

# Sustainability Policy

We Invest In The Elements – For a Sound World, and a Sound Financial System

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## 1. Introduction

This document explains how AuAg Funds (AuAg) defines sustainable investments and the actions taken to promote change within the holdings in the funds. The general definitions and investment process cover all holdings in the funds, but AuAg mainly focuses on promoting change in the companies with the greatest improvement potential. Creating impact in these companies will have the greatest net effect on the world.

## 2. Responsible Investments

AuAg agrees with the definition of “responsible investments” by UNPRI:

*“...a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.”*

Responsible investing is not about looking good, it is about doing good. It is the responsibility of a fund to use the accumulated number of shares to promote change in the companies held by the fund.

Furthermore, AuAg agrees with the definition of “sustainable investments” in SFDR Article 2 (17):

*“a sustainable investment means an investment in an economic activity that contributes to an environmental objective or an investment in an economic activity that contributes to a social objective, provided that such investments Do Not Significantly Harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.”*

## 3. How we work

This section presents how AuAg works with responsible and sustainable investing. More information about the principles behind our sustainability investment philosophy can be found here: <https://www.auagfunds.com/sustainability>.

### Background

A majority of the global greenhouse gas emissions come from the energy we use. This can be divided into three areas: the energy used in industry (24,2%), transport (16,2%), and buildings (17,5%)<sup>1</sup>. Reducing emissions within these areas will have the biggest net effect on our environment and should be prioritised.

About 80% of greenhouse gas emissions related to metals mining come from the power source used when operating the mine<sup>2</sup>. Therefore, transitioning to green energy will significantly reduce the metal’s climate footprint. In recent years, responsible investing and ESG have been discussed more frequently among metals mining companies. These mining companies are working hard to reach the targets of the Paris Agreement and the UN Sustainable Development Goals<sup>3</sup>.

We need certain materials to enable the transformation to a green world. Metals such as gold, silver, and copper are indispensable due to their unique properties. Without extracting these materials, we cannot build high-tech and green-tech products like batteries, solar cells, and computers. Since we need these metals, promoting the companies extracting them in the most sustainable way is important.

The purpose of our funds is to promote change where change matters.

### AuAg Sustainability Investment Process

AuAg has an ongoing dialogue with the holdings to learn more about their operations and focus areas. To get the best information about the companies evaluated for inclusion in the fund, AuAg use three different ESG data providers: Morningstar/Sustainalytics (ESG Risk Rating), Datia (SFDR Reporting), and Sanctify (Real-time ESG analytics). AuAg has an ongoing systematic process within the investment team for identifying sustainability risks.

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<sup>1</sup> <https://ourworldindata.org/emissions-by-sector>

<sup>2</sup> <https://www.gold.org/about-gold/gold-supply/responsible-gold/gold-and-climate-change>

<sup>3</sup> <https://www.gold.org/about-gold/gold-supply/responsible-gold/gold-and-climate-change>

Before investing in a company, and on a recurring basis (annually), a four-step process is followed to determine whether the company fulfils the requirements to be included in the funds.

1. **Research & Follow-up:** The first step includes looking through multiple data sources for each company. If AuAg had a previous dialogue with the company, there is also a follow-up on whether there is any visible progress on previously discussed topics.
  - a. The first step involves reading the company's sustainability report, analysing the Sustainalytics ESG Risk Rating, and using Sanctifys' news analysis tool. The rating from Sustainalytics evaluates each company's exposure towards ESG-related risks, and Sanctifys' news analysis tool screens for news related to each company's ESG activities.
  - b. During the research, the degree to which the company is following certain standardised norms is also evaluated:
    - i. UNPRI
    - ii. UN Global Compact
    - iii. Plan to reach the UN Sustainable Development Goals (SDGs)
  - c. AuAg also performs an additional assessment where the following norms are deemed relevant for the sectors the funds are investing in.
    - i. Product involvement – Products and Services
    - ii. Transparency International's Corruption Perception Index
    - iii. World Gold Council's Conflict-Free Gold Standard
    - iv. Responsible Mining Principles (RGMPs)
2. **Benchmark:** Compare the company with our other holdings to see if they're a "Leader", "Average", or "Laggard" when it comes to their ESG work. This is based on their ESG risk score from Sustainalytics.
3. **Analyse:** Depending on the outcome from step 2, we take the following steps:
  - a. Leader (Top 25% ESG Risk Score) – Use as best-in-class example
  - b. Average - Use as a baseline
  - c. Laggard (Bottom 25% ESG Risk Score) – Summarise the main contributors to the company's high ESG risk rating
4. **Impact/Engagement Dialogue:** Reach out to the companies with the status "Laggard".
  - a. See the email template below in Appendix A.
5. **Reporting:** Reporting of sustainability information according to the Sustainable Finance Disclosure Regulation. Our ESG Data provider for reporting is Datia.
  - a. Annex II, IV
  - b. Sustainability Related Disclosures
  - c. Swesif Hållbarhetsprofilen

#### 4. Voting

The funds shall normally, where practicable, vote at general meetings of the companies in which it owns more than 2% of the company in question.

Voting is a secondary approach of promoting change within the companies. AuAg aims to have a proactive approach to influence the holdings before the voting process is initiated.

## 5. Initiatives & Classifications

This section describes the different sustainability initiatives that AuAg supports. It also describes the different fund ratings/classifications relevant to the funds.

### Initiatives

AuAg is, through its fund company, AIFM Capital, a signatory of the following initiatives:

- The principles of the UN Global Compact<sup>4</sup>,
- UN Principles of Responsible Investment<sup>5</sup>, and
- Swesif – Hållbarhetsprofilen (Swedish Eurosif).

### Classifications

#### Sustainable Financial Disclosure Regulation (SFDR)

The SFDR classifies funds under either Article 6, 8, or 9. AuAg's funds are classified as Article 8 in the SFDR, which means that the funds promote environmental or social characteristics<sup>6</sup>. Documents related to SFDR can be found on each fund page at [auagfunds.com](https://auagfunds.com). See the links below:

- [AuAg Silver Bullet](#)
- [AuAg Precious Green](#)
- [AuAg Essential Metals](#)
- [AuAg Gold Rush](#)

#### Morningstar | Sustainalytics - Sustainability Rating

A score based on what risks the holdings in a fund take related to Environmental, Social and Governance factors (ESG) in relation to other funds in the same category.

#### Principles for Responsible Investment (PRI)

An initiative by the United Nations (UN) for responsible investments. The initiative aims to accelerate the development concerning sustainability by creating a framework that can be integrated into daily operations. By signing the UN PRI, a fund company undertakes to follow six principles<sup>7</sup>.

#### UN Global Compact

UN's directive for corporate responsibility. To participate, each company must commit to meeting responsibilities within the four areas: human rights, labour, environment, and anti-corruption<sup>8</sup>.

This initiative also involves supporting any of UN's 17 Global Sustainability Goals (SDGs). AuAg supports these goals, and has chosen to focus especially on the following goals:

- 7 – Affordable and Clean Energy,
- 8 – Decent Work and Economic Growth,
- 9 – Industry, Innovation and Infrastructure,
- 12 – Responsible Consumption and Production, and
- 16 – Peace Justice and Strong Institutions.

<sup>4</sup> <https://unglobalcompact.org/what-is-gc/participants/147798-AIFM-Group>

<sup>5</sup> <https://www.unpri.org/signatories/signatory-resources/signatory-directory>

<sup>6</sup> <https://www.auagfunds.com/research-centre/resources/sustainable-investment>

<sup>7</sup> <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>

<sup>8</sup> <https://unglobalcompact.org/what-is-gc>

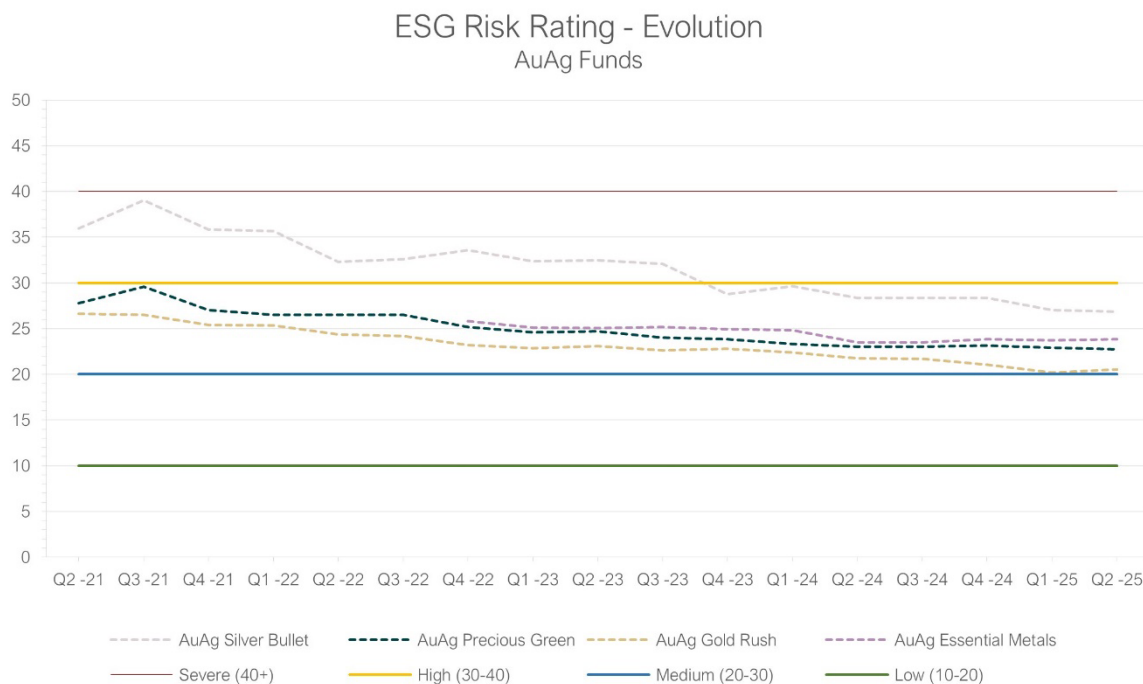
## Transparency

In addition to the ESG factors, AuAg focuses on Transparency (T). This involves ending the injustice of corruption by promoting transparency, accountability, and integrity.

AuAg values transparency highly throughout our organisation and processes. Transparency has been added as a fourth factor in the investment process in addition to Environmental, Social and Governmental. AuAg does not invest in a company with more than 30% of its operations in a country with a score below 30 (Transparency International Corruption Perceptions Index) without an additional evaluation.

AuAg also supports Transparency International, an organisation that wants a world free of corruption<sup>9</sup>.

## 6. Impact



## 7. Engagement

The fund uses its influence to promote change in the companies concerning sustainability. The fund has contact with companies to influence them in a more sustainable direction.

AuAg promotes change through active engagement with the company's senior leadership.

The table below presents the latest contact with the holdings classified as "Laggards" above. The companies in the table are selected in the AuAg Sustainability Investment Process outlined above. Each company is contacted at least annually.

Holding	Engagement Date	Reason	Fund
Silvercorp Metals Inc.	2021-11-19	High ESG Risk Rating	AuAg Silver Bullet
First Majestic Silver Corp.	2021-11-19	High ESG Risk Rating	AuAg Silver Bullet
SilverCrest Metals, Inc.	2021-11-19	High ESG Risk Rating	AuAg Silver Bullet

<sup>9</sup> <https://www.transparency.org/en/>

Hecla Mining Co	2021-11-19	High ESG Risk Rating	AuAg Silver Bullet
Seabridge Gold Inc.	2021-11-19	High ESG Risk Rating	AuAg Silver Bullet
MAG Silver Corp.	2021-11-19	High ESG Risk Rating	AuAg Silver Bullet
Gatos Silver, Inc.	2021-11-19	High ESG Risk Rating	AuAg Silver Bullet
McEwen Mining Inc.	2021-11-19	High ESG Risk Rating	AuAg Silver Bullet
McEwen Mining, Inc.	2022-11-24	High ESG Risk Rating	AuAg Silver Bullet
SilverCrest Metals, Inc.	2022-11-24	High ESG Risk Rating	AuAg Silver Bullet
First Majestic Silver Corp.	2022-11-24	High ESG Risk Rating	AuAg Silver Bullet
Endeavour Silver Corp.	2022-11-24	High ESG Risk Rating	AuAg Silver Bullet
Hecla Mining Co.	2022-11-24	High ESG Risk Rating	AuAg Silver Bullet
First Quantum Minerals Ltd.	2022-05-12	High ESG Risk Rating	AuAg Precious Green
Lynas Rare Earths Ltd.	2022-05-12	High ESG Risk Rating	AuAg Precious Green
Plug Power Inc.	2022-05-13	High ESG Risk Rating	AuAg Precious Green
JinkoSolar Holding Co., Ltd.	2022-05-13	High ESG Risk Rating	AuAg Precious Green
First Quantum Minerals Ltd.	2023-10-16	High ESG Risk Rating	AuAg Precious Green
Canadian Solar	2023-10-17	High ESG Risk Rating	AuAg Precious Green
Aya Gold & Silver	2023-11-15	High ESG Risk Rating	AuAg Silver Bullet
GoGold Resources	2023-11-15	High ESG Risk Rating	AuAg Silver Bullet
Allkem	2023-11-23	High ESG Risk Rating	AuAg Essential Metals
Nucor	2023-11-21	High ESG Risk Rating	AuAg Essential Metals
JinkoSolar Holding Co., Ltd.	2024-12-18	High ESG Risk Rating	AuAg Precious Green
Freeport-McMoRan, Inc	2024-12-18	High ESG Risk Rating	AuAg Precious Green
SilverCrest Metals, Inc	2024-12-18	High ESG Risk Rating	AuAg Silver Bullet
KGHM Polska Miedz SA	2024-12-18	High ESG Risk Rating	AuAg Silver Bullet
Rio Tinto Ltd.	2024-12-18	High ESG Risk Rating	AuAg Essential Metals
Cameco Corp	2024-12-18	High ESG Risk Rating	AuAg Essential Metals

## 8. Policy Review

This policy is reviewed and updated continuously, at least annually.

## 9. Contact

Christopher Svensson maintains and updates this document. For questions, please send an email to [christopher.svensson@auagfunds.com](mailto:christopher.svensson@auagfunds.com).

Appendix A

Email Template

Hi,

My name is [Insert: Your name], and I’m the [Insert: your role] at AuAg Funds, We are investing in precious metals miners.

We currently own [Insert: number of shares] shares in your company, and we keep on buying more with our fund AuAg [Insert: Name]

I’m responsible for our ESG investment process, and I’ve been reading up on your work regarding ESG on your website. I can see that you focus on this topic, which makes us investors happy.

We follow your ESG risk score on a quarterly basis at Sustainalytics and would like you to see continuous progress towards a lower score. We like to see our miners at a “Medium” level in the risk scale below. We can accept “High” if we can see that you are making progress in the right direction.



Can you comment on how you are working to improve your work regarding ESG?

We love precious metals, just like you, and want to support you on this journey.

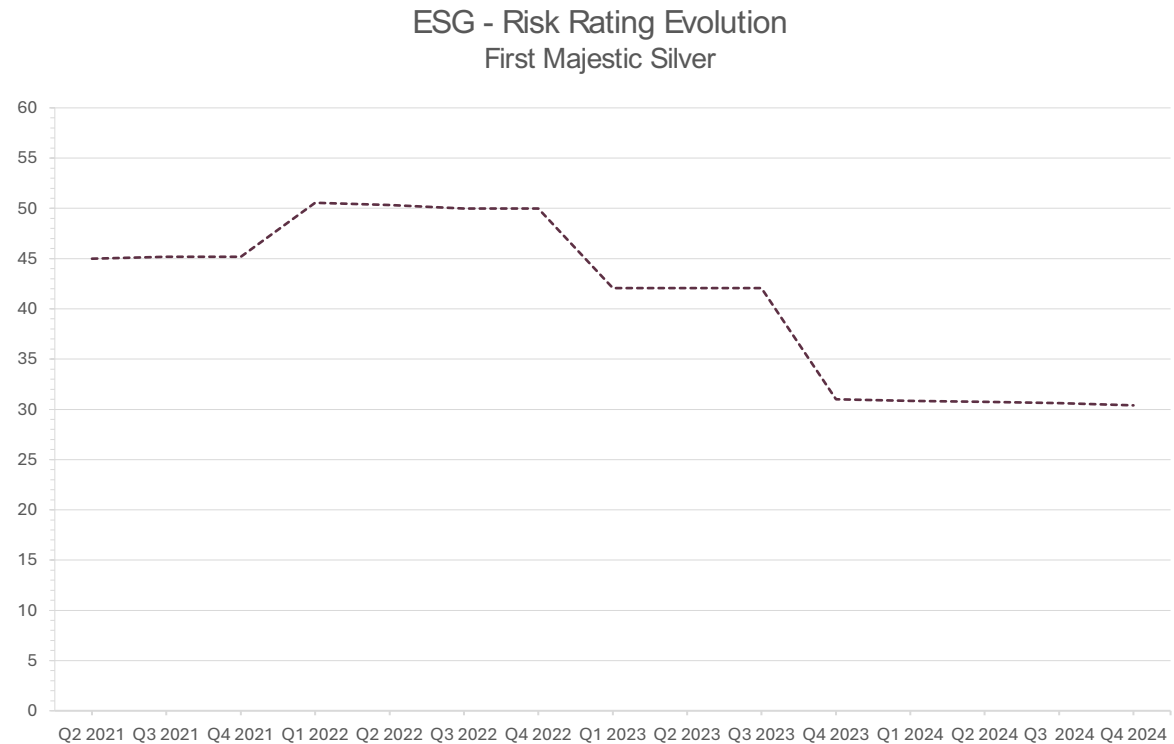
Looking forward to your response!

Thank you!

Appendix B – ESG Impact Case Example

First Majestic Silver is one of the holdings in AuAg Silver Bullet. We have had dialogues regarding their ESG Risk Score and related ESG engagements since 2021-11-19 and have been in annual contact since then. During this time, we have seen a significant reduction in the ESG Risk Rate from 50+ (Severe) to 30,4 (High).

First Majestic ESG Risk Rating Evolution



First Majestic ESG Risk Rating from Sustainalytics

MORNINGSTAR

SUSTAINALYTICS

Investor Solutions

Corporate Solutions

Company Ratings

Resources

First Majestic Silver Corp.

Industry Group: Precious Metals

Country/Region: Canada

Identifier: TSE:AG

First Majestic Silver Corp is engaged in the production, development, exploration, and acquisition of mineral properties with a focus on silver and gold production in North America. It owns three producing mines in Mexico consisting of the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine, and the La Encantada Silver Mine.

Full time employees: 3,746

ESG Risk Rating

COMPREHENSIVE

30.4

High Risk

Negligible

Low

Medium

High

Severe

0-10

10-20

20-30

30-40

40+

Ranking

Industry Group (1st = lowest risk)

Precious Metals

44 out of 105

Universe

Global Universe

10386 out of 14947

Last Full Update: Nov 10, 2023

Last Update: Feb 5, 2025



## Engagement Dialogues

Below is a summary of the dialogues we have had with the team at First Majestic since 2021.

november 2021

➤ **Email - Sv: Questions about your ESG Risk Rating** from Christopher Svensson 3 26 nov 2021 at 09:44 GMT+1  
to FM - Info, Todd Anthony, Eric Strand  
● Opens: 6 Clicks: 0

Hi Todd,

Thank you for a detailed response, really helped me understand what actions you take to improve your ESG risk rating.

I'm looking forward to following your continued progress and will get back to you if I have more questions.

➤ **Email - RE: Questions about your ESG Risk Rating** from Todd Anthony 3 24 nov 2021 at 15:57 GMT+1  
to FM - Info, Christopher Svensson, Eric Strand

Hi Christopher,

Thanks for your interest in First Majestic's ESG performance and programs. We deeply value the feedback from our investors' communities.

Related to your question on Sustainalytics comment, we want to emphasize the following elements: (sorry for the lengthy email)

➤ **Email - Questions about your ESG Risk Rating** from Christopher Svensson 3 19 nov 2021 at 11:24 GMT+1  
to info@firstmajestic.com, Eric Strand  
● Opens: 3 Clicks: 0

Hi,

My name is Christopher, and I'm the COO at AuAg Funds, an asset management company investing in precious metals miners. We currently own 600,000 shares in your company, and we keep on buying more with our fund AuAg Silver Bullet.

november 2022

› **Email - Re: RFI from AuAg Funds (current institutional investor)** from Christopher Svensson  13 25 nov 2022 at 15:39 GMT+1  
to Todd Anthony, FM - Info, Eric Strand

● Opens: 7 Clicks: 0

Hi Todd,

Thank you for your quick response!


I understand, I hope your work will be correctly reflected at Sustainalytics soon.

I am aware that some work on ESG Assessment and Factors have been done since 2020 at Sustainalytics. It would be useful to

› **Email - RE: RFI from AuAg Funds (current institutional investor)** from Todd Anthony  13 24 nov 2022 at 17:13 GMT+1  
to Christopher Svensson, FM - Info, Eric Strand

Hi Christopher - thanks for your email below and continued support as an institutional shareholder.

We are currently in the process of validating all relevant information from our 2021 ESG report is properly loaded on third-party systems such as Sustainalytics. I have noticed some discrepancies in other third-party systems (such as ISS) where information was missing which reflected a lower than justified reporting score. Thanks for bringing this to my attention and

› **Email - RFI from AuAg Funds (current institutional investor)** from Christopher Svensson  13 24 nov 2022 at 15:28 GMT+1  
to Todd Anthony, Eric Strand, FM - Info

● Opens: 8 Clicks: 4

Hi Todd,

My name is Christopher Svensson and I'm a fund manager at **AuAg Funds** . We are investing in precious metals miners.

We currently own 700,000 shares in your company and we keep on buying more with our fund **AuAg Silver Bullet** .

We currently do not ESG Investment process, and this has been our main concern with regard to ESG in our portfolio. I am aware that you

mars 2023

> Email - RE: RFI from AuAg Funds (current institutional investor) from Todd Anthony 13

31 mar 2023 at 21:53 GMT+2

to Christopher Svensson, Eric Strand, Mark Carruthers

May 4<sup>th</sup> at 18:00 CET (9am Vancouver time) looks like it will work for us.  
Please confirm and we will send a calendar invite.  
Yes, we are planning to get to the SMI conference in November too.  
Todd

> Email - Re: RFI from AuAg Funds (current institutional investor) from Christopher Svensson 13

31 mar 2023 at 11:52 GMT+2

to Todd Anthony, Eric Strand

● Opens: 2   Clicks: 0

Hi Todd,  
We will not be in Zurich unfortunately. We'll attend the SMI-conference in Zurich in November, maybe we can meet in person then?  
*Would be great if we could find a time slot for a digital meeting (with or without Keith)*

> Email - RE: RFI from AuAg Funds (current institutional investor) from Todd Anthony 13

30 mar 2023 at 17:58 GMT+2

to Christopher Svensson, Eric Strand

Hi Chris – we will be in Zurich for the European Gold Conference. Perhaps we can meet there? Keith will also be in attendance in Zurich.  
Todd

> Email - Re: RFI from AuAg Funds (current institutional investor) from Christopher Svensson 13

30 mar 2023 at 10:58 GMT+2


to Todd Anthony, Eric Strand

● Opens: 3   Clicks: 0

Hi Todd,  
Any updates on the validation on your ESG data as discussed below?  
We have continued to buy shares since we last spoke (we currently hold 825,000) despite the volatility.  
*18% owned 11% by Keith for common ownership from which Keith then holds another 10% for 28%*

11

maj 2023

> **Email - RE: RFI from AuAg Funds (current institutional investor)** from Todd Anthony  13  
to Christopher Svensson, Jillian Lennartz

31 maj 2023 at 21:41 GMT+2

Hi Christopher – I have good news to finally share! We've recently hired Jill Lennartz (cc'd) as our Director of ESG Reporting and she will be heading up everything ESG related. She was formerly at TECK and is a great addition to our team.

Question: Which ESG rating agency do you tend to follow @ AuAg funds? Sustainalytics, ISS, MSCI, etc? I'm only asking as we are planning to engage a couple agencies to improve our ESG scoring.

> **Email - Re: RFI from AuAg Funds (current institutional investor)** from Christopher Svensson  13  
to Todd Anthony, Eric Strand, Mark Carruthers

3 maj 2023 at 09:03 GMT+2

● Opens: 4   Clicks: 0

Hi Todd,

That was unfortunate. Thank you for the update!

I'll let you know if we have any questions after the call.

1 Attachment: screenshot of call

> **Email - RE: RFI from AuAg Funds (current institutional investor)** from Todd Anthony  13  
to Eric Strand, Christopher Svensson, Mark Carruthers

2 maj 2023 at 22:41 GMT+2

Hi Christopher – I unfortunately have had a conflict in my schedule now and won't be able to make our call this Thursday.

Fortunately, you'll be in good hands with Keith and Mark.

Happy to follow up post-call if there are any outstanding questions.

1 Attachment: screenshot of call