

ESG Due Diligence Governance				
ESG DD Category	Due Diligence on Governance	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
Compliance	Is the company in compliance with applicable local laws, standards and regulation? Do they maintain the required compliance records and are they kept up to date?			
	To what extent are local laws, standards and regulations effectively enforced by local authorities?			
Litigation	Is the company a party to any ESG litigation? What is the anticipated liability exposure under any claims? What is the likelihood of those claims succeeding?			
	Are there any legal proceedings known to be contemplated?			
Corruption	Is the company in compliance with applicable corruption-related local laws, standards and regulation? Do they maintain the required corruption-related records and are they kept up to date?			
	How does the country rank in Transparency International's Corruption Perceptions Index?			
	Is the financial regulatory system of the country operating in line with international standards?			
	Will outside support be needed to assess country, company, or personnel (Control Risks, FTI)?			
	Review the effectiveness of the company's compliance program and policies and procedures for marketing and entertainment-related expenditures.			
	After conducting interviews of staff, were there any about rumors of unethical or suspicious conduct by the company, employees and consultants/representatives?			
	What is the percentage of employees trained in the company's anti-corruption policies and procedures?			
	What were the actions taken in response to incidents of corruption? What was the outcome?			
Business Integrity of a Company	Is there a designated person at the company with responsibility for managing compliance issues, ethics and potential conflicts of interest?			
	Are there any criminal convictions amongst the company management, staff or board members?			
	Has any management, staff or board member been, or is, under investigation by law enforcement or regulatory authorities?			
	Is there evidence or suspicion of company management criminal activity (i.e., intimidation, blackmail, etc.)?			
	Is there evidence of Involvement or association with criminals or money laundering?			
	Does anyone connected with the company appear on any UN list of persons suspected of involvement in terrorists' activities or any other relevant national or international blacklists? (Control Risks)			
Code of Conduct	Does the company have a code of conduct for employees? If so, does the Code of Conduct include: <ul style="list-style-type: none"> <li>• Anti-bribery policies and relevant employee training,</li> <li>• Procedures on gifts, entertainment and other potential sources of conflicts of interest,</li> <li>• Anti-money laundering policies and relevant employee training?</li> </ul>			
Accounting Compliance	Are accounting records in compliance, fully up-to-date and complete?			
	Does the company send regular and complete information to the tax authorities?			

ESG Due Diligence Governance				
ESG DD Category	Due Diligence on Governance	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
Dealings with Government	Is there evidence of company involvement in misuse or misappropriation of public property?			
	Is there evidence of major political affiliations or contributions?			
	Is there evidence of politician or government official involvement in the company (i.e., beneficial owners, on board of directors, etc.)?			
	Is there evidence of misappropriation, fraud or other crimes against the company or its owners or stakeholders?			
	What are the key issues with government capacity/capability (managing population increase, demands on water, need for housing, energy, transportation or other resources)?			
	Does the company track payments to local communities as part of land use agreements, not including land purchases?			
Commitment to Good Corporate Governance	Does the company have a charter or articles of incorporation according to local legislation, with provisions on: <ul style="list-style-type: none"> <li>• The protection of shareholder rights and the equitable treatment of shareholders,</li> <li>• Distribution of authority between the annual general meeting of shareholders, the board of directors and executive bodies,</li> <li>• Information disclosure and transparency of the company's activities?</li> </ul>			
	Does the company have a code of ethics?			
	Does the company have a corporate governance code, policies or a mandate? What are the procedures for monitoring compliance? Who does the monitoring?			
	Does the company have a whistle-blower policy and procedures?			
	Are there any shareholder agreements, provisions of the company's charter, or informal understandings that specify which shareholders appoint directors?			
	Are there any independent directors? If so, how were they selected? How, if at all, does the company define 'independent' director?			
	Does the company have board committees? Which functions?			
	How often does the board of directors meet? Is attendance tracked?			
	Does the board of directors have meeting procedures in place for its meetings (i.e., agendas, minutes, performance commitments, etc.)?			
	What is understood as the role of the board of directors, particularly with respect to: <ul style="list-style-type: none"> <li>• Strategy and vision for the company,</li> <li>• Selection and compensation for the CEO and senior management,</li> <li>• Risk management, oversight of controls, external audit and preparation of financial statements</li> <li>• Major capital expenditures and large value transactions?</li> </ul>			
Does the board of directors conduct self-evaluations or other reviews of its effectiveness?				
Transparency and Disclosure	Are the financial statements prepared in keeping with internationally recognized accounting standards?			

ESG Due Diligence Governance				
ESG DD Category	Due Diligence on Governance	Suggested Measures for Risk Mitigation	Risk Ranking	Standard
	Have the company's financial statements in the past 5 years been re-statements in a material way? Is the company audited by a "Big 4 Auditor"?			
	Does the company have a written information disclosure policy that seeks to make all material information (financial and non-financial) fully, timely and equally available to all stakeholders?			
	Has the company ever been sanctioned or censured by the regulator or the exchange for any failure or delay in disclosing required information to the public?			
	Does the company operate in a country that is a candidate or compliance with the EITI?			
	How does the company regularly consult with local communities, NGOs and other relevant stakeholders?			
	Has there been negative media coverage about the company or its staff, management, board directors?			
	How is the company perceived by media, community and NGOs?			



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## Appendix B: List of Potential Environmental and Social Issues addressed in Environmental and Social Assessments

- Assessment of the baseline environmental and social conditions;
- Consideration of feasible environmentally and socially preferable alternatives;
- Requirements under host country laws and regulations, applicable international treaties and agreements;
- Protection of human rights by acting with due diligence to prevent, mitigate and manage adverse human rights impacts;
- Protection of community health, safety and security (including risks, impacts and management of project's use of security personnel);
- Protection of cultural property and heritage;
- Protection and conservation of biodiversity, including endangered species and sensitive ecosystems in modified, natural and critical habitats and identification of legally protected areas;
- Sustainable management and use of renewable natural resources (including sustainable resource management through appropriate independent certification systems);
- Use and management of dangerous substances;
- Major hazards assessment and management;
- Labor issues and occupational health and safety;
- Fire prevention and life safety;
- Socio-economic impacts;
- Land acquisition and involuntary resettlement;
- Impacts on affected communities and disadvantaged or vulnerable groups;
- Impacts on Indigenous peoples and their unique cultural systems and values;
- Cumulative impacts of existing projects, the proposed project and anticipated future projects;
- Consultation and participation of affected parties in the design, review and implementation of the project;
- Efficient production, delivery and use of energy;
- Pollution prevention and waste minimisation, pollution controls (liquid effluents and air emissions) and solid and chemical waste management; and
- Viability of project operations, of reasonable, foreseeable changing weather patterns/climatic conditions, together with adaptation opportunities.

**Note:** The above list is for illustrative purposes only. The Assessment process of each project may or may not identify all issues noted above, or be relevant to every project.

## Appendix C: ESG Action Plan

ESG Action Plan for Company						
ESG Risk Category	ESG Risk	Risk Rating	Actions Required	Timeframe	Responsibilities	Costs
Environment						
Social						
Governance						
Other						

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## Appendix D: Referenced Document Index

Document	Latest Version Year
RCF Responsible Investment Policy	2020
PRI Reporting Framework	2020
Equator Principles III	2013
IFC Performance Standards on Environmental and Social Sustainability	2012
IFC Environmental and Social Review Procedures	2011
GRI Sustainability Reporting Guidelines – 4.0	2018
GRI Sustainability Reporting Guidelines – Mining and Metals Supplement – 4.0	2018
OECD Due Diligence Guidance for Responsible Supply Chains of Mineral from Conflict Affected and High-Risk Areas	2012
CDC Toolkit on ESG for Fund Managers	2010