

# Sustainability-related disclosures

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AuAg Essential Metals | Article 8 SFDR | Global mining fund

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## 1. Summary

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AuAg Essential Metals is a global sector fund focused on companies in the mining and processing industry, with particular emphasis on companies involved in the extraction and processing of industrial and new technology metals. The fund promotes environmental and social characteristics in accordance with Article 8 of Regulation (EU) 2019/2088 but does not have sustainable investment as its objective. A portion of the portfolio is, however, intended to consist of sustainable investments.

The characteristics promoted are climate change mitigation through reduced exposure to fossil fuel extraction, sustainable water management at portfolio companies, and respect for internationally recognised norms on human rights, labour conditions, environmental protection and anti-corruption, in line with the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

These characteristics are achieved through a combination of norms-based screening, binding exclusion criteria — including a specific water criterion for producing mining companies — and ongoing sustainability analysis. For the portion of the portfolio classified as sustainable investments, a Do No Significant Harm (DNSH) assessment is also applied, taking into account principal adverse impact (PAI) indicators that are material to the mining sector.

Producing mining companies normally account for approximately 80% and are adapted to environmental and social characteristics. Of these, approximately 5% are classified as sustainable investments with an environmental objective.

The remaining approximately 20% (other) of the portfolio consists of project companies, royalty companies and exchange-traded products that provide indirect exposure to the mining sector or to underlying metal prices. These investments fall under category Other and do not integrate any environmental or social characteristics but are aligned with minimum safeguards. The fund does not use derivatives.

Active ownership and engagement are an integral part of the investment strategy. No index has been designated as a reference benchmark to determine whether the characteristics promoted are attained; attainment is instead assessed through the fund's binding criteria and sustainability indicators.

## 2. No sustainable investment objective

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

The fund intends to make sustainable investments in part. For these investments, a Do No Significant Harm (DNSH) assessment is applied to ensure that they do not cause significant harm to any sustainable investment objective.

### Consideration of principal adverse impact indicators (PAI)

The DNSH assessment considers relevant principal adverse impact indicators in accordance with Annex I of Regulation (EU) 2022/1288, with a focus on the risks that are material to the mining sector. This particularly includes indicators relating to impacts on biodiversity-sensitive areas, water management, hazardous waste, and work-related injuries and breaches of social norms. The assessment is based on a holistic analysis of indicators, governance, risk management and incident history. Investments with severe and unremedied adverse impacts are not classified as sustainable investments.

### Alignment with the OECD Guidelines and UN Guiding Principles

The sustainable investments are assessed to be aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles set out

in the ILO Declaration on Fundamental Principles and Rights at Work. The assessment is carried out through norms-based screening covering companies' policies, governance systems and management of actual or potential adverse impacts in their own operations and in relevant business relationships. Companies with verified and severe breaches of international norms without a credible remediation plan are not classified as sustainable investments.

### 3. Environmental or social characteristics of the financial product

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The fund promotes climate change mitigation by limiting exposure to companies whose operations extract fossil fuels. Because the mining industry is a water-intensive sector, the fund also places significant emphasis on how portfolio companies manage their water use. The assessment focuses on companies' water-related policies, risk management and the occurrence of severe water-related incidents.

The fund also seeks to ensure that portfolio companies respect internationally recognised norms on human rights, labour conditions, environmental protection and anti-corruption, in line with the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

### 4. Investment strategy

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The fund is a global sector fund focused on companies in the mining and processing industry, with particular emphasis on companies involved in the extraction and processing of industrial and new technology metals.

Each potential portfolio company is initially analysed on the basis of its business model, financial position and relevant sustainability risks. At this stage, the company is tested against the fund's binding exclusion criteria and norms-based screening. Investment decisions are then taken on the basis of an overall assessment of financial conditions and identified sustainability risks. Portfolio companies are subsequently monitored on an ongoing basis with respect to financial performance, sustainability risks, incidents and controversies. If a company no longer meets the fund's requirements, action may be taken in the form of dialogue, reducing the holding or divestment. Active ownership and engagement are an integral part of the investment strategy.

The binding criteria consist of norms-based screening and a water criterion. Companies with verified and severe breaches of the UN Global Compact or the OECD Guidelines for Multinational Enterprises that lack a credible remediation plan are excluded. Producing companies subject to verified and severe water-related environmental incidents with significant adverse environmental impact, where the company lacks credible remediation measures, are deemed not investable.

Good governance at portfolio companies is assessed through norms-based screening against the OECD Guidelines for Multinational Enterprises and the principles of the UN Global Compact, which cover requirements for sound management structures, responsible employee relations, fair employee remuneration and tax compliance.

### 5. Proportion of investments

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Producing mining companies normally account for approximately 80% and are adapted to environmental and social characteristics. Of these, approximately 5% are classified as sustainable investments with an environmental objective.

The remaining approximately 20% (other) of the portfolio consists of project companies, royalty companies and exchange-traded products that provide indirect exposure to the mining sector or to underlying metal prices. These investments fall under category Other and do not integrate any environmental or social characteristics but are aligned with minimum safeguards. The fund does not use derivatives.

## 6. Monitoring of environmental or social characteristics

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Attainment of the environmental and social characteristics is monitored through sustainability indicators that form part of the fund's ongoing portfolio monitoring. The indicators are based on public information from portfolio companies' reporting and may be taken into account in investment decisions, engagement dialogues and ongoing portfolio follow-up.

For the limited fossil-fuel exposure characteristic, the share of company revenue derived from fossil fuel extraction is monitored. For the sustainable water management characteristic, companies' water-related policies, risk management and the occurrence of severe water incidents are monitored. For the social characteristic, companies' compliance with the UN Global Compact and the OECD Guidelines is monitored through norms-based screening, with surveillance of controversies and breaches of norms.

For the portion of the portfolio classified as sustainable investments, relevant principal adverse impact (PAI) indicators are also considered, focused on the risks that are material to the mining sector. This includes indicators relating to impacts on biodiversity-sensitive areas, water management, hazardous waste, and work-related injuries and breaches of social norms.

Portfolio companies are monitored on an ongoing basis with respect to sustainability risks, incidents and controversies. If a company no longer meets the fund's binding criteria, action may be taken in the form of dialogue, reducing the holding or divestment.

## 7. Methodologies for environmental and social characteristics

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The fund's environmental and social characteristics are achieved through a combination of norms-based screening, exclusion criteria and ongoing sustainability analysis.

Norms-based screening means that companies are tested against the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The screening encompasses an analysis of companies' policies, governance systems and management of actual or potential adverse impacts in their own operations and in relevant business relationships. Companies that do not meet the criteria are excluded before any investment is made.

For the portion of the portfolio classified as sustainable investments, a DNSH assessment is also applied. The assessment covers environmental and social risk areas that are material to the mining sector, such as water management, waste and tailings safety, impacts on biodiversity, and occupational health and safety. The assessment also takes into account relevant principal adverse impact (PAI) indicators in accordance with Annex I of Regulation (EU) 2022/1288.

All assessments are based on public information from portfolio companies' reporting, third-party data and internal analysis.

## 8. Data sources and processing

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The fund uses public information from portfolio companies' own sustainability reports as its primary data source, supplemented with data from third-party providers and internal analysis. The data sources are used to monitor the environmental and social characteristics that the fund promotes, including emissions data, water-related metrics and norms compliance.

To ensure data quality, the fund continuously works to clean, categorise and quality-assure the data collected. Some data is relatively well reported within the sector, while other variables require more processing. Where company data is insufficient, reasonable assumptions are used as a supplement.

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## 9. Limitations to methodologies and data

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Reporting standards vary considerably between companies in the mining sector. Data appears in different formats, is sometimes incomplete and may be difficult to compare across companies. Third-party data also has limitations; it can be difficult to obtain coherent and well-substantiated data that provides reliable information on individual companies.

Where data quality is insufficient, the fund relies on norms-based screening and well-reasoned assumptions. These limitations are not assessed to prevent the fund from attaining the environmental and social characteristics promoted, but the work to improve data availability and quality assurance is ongoing.

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## 10. Due diligence

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Prior to each investment, a holistic sustainability assessment is carried out in which the company is analysed on the basis of relevant environmental, social and governance-related factors. The assessment covers the company's sustainability strategy and ambition, governance of its sustainability work, and compliance with the fund's binding exclusion criteria and norms-based screening. For the portion of the portfolio intended to be classified as sustainable investments, a DNSH assessment is also carried out, based on public information, third-party data and internal analysis.

Portfolio companies are monitored on an ongoing basis with respect to sustainability risks, incidents and controversies. When elevated risks are identified, action is taken in the form of in-depth analysis, dialogue with the company and follow-up on remedial measures. If sufficient improvements are not achieved, the holding may be reduced or divested.

Internal control of the due diligence process is distributed across several functions. The portfolio managers are responsible for ensuring that sustainability aspects are integrated into investment analysis and ongoing portfolio monitoring. The Risk Control function monitors and analyses sustainability risks as an independent function and reports to the CEO and the Board. The Compliance function monitors compliance with applicable regulations and provides advisory support to the business. The Board has overall responsibility for ensuring that sustainability risks are managed within the framework of the company's strategy and internal control.

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## 11. Engagement policies

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Active ownership and engagement are an integral part of the fund's investment strategy and are conducted in accordance with the company's shareholder engagement policy. The engagement aims to influence portfolio companies' governance, risk management and handling of sustainability-related matters in a more responsible direction.

The fund engages in ongoing dialogue with portfolio companies' management on sustainability issues that are material to the mining sector, including climate impact, water management, occupational health and safety, and compliance with international norms. Dialogues are documented and outcomes are taken into account in the overall investment assessment. Voting at general meetings is used, where practicable, as a complementary tool to dialogue in order to safeguard investors' interests.

If a portfolio company does not achieve sufficient improvements after dialogue has been conducted, the holding may be reduced or divested.

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## 12. Designated reference benchmark

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No index has been designated as a reference benchmark for determining whether the environmental and social characteristics promoted by the fund are attained. Attainment of these characteristics is instead assessed through application of the fund's binding investment criteria and sustainability indicators.