

Bacanora Lithium Plc

Terms of reference of the Corporate Governance and Sustainability committee

1 Purpose

The Board and Management of the Company are committed to maintaining a high standard of corporate governance. The Company has chosen to adhere to the Quoted Companies Alliance (“QCA”) Corporate Governance Guidelines for Small and Mid-Size Companies, which was updated in April 2018 and comprises ten key principles. The purpose of the Corporate Governance and Sustainability Committee is to provide for the Board’s effectiveness and continuing development in meeting these ten principles.

The Committee is also responsible for overseeing, on behalf of the Board, the development, implementation and monitoring of the Company’s sustainable development in all its internal policies and operations around the three pillars of a Sustainability framework – Environment, Social and Governance (“ESG”). These are based on the United Nations’ set of 17 Sustainable Development Goals (SDGs), of which for mining companies, the key takeaways are to extract responsibly, waste less, use safer processes, incorporate new sustainable technologies, promote the improved wellbeing of local communities, curb emissions, and improve environmental stewardship.

2 Scope

The Committee shall be responsible for overseeing for the Company, major subsidiaries and the Group as a whole, the following matters:

- Corporate Governance matters highlighted by the QCA Code
 - Overseeing the Company’s corporate governance policies, including emphasis on the 10 core principles of good Corporate Governance identified in the QCA guidelines.
 - Managing and overseeing the terms of reference for the Board, its Committees, the Directors, and key Management; and ensuring effective communication between all parties, whilst maintaining their independence from each other.
 - Ensure the Company maintains a robust two-way interaction with its shareholders and adopts best practice disclosures in the Company’s Annual Report to shareholders and on the corporate website
- Sustainability matters and policies across the 3 main pillars
 - **Environmental policies.** This may include Climate Change & Carbon Emissions; Efficient use of Raw Materials, Water & Energy, Biodiversity, Land-use; Management of Wastes, Air and water pollution
 - **Social policies.** This may include Safety of employees and product use; Government and Community Relations; Labour Rights and Standards, Equal Opportunities, Diversity; Human Rights
 - **Governance policies.** This may include Anti-Bribery and Anti-Corruption. Political contributions and Lobbying; Anti-Tax Avoidance and Aggressive Tax Planning; Whistleblower schemes
- Undertake and report on an annual basis an ESG Materiality assessment to identify key issues as the company moves through its evolution from Exploration to Construction and into Production
- Reporting of all ESG and Corporate Governance matters in company publications.

3 Roles and Responsibilities

3.1 Other matters of general Corporate Governance

Management of Board and Committee Activities

- Monitor and assess the relationship between the Board and Management, defining the limits to Management’s authority and ensuring that the Board is able to function independently of Management;
- Develop and update Terms of Reference for the Board, its Committees and all key Management Roles.
- Determine every year which Board and committee members are considered to be independent;
- Ensure effective communication between Management and the Board, particularly regarding the provision of information to directors in a timely manner; and
- Recommend and review the procedures that allow the Board to function independently of Management.

Management and Evaluation of the Board Composition

- Conduct an annual review of the Board including an assessment of the composition, structure, size, and effectiveness of the Board as a whole and the committees of the Board. The review will be conducted by the Chairman and the results discussed with the Lead Independent Director before presenting the results to the Committee for any recommendations to the Board;
- Establish competencies and skills which the Board as a whole and individual Directors should possess;
- Ensure the Board is kept up to date on latest best practice corporate governance guidance, with specific reference to the annual reviews and guidance provided by ISS / Glass Lewis;
- Establish procedures and approve appropriate orientation and education programs for new directors;
- Develop and oversee a plan for enhancing board diversity; and
- Review executive officer succession plans.

Interaction and communication with Shareholders and Stakeholders

- Ensure that appropriate communications systems and structures are in place with shareholders.
- Review relationships with material shareholders (greater than 10% and with an appointed Director) to consider whether there is a need for a formal relationship agreement; and
- Assess shareholder proposals as necessary for the Company's AGM materials and make appropriate recommendations to the Board.

3.2 Sustainable Governance Framework

- Develop and conduct an annual matrix assessment of material ESG risks and relevance to the Company at the relevant stage of its development;
- Develop, review and monitor all company policies relevant to the Committee scope.
- Develop, review and monitor processes to be put in place by Management to ensure compliance with policies;
- Develop, review and monitor the company's sustainable development governance model and framework, including in relation to its structures and reporting at a local community level.
- Develop and review the ESG reporting metrics that the Company will report to, based on appropriate and relevant guidelines and standards.
- Ensure the Company is informed of new developments and trends regarding sustainability that are applicable to it and that it is meeting new regulatory requirements and maintaining the highest of standards;
- Advise the Board on the company's risk appetite, tolerance and strategy with respect to sustainable development risks as the company develops.

3.3 Reporting of Sustainability matters

- As an AIM Listed company, the Company has chosen to adhere to the Quoted Companies Alliance ("QCA") Corporate Governance Guidelines for Small and Mid-Size Companies. The Company publishes an annual QCA Statement of how it meets those guidelines on the company's website.
- The Committee shall produce an annual report of the Company's Corporate Governance policy and practices which will form part of the Company's annual report that is put to shareholders for approval at the AGM.
- Assess, review and recommend to the Board, the Company's Sustainability report for standalone publication and inclusion in the Annual Report. See Appendix 1 for a structure of proposed evolution of the Report.
- Assess and review of the Sustainability sections of the Company's website, including publication of all Policies and Terms of Reference

4 Membership

The Committee shall consist of not less than three members, the majority of whom shall qualify as "independent", as approved by the Board taking into account discussions with the Nomad and guidance provided by the Quoted Company Alliance ("QCA").

Members of the Committee shall be appointed annually at a meeting of the Board, typically held after the annual shareholders meeting, on the recommendation of and in consultation with the Committee Chairman. Any member may be removed or replaced at any time by the Board and shall in any event cease to be a member of the Committee upon ceasing to be a member of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer may be invited to attend all or part of any meeting as and when appropriate and necessary.

The Chairman of the Board should ordinarily be Chair of the Committee. If the Chairman is in an Executive role, the Lead Independent Director shall be Chair of the Committee. The Chair shall have responsibility for overseeing that the Committee fulfills its mandate and its duties effectively. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

5 Secretary

The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to all issues.

6 Quorum and majority

The quorum necessary for the transaction of business shall be any two (2) members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. Members may participate in a meeting of the Committee by means of conference telephone or other communication equipment.

Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterparts) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.

7 Meetings

The Committee shall meet at least four times a year ahead of the Board meeting cycle, including in the lead up to the publication of the annual report. In addition, a meeting may be called by any member. The Chair of the Committee shall prepare and/or approve an agenda in advance of each meeting;

8 Notice of Meetings

Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.

Unless otherwise agreed by consent of all members in writing, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

9 Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless it would be inappropriate to do so.

10 Annual General Meeting

The Committee Chairman shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities.

11 Reporting Responsibilities

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

12 Other

The Committee shall:

- have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- at all times give due consideration to laws and regulations, the provisions of and recommendations in the QCA Corporate Governance Code, the requirements of the AIM Rules for Companies (including the Note for Investing Companies) and UK Listing Authority's Prospectus and Disclosure and Transparency Rules and any other applicable rules (as appropriate) as well as guidance published by the Investment Association and also guidance provided by ISS and Glass Lewis, as appropriate;
- At the request of the Chair or the Board, undertake such other governance-related initiatives as may be necessary or desirable to contribute to the success of the Company.
- arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- work and liaise as necessary with all other Board committees.

13 Authority

The Committee is authorised to retain, as necessary, any advisors, consultants or other experts to assist the Committee in fulfilling its responsibilities.

14 Review

The Committee with input by the Chair of the Board will review these terms of reference at least every two years or, where circumstances warrant, at such shorter interval as is necessary, to determine if further additions, deletions or amendments are required and make a recommendation to the Board as to their approval.

15 History

These Terms of Reference were:

- Initially adopted by the Board of Bacanora Minerals Ltd on 29 June 2017
- Updated by the Board of Bacanora Lithium Plc as part of the redomicile on 18 February 2018
- Updated by Board on 29 August 2018
- Updated by Board on 24 July 2019
- Updated by Board on 30 June 2020 to include responsibility for wider Sustainability matters

Appendix 1 - Sustainability Report and/or Website – Reporting Structure (evolution)

Topic	Exploration Stage	Construction Stage	Production Stage
1. Chairman's introduction			
2. BCN Sustainability Structure			
2.1 Company Strategy	<ul style="list-style-type: none"> Extract from existing QCA and Annual Report commentary. Tailor and emphasise to ESG 	<ul style="list-style-type: none"> Ongoing standard annual update 	<ul style="list-style-type: none"> Ongoing standard annual update
2.2 Corporate level structure	<ul style="list-style-type: none"> Extract and tailor from QCA Reports <ul style="list-style-type: none"> Board responsibilities Corporate Governance & Sustainability Committee – ToR, Members. Commitment to relevant UN SDG Goals. High level note on other metrics that will consider – GRI / HKex / SASB / Equator Principles 	<ul style="list-style-type: none"> Ongoing standard annual update Note on new relevant metrics, as move into construction stage 	<ul style="list-style-type: none"> Ongoing standard annual update Note on new relevant metrics, as move into production stage
2.3 Sonora Project Level Structure	<ul style="list-style-type: none"> Outline roles and responsibilities of Local committee and structure. Notes on members Outline on Golder baseline reports and advice 	<ul style="list-style-type: none"> Ongoing standard annual update 	<ul style="list-style-type: none"> Ongoing standard annual update
3. ESG Materiality Matrix	<ul style="list-style-type: none"> High level identification of material ESG risks Send Risk Questionnaire to key internal sources for a baseline assessment of Key ESG Risks for Exploration / Construction / Production 	<ul style="list-style-type: none"> Detailed Materiality Matrix for construction stage Commentary on evolution 	<ul style="list-style-type: none"> Detailed Materiality Matrix for production stage Commentary on evolution
4. Environmental	<ul style="list-style-type: none"> High level review of Enviro work done to date <ul style="list-style-type: none"> EIAs - Extract and tailor from BFS Latest list of EIAs and approvals High level review of main Enviro areas and which ones will be most relevant to Bacanora as evolve <ul style="list-style-type: none"> Climate Change & Carbon Risk Use of Raw Materials, Water & Energy Biodiversity & Land-use Generation of Wastes & Noise 	<ul style="list-style-type: none"> Detailed review and baseline assessments for the main Enviro areas <ul style="list-style-type: none"> Climate Change & Carbon Risk Use of Raw Materials, Water & Energy Biodiversity & Land-use Generation of Wastes & Noise 	<ul style="list-style-type: none"> Ongoing annual review of the main Enviro areas <ul style="list-style-type: none"> Climate Change & Carbon Risk Use of Raw Materials, Water & Energy Biodiversity & Land-use Generation of Wastes & Noise
5. Social (Community)	<ul style="list-style-type: none"> High level review of work done to date, structures put in place. Examples of initiatives already done to date. Videos / pictures, use on website High level review of main Social areas and which ones will be most relevant to Bacanora as evolve <ul style="list-style-type: none"> Occupational Health & Safety Government and Community Relations Labour Rights, Equal Opportunities Human Rights 	<ul style="list-style-type: none"> Detailed review and baseline assessments for the main Social areas <ul style="list-style-type: none"> Occupational Health & Safety Government and Community Relations Labour Rights, Equal Opportunities Human Rights 	<ul style="list-style-type: none"> Ongoing annual review of the main Social areas <ul style="list-style-type: none"> Occupational Health & Safety Government and Community Relations Labour Rights, Equal Opportunities Human Rights

6. Governance	<ul style="list-style-type: none"> Existing Governance structures (see QCA) <ul style="list-style-type: none"> Board / Committee / Director Structure and independence Risk Management Structures Reference and describe all the ToRs QCA Statement and s172 Statement High level review of other Governance areas and which ones will be most relevant to Bacanora as evolve <ul style="list-style-type: none"> Transparency, Reporting on Material Issues & Audited Reports Bribery and Corruption Aggressive Tax Planning 	<ul style="list-style-type: none"> Ongoing standard annual update Detailed review (where relevant) of other Governance aspects <ul style="list-style-type: none"> Transparency, Reporting on Material Issues & Audited Reports Bribery and Corruption Aggressive Tax Planning Commentary on any new reporting requirements that will be coming into effect 	<ul style="list-style-type: none"> Ongoing standard annual update Ongoing review (where relevant) of other Governance aspects <ul style="list-style-type: none"> Transparency, Reporting on Material Issues & Audited Reports Bribery and Corruption Aggressive Tax Planning Commentary on any new reporting requirements that will be coming into effect
Appendix – KPI Reporting	<ul style="list-style-type: none"> Note on any metrics that the Pilot Plant generates High level review of the likely KPIs we will report to in longer term 	<ul style="list-style-type: none"> Baseline KPIs 	<ul style="list-style-type: none"> Annual KPIs – incl: historic data Commentary where relevant
Appendix – Cross-Reference	<ul style="list-style-type: none"> Index that refers to the various reporting structures – GRI / SASB / Equator and where covered in the report 	<ul style="list-style-type: none"> Index that refers to the various reporting structures – GRI / SASB / Equator and where covered in the report 	Index that refers to the various reporting structures – GRI / SASB / Equator and where covered in the report

Appendix 2 – Amended Roles and Responsibilities once move into Construction / Production

Reporting and Target Setting

- Review the ESG reporting guidelines that the Company reports to - the UN Sustainability Goals, Equator Principles, Global Reporting Initiatives (GRI) and Sustainability and Accounting Standards Board (SASB)
- Review annually the sustainability targets and metrics against which the company's sustainability performance can be evaluated.
- Review annually reports on the company's performance against those targets.

Management Processes and Monitoring

- Oversee management processes designed to ensure compliance with the policies that fall within the Committee's scope including:
 - alignment of sustainability policies with laws and regulations; and
- Monitor the demonstration of management commitment to the behaviours required by the policies and standards within its scope.
- Monitor the appropriate allocation of resources is applied to achieving compliance with the policies and standards within the Committee's scope.
- Receive reports from management on the implementation, operation and assurance of policies and standards within the Committee's scope.

ESG Risk Management

- Advise the Board on the company's risk appetite, tolerance and strategy with respect to sustainable development risks.
- Ensure potentially catastrophic sustainability related risks are appropriately captured and considered in the group risk profile.
- Review at least annually periodic reports from management:
 - identifying the Group's material business risks within the Committee's scope; and
 - setting out risk management strategies, controls and assurance applied to these risks.

Incident Reporting and the Whistleblowing Programme

- Receive from Management:
- timely reports on fatalities and serious incidents within the Group; and
- summaries of sustainable development incidents, recommendations for improvement, and periodic reports upon the implementation of such recommendations.
- Ensure proportionate and independent investigation of matters within the Committee's scope reported under the Group's whistleblowing programme, and report to the Board any material concerns raised under the Group's whistleblowing programme.

ESG Audit and Assurance

- Review and approve the proposed annual plan for independent audit and assurance projects relevant to the Committee's scope.
- Review independent audits and assurance reports of how policies and standards relevant to the Committee's scope are being implemented and what results are being achieved.
- Approve the appointment, reappointment or removal of auditors to provide an independent limited assurance report over the Sustainable development section of the annual report.