1. Introduction

Climate change has rapidly evolved from an ethical, non-financial issue to one that has material impacts on financial performance, public image in the eyes of stakeholders, and perceived value added. Past experience is not representative of future risk and an understanding of the impacts of climate change on a company is now commonly regarded as important information for investors and lenders alike, and therefore there is a growing call for companies to disclose the risks they are facing.

Debt markets have begun to reflect climate change in their credit risk/return calculations, rewarding good sustainability performance or penalising failure to act. It follows that companies which fail to communicate the impacts of climate change, and the company's approach to these, stand to lose support among providers of capital, and conversely that those who communicate proactively and well can gain a competitive advantage among shareholders, investment funds which prioritise ESG, and lenders.

This Climate Change Risk Policy ("CCRP") has been prepared against this background. It sets out the broad principles, responsibilities and practices that will be used to manage the Company's climate change risk exposure from an operational, governance and risk management perspective. It is in line with the principles of the Environmental and Social Management Policy embedded in the Code of Business Conduct and Ethics. The CCRP also contributes positively to the achievement of a number of Sustainable Development Goals (SDGs) mainly SDG 13 Climate Action.

2. Climate Change Risk

Climate change is a major concern for society, regulators and communities. Climate change adaptation is imperative from a human, environmental and economical perspective, and companies are becoming more aware of it from their own business perspective.

Unexpected weather and temperature changes can have a significant effect on an organisation's bottom line if they are not prepared for them, causing damage to assets or disruption to the business. Therefore, having robust plans in place to anticipate and adapt to climate change is key to business success. Moreover, climate related risks must be integrated in decision making and thus, Highfield aims to have these aspects in mind when pursuing its vision.

The consequences of not having a sound risk assessment and risk management strategies tackling climate change may include:

- **Physical risks:** failure to avoid/mitigate harm to people and damage to installations and facilities from flooding, hurricanes and/or earthquakes;

- **Regulatory risks**: If companies do not adapt to environmental laws enforced by the Government;
- **Litigation risks**: polluting companies, and their directors and officers, are exposed to the risk of an increasing number of lawsuits if adverse environmental impacts can be correlated to their emissions or energy usage;
- **Competitive risks**: If companies do not take measures to reduce climate risks, they can find themselves competitively disadvantaged due to higher production costs, loss of customers, and production substitution;
- **Production risks**: Production shortfalls and lower profits can result from direct or indirect climate risks causing supply chain disruption and increased prices. Also, the price for energy can rise because of such events and because of regulatory changes encouraging alternative energy sources;
- **Reputational risks**: Companies publicly criticized for their climate change policies or high emissions might lose customers because of negative reputation;
- **Financial risks** in the form of higher costs, lower revenues, carbon taxes imposed on polluting companies and/or lack of interest by investors increasingly focused on ESG aspects; and
- **Operational risk**: Communities and society expect from companies a response to this critical global challenge. Inaction could potentially lead to resistance or blockage of the project if there is a lack of strategy from the company´s transition to a lower carbon economy.

3. Climate Change Policy Principles

The Group adopts an active and holistic approach in addressing the threat of climate change through mitigation strategies, focusing on optimising our energy performance and overall environmental sustainability. This implies that the Group will:

- ✓ Promote efficiency in energy consumption and in HFR’s natural resources use;
- ✓ Include climate change aspects in decision-making processes;
- ✓ Incorporate climate change risks into existing risk management practices;
- ✓ Protect shareholder value by mitigating climate change risks;
- ✓ Communicate the importance of managing climate change risks;
- ✓ Act transparently when disclosing the Group’s initiatives to tackle climate risks;
- ✓ Set up a periodic overview of the Group’s Greenhouse Gas (“GHG”) emissions and actively investigate ways to reduce the emissions and the Group’s carbon footprint;
- ✓ Implement a comprehensive environmental monitoring system to monitor and continuously improve our performance;
- ✓ Develop, implement and monitor measures implemented on the Group’s installations;
- ✓ Actively seek partnership with relevant stakeholders to establish mitigation initiatives in accordance with the project development;
- ✓ Encourage the Group’s suppliers and stakeholders towards a policy of energy efficiency;
- ✓ Provide employees with ongoing education; and

- ✓ Implement the necessary mechanism to ensure appropriate application of this policy in the Group.

4. Climate change risk roles and responsibilities

Accountability in risk management is the key to ensure that controls and policies work. For this purpose, the matrix below presents the roles and responsibilities for each of the Group's employees in order to have a sound climate change risk policy.

Roles	Responsibilities
Board	> Overall responsibility for the management and control of the Company.
	> Define the Group's risk appetite in respect of climate change, taking into account that a reactive, compliance-focused approach can no longer be seen as commercially or legally prudent, and that climate change risk assessment should be a key part of the Company's strategy.
	> Promote and raise awareness, at all levels of an organisation, of the impact of emerging climate change issues.
Audit, Business Risk & Compliance Committee	> Periodic oversight of the risk management programme established and maintained by management.
	> Oversight of the adequacy and comprehensiveness of risk reporting from management.
Management	> Develop and implement climate change strategies and action plans, to ensure corporate sustainable development.
	> Ensure management and the Board have access to developments in this area and receive regular briefings, including from independent experts as appropriate.
	> Audit, analyse and report environmental performance to internal and external clients and regulatory bodies.
	> Ensure compliance with environmental legislation and keep up to date with applicable legislation.
	> Responsible for reporting to the Audit, Business Risk & Compliance Committee on the risks and the extent to which these risks are being managed.
Employees	> Understand the Company's desired climate change risk profile.
	> Identify climate change risks in day to day operations.
	> Responsible for daily implementation of climate change risk controls within the scope of their roles.

5. Assessing and mitigating risk

Physical risks in the Group's assets as well as GHG emission risks are the two main risks the Company will be facing in the next phases, each of which could lead to financial and other risk impacts. Both risks will be mitigated through internal procedures that will proactively tackle them.

In terms of physical risks, all possible event hazards that exist in the area in which the mine and the process plant will be located will need to be considered. Then, by creating impact scenarios or stress testing for each type of hazardous event and assigning a probability that the event might occur, a matrix can be formed to assess and manage the risk. Identifying potentially vulnerable assets considered, both people and property, and assessing the damages to each asset will help the Company envisage the risk exposure.

When identifying vulnerable assets special attention should be paid to those defined as critical to the Group's operations, personnel and equipment.

In order to implement mitigation measures to tackle climate change risks, the Group will carry out a cost/benefit analysis to help decide the senior management team on the risk mitigation measure to be considered.

With regards to GHG emissions the Group is committed to adopt the necessary guidelines and certifications in due course.

External consultants will be engaged if necessary when addressing climate change risks.

6. Climate Change disclosure

HFR discloses non-financial events in its annual Sustainability Report in line with the Global Reporting Initiative (GRI) standards as a way to be more transparent and accountable to stakeholders and increase trust.

Appropriate discussion and disclosure on forward-looking climate risks should be included in operating and financial reviews and other relevant documents, including those required or recommended by regulatory authorities. Climate change matters should be reported taking into account not only the nature of climate change impacts, but also the factors on which they depend, with explanation of any key variables and assumptions that assist in quantifying potential risks.