

Sustainability-related disclosures – AuAg Essential Metals

1. Summary

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.

AuAg agrees with the definition of responsible investments by UNPRI as:

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

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

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.

A majority of the global greenhouse gas emissions comes 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%). Reducing emissions within these areas will have the biggest net effect on our environment and should be prioritized.

About 80% of greenhouse gas emissions related to metal mining come from the power source used when operating the mine. Therefore, a transition towards green energy will significantly reduce the metal's climate footprint. Responsible investing and ESG are two topics discussed more frequently among precious metals mining companies in the past years. These mining companies are working hard to reach the targets of the Paris Agreement and the UN Sustainable Development Goals.

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, such as batteries, solar cells, and computers. Since we need these metals, it is important to promote the companies extracting them in the most sustainable way possible.

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

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 that are evaluated for inclusion in the fund, AuAg has entered a strategic partnership with Sustainalytics, the world-leading ESG data provider. AuAg's investment team have an ongoing systematic process for identifying sustainability risks.

2. No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The fund promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 100% of sustainable investments with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy.

Environmental objectives:

- Climate change mitigation
- The transition to a circular economy
- Pollution prevention and control

The investment contributes to above environmental objectives by enabling the activities listed for each objective (Article 10 (li), Article 13 (li), Article 14 (1e) in EU 2020/852).

The fund is a broad sector fund that invests at least 90% in companies involved in the extraction and processing of basic materials with a special focus on industrial and new technology metals such as iron/steel, copper, aluminium, zinc, lead, tin, lithium, nickel, cobalt, uranium, titanium, dysprosium, praseodymium, neodymium, tellurium, scandium, gallium, iridium, silicon, terbium, germanium, molybdenum, indium, chromium, rhodium, rhenium, platinum, palladium, silver and gold.

Mining companies have a central role in the world's transition towards a more sustainable future. The metals extracted by the miners are essential to create the green technologies of tomorrow. Gold, silver, platinum, palladium, copper, lithium, and many more metals have broad industrial uses and make central parts in producing for example electric car batteries, solar cells and computers. Without these metals, it is simply not possible to reach the world's joint climate goals.

AuAg is a part of the green transformation through investments in carefully selected companies that are a part of the solution. By investing in best-in-class companies, excluding the laggards, but also favouring the adopters that have not come as far in their sustainability work, but where we see an excellent opportunity to influence, we can create an even more significant net effect for the world.

The investment does not cause any significant harm to any environmental or social sustainable investment objective since mining is essential to create a sustainable world. The metals and mining sector will be at the core of enabling the green transformation.

The financial product uses the mandatory indicators (14 PAIs), and has also selected voluntary indicators (10 optional PAIs), to measure the attainment of each of the environmental or social characteristics promoted (see Annex II).

The investments are screened and assessed on how they follow the principles and standards of good practice consistent with applicable laws and internationally recognised standards as described in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The screening process is supported by ongoing surveillance from Sustainalytics.

3. Environmental or social characteristics of the financial product

Environmental and social characteristics promoted:

- Corporate Governance
- Human Capital
- Carbon - Own Operations
- Emissions, Effluents and Waste
- Bribery and Corruption
- Land Use and Biodiversity
- Community Relations
- Business Ethics
- Occupational Health and Safety
- Resource Use

4. Investment strategy

The fund promotes environmental and social characteristics by including sustainability aspects as part of the analysis that is carried out on an ongoing basis on existing and potential holdings. The sustainability analysis aims to better understand the companies and their process for sustainability work.

The fund has a developed model for selecting, deselecting, and influencing from a sustainability perspective. By proactively pursuing this process, the fund, through its investments, influences the companies in each sector that are already prominent in the area of sustainability, and also those who work to develop their sustainability profile. The process is also used to select companies that do not meet the requirements.

The model is run as a transparent, and ongoing, process to promote environmental or social characteristics where all companies' improvements promote development into a sustainable world.

5. Proportion of investments

In accordance with the fund's overall strategy, the fund invests at least 90 per cent in transferable securities and fund units (<10%). A minimum of 100% of the investments are considered as sustainable investments.

6. Monitoring of environmental or social characteristics

The fund's internal analysis is supplemented by an external analysis carried out by an established ESG data provider. The analysis is based on a number of areas, some of which are: the quality of the board / management, the structure of the board, ownership and shareholders' rights, remuneration, auditing and financial reporting, and stakeholder governance. Exposure to material ESG issues (MEIs) is also part of the assessment of managed and unmanaged risk.

7. Methodologies

We use a 3rd party service provider, Datia, to measure and track the progress of relevant PAIs as a basis for future investment decisions.

The screening process is supported by ongoing surveillance from Sustainalytics.

8. Data sources and processing

External data providers are used to achieve the environmental and social characteristics. These providers are Sustainalytics and Datia. Data quality, as well as processing of data, is described in more detail on the respective supplier's website:

Sustainalytics: <https://www.sustainalytics.com/>

Datia: <https://www.datia.app/>

9. Limitations to methodologies and data

No limitations for methodologies and data has been identified.

10. Due diligence

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 that are evaluated for inclusion in the fund, AuAg has entered a strategic partnership with Sustainalytics, the world-leading ESG data provider. Within the investment team, we have an ongoing systematic process for identifying sustainability risks.

The due diligence includes reading the company's sustainability report and the Sustainalytics ESG Risk Rating report. In the report from Sustainalytics they evaluate each company's adherence towards the principal adverse impact indicators.

The full due diligence/investment process is described further in "AuAg Funds Sustainability Policy".

11. Engagement policies

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

AuAg aims to promote change through active engagement with the company's senior leadership. More information about the engagement process can be found in AuAg Funds Sustainability Policy.

12. Designated reference benchmark

No index has been chosen as a reference benchmark.