

Standard Bank
Thermal Coal Mining Policy

February 2020



1. Introduction

Standard Bank's purpose is *Africa is our home, we drive her growth*. Energy is a critical driver of economic growth in emerging markets, particularly in Africa where access to reliable and secure energy is crucial. Coal-fired power has historically been an important source of energy supply in several countries in Africa including South Africa. As such, there is a reliance on thermal coal. There is a requirement for Standard Bank in its financing of thermal coal mining to balance the need for broader access to electricity, with the need to mitigate the risks of climate change.

2. Thermal coal and managing climate risk

Standard Bank supports the goals of the Paris Agreement and recognises that climate change is a material risk to its ability to generate value for its stakeholders over time. Standard Bank notes that the Paris Agreement has been ratified by the relevant authorities in each of the countries in which it operates across the African continent. The Paris Agreement advocates, in developing markets, for *"a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities"* and recognizes that *"acting on climate change and promoting job creation and social inclusion are intertwined challenges of the 21st century."*¹ As such, there will need to be a just and managed transition to reducing the role of thermal coal in the generation of electricity given the availability of coal resources and the remaining life of existing coal-fired power stations.² Thermal coal is a significant energy source in some of the countries in which the Standard Bank Group operates, and as the largest banking group by assets in Africa, Standard Bank expects to continue to play a role in the financing of thermal coal mining investments on the continent.

However, over time, the move towards a diversified energy mix will see the reliance on thermal coal-derived energy reducing. This transition will be facilitated through investment in more efficient coal technologies as per the requirements of the OECD Export Credits for coal-fired electricity project requirements; as well as through greater investment in renewable energy.

3. Purpose of the policy

This Group Thermal Coal Mining Policy sets out the principles and minimum standards to be adhered to in respect of decisions to finance thermal coal mining developments.

This policy should be applied in conjunction with the Standard Bank Group's Coal-Fired Power Finance Policy which sets out the principles and minimum standards to be adhered to in respect of decisions to finance coal-fired power plants by SBG and its legal entities.

4. Scope of the policy

This policy applies to all business units (BUs) and legal entities (LEs) within the Standard Bank Group, excluding Liberty Holdings; and specifically to all those within the Standard Bank Group with

¹ United Nations Conference of the Parties (COP21) Framework Convention on Climate Change, Paris Agreement.

² Integrated Resource Plan (IRP) 2019 published in the Government Gazette No 42778 on 18 October 2019.

the responsibility of identifying, originating, assessing or approving facilities to thermal coal mining entities.

This policy covers:

- (1) the provision of financial products and services to thermal coal mining projects (new and expansions) and all associated mine-site activities (from planning, development, processing, rehabilitation and mine closure); as well as
- (2) the provision of financial products and services to existing and new thermal coal mining corporates involved in the ownership, development and operation of thermal coal mining assets.

5. Interpretation

In case of doubt, the Group Chief Risk Officer determines how best to comply with this policy.

6. Sector specific standards and requirements

Standard Bank requires all its thermal coal mining clients to comply with the domestic mining laws and license provisions; as well as the Environmental, Social and Governance (ESG) laws and regulations of the countries within which they operate.

In addition to these requirements, when evaluating each thermal coal mining transaction involving a Mining Project or a Mining Corporate, Standard Bank will consider the extent to which the client complies with relevant industry good practice, and other applicable standards that aim to minimise the adverse ESG impacts of thermal coal mining activities. This also includes the application of the Equator Principles, and its underlying principles to transactions that fall within the ambit of the Equator Principles initiative. The Standard Bank Group will not finance Mountaintop Removal mining activities.

In evaluating thermal coal mining transactions, Standard Bank will consider, as appropriate, as part of its due diligence:

- The energy situation in the region and future energy demand in relation to Government energy strategy, climate change, carbon commitments, and adaptation plans.
- Analysis of technically and financially feasible and cost-effective power generation alternatives that are available in the same industry and country.
- Compliance with host country environmental and social laws, regulations, and permits, including rehabilitation and closure planning and financial provision requirements.
- Compliance with international conventions, standards and treaties regarding greenhouse gas emissions in host country/ region. Impact on human settlements, natural habitats and resources, as well as protected areas and how such impacts are mitigated.
- Effectiveness of mechanisms for tailings disposal, rock dumps, emissions and waste management.
- Health and Safety practices and track record.
- Adequacy of environmental rehabilitation provisions.

- Accommodation and transportation of staff to and from mine site.
- Opportunities for involvement of local communities and establishment of initiatives to benefit local communities as well as effective ongoing community stakeholder engagement.
- Level of disclosure and transparency towards all stakeholders.
- ESG policies and performance track record, including review of ESG controversies.

Transactions related to thermal coal mining that are designated as High Risk will be referred to the Head: Group Environmental & Social Risk for enhanced due diligence and transaction screening in compliance with the Group's internal procedures. Post-finance monitoring will be required on an ongoing basis.

7. Portfolio management

Standard Bank will endeavour to manage its exposure to thermal coal mining, where practicable, in the countries within which it operates in line with each country's national energy plan and energy mix.

In this regard, Standard Bank's financing of thermal coal mining is expected to reduce over time in line with the expected reduction in the contribution of thermal coal to the energy mix of the countries within which we operate as they pursue the implementation of a just transition to reduced thermal coal-derived energy supply, as countries implement their national determined contributions to reducing GHG emissions as per the Paris Agreement.

8. Date of Review

This policy is subject to periodic review with the first review scheduled for the fourth-quarter 2021.