

Summary mining, metals, minerals and precious/semi-precious stones financing standard

Absa Group's mining, metals, minerals and precious/semi-precious stones financing standard supports the Group Sustainability Policy and its Enterprise Risk Management Framework (ERMF).

The primary objectives of the standard are to:

- Provide an overview of Absa's position on financing mining, metals, minerals and precious/semi-precious stones;
- Provide the minimum requirements which must be met to fund all products and activities related to mining, metals, minerals and precious/semi-precious stones;
- Specify the enhanced due diligence required for all products and activities of mining, metals, minerals and precious/semi-precious stones;
- Provide background to Absa Group's Sustainability Framework and Policy, Group Sustainability Risk Appetite and its commitment to support a 'just transition' to ensure a stable economy and assist its clients to transition responsibly.

The standard applies across the Group and all its subsidiaries, if applicable (including any consolidated entity acquired via a debt-for-equity swap or created through a joint venture) and all employees and workers of any aforementioned entity.

The Standard does not apply to:

- Coal financing (as these reside in the scope of the Absa coal financing standard);
- Precious and semi-precious stones midstream industry financing (cutting, polishing and trading of precious stones);
- Contract miners;
- Financial advisory and mergers and acquisitions in relation to exploration assets/reserves and related activities.

Overview

Africa is well endowed with vast metal, minerals and precious/semi-precious stone resources and reserves that are in demand globally. For this reason, the sector is recognised as a key pillar in Absa's strategic objectives. Globally the mining and metals industry is a mature, cyclical, capital-intensive and competitive environment. A fairly steady reinvestment is required to maintain production profiles, while consumption is correlated with global business and economic cycles. Building new mines or upgrading to new environmentally friendly technology is considered a highly capital-intensive undertaking requiring significant investment. In select minerals such as gold, iron ore and copper, Africa is considered mature. However, given its vast untapped resources potential, a significant amount of capital is required along the value chain (exploration, building, production and closure) to fully develop other minerals.

It is predicted that the mining sector growth will remain robust, as key commodity prices remain elevated and Chinese demand holds on the back of large infrastructure projects to ignite growth globally. The region's long-term growth outlook is promising, although this will be moderated by inadequate infrastructure and political instability. As the world's needs shift to more "environmental mineral requirements", Africa will still be a significant player. For Africa to achieve its growth aspirations, mining needs to grow through investments.

The mining, metals, minerals and precious/semi-precious stones strategy of most mining corporates includes expanding into renewable energy minerals, which is key to the world achieving its sustainability goals. It is important to support miners as they transition into these metals and away from traditional base metals, minerals and precious metals. Given the transition nature, we will continue to support all mining falling within our acceptable risk measures, as they are key to the continent's development and the transition to a cleaner environment.

Absa provides a range of banking products and services (inclusive of financial assistance) to the mining, metals, minerals and precious/semi-precious stones sector. This include financing of greenfield mining operations. Resources extraction plays a key role in inclusive growth in almost all countries on the continent. The importance and impact of the environmental, social and governance (ESG) risks associated with these activities are considered in our processes. Absa will remain a transitioning partner to clients in the mining, metals, minerals and precious/semi-precious stones sector, within the bank's broader risk framework.

Financing of sector related products and activities

Overview

Mining, metals, minerals and precious/semi-precious stones refers to all clients (including junior miners) engaged in exploration, mine construction, minerals and construction materials extraction and mine operation, all metal, minerals and precious/semi-precious stone recovery, processing and refining activities, and mine closure and rehabilitation.

The standard covers the provision of banking products and services as well as financial assistance to mining, metals, minerals and precious/semi-precious stones activities as per the stages of the mining cycle below. The activities include, but not limited to advisory, products, services, development finance, receivables finance, pre-paid export finance, borrowing-based to the various stages of the mining cycle, i.e. exploration & prospecting, mining site design & planning, construction, production, closure & reclamation and onsite or offsite processing or refining of extracted ores.

The standard excludes the following:

- The provision of financial products and services to the following mining, metals, minerals and precious/semi-precious stones activities are excluded as Absa will not invest or finance:
 - Prospecting or exploration of reserves, where repayment of the facilities is purely based on cashflows from the exploration assets. Note: facilities and other banking products and services may be made available to mining, metals, minerals and precious/semi-precious stones companies for general corporate purposes, even where the proceeds may potentially be applied to greenfield development or exploration activities;
 - The mining of conflict minerals and stones as well as the trade and resale of same which contain conflict minerals and stones that could facilitate war and organised crime;
 - Absa will not finance or invest in business activities where hard bonded or friable asbestos fibres are produced, manufactured or used;
 - Greenfields alluvial diamond mining (unless the alluvial asset is part of a diversified group of companies with a diverse asset base in non-alluvial commodities, agriculture or property with management having an extensive track record).
- The mining of uranium and naturally occurring sources of radioactivity, e.g. radon gas could be considered, although international best practice that is expected for the uranium mining industry must be met.

Managing Absa's mining, metals, minerals and precious/semi-precious stones portfolio

Absa will provide financial assistance, including, but not limited, to advisory, products, services and funding to mining, metals, minerals and precious/semi-precious stones clients which:

- Fall within Absa's Compliance and Sanctions framework;
- Meet Absa's lending requirements and environmental and social due diligence process;
- Have appropriate ESG policies in place;
- Develop projects and manage operations in accordance with the Equator Principles, the International Finance Corporation (IFC) Performance Standards, the IFC General Environmental, Health, and Safety Guidelines, the applicable IFC Industry/Sub- Sector Guidelines, the World Bank Group Environmental, Health and Safety (EHS) guidelines;

- Develop projects and manage operations in accordance with the National Development Commitment (NDP) plans of countries to the Paris Agreement
- Have disaster recovery and response plans in place;
- Have appropriate rehabilitation and mine closure plans in place;
- Have formal commitments in place to monitor and minimize greenhouse gas emissions for all stages of the mining cycle;
- Financing for captive power solutions from renewable energy, green hydro, gas or other technologies (excluding coal) either to own on-balance sheet, or through an Independent Power Producer (IPP) model;
- Comply with all regulations and environmental legislation with regards to storage, transport and commercialisation of Mining activities.

Absa sector portfolio finance and risk parameters

Absa will strive to achieve a balanced mining and metals portfolio funding diversification mix between base metals, precious metals, mineral sands, precious and semi-precious stones and an ever increasing composition of energy minerals (lithium, cobalt, copper, nickel and manganese). Global demand for these energy minerals is expected to increase as governments respond to the effects of climate change by raising fuel-economy standards and promote the use of electric vehicles as an alternative to traditional fossil fuel-powered vehicles, and as the demand for rechargeable batteries and green energy grows. From a mining perspective, Africa will continue to receive investor attention due to low labour costs, strong mining sector value growth in the long run and a solid competitive landscape. The portfolio will be managed taking cognisance of the following risk parameters, including commodity & price, country legislative, country, environmental, social, regulatory, operational & maintenance and reputational risks.

Environmental and Social due diligence for the sector comprises

Equator Principles (EP)

Absa Group has adopted the EP framework and applies this to all qualifying transactions, countries and sectors. The EP will be applied to all financial products in line with EP thresholds as agreed by EP Finance Institutions. Absa Group also applies the EP to financing expansions or upgrades of an existing project.

Environmental and Social Due Diligence (ESDD)

An ESDD will be undertaken for all activities that have a significant impact on the environment and people, communities, and society in line with the Absa Group Environmental and Social Management System (ESMS) and guidance provided in the Environmental and Social Standard and Lending. The aim of the ESMS is to avoid, eliminate, offset, or reduce to acceptable levels, any adverse environmental and social impacts, and to achieve environmental and social benefits with good governance practice. It also aims to align with local and international standards for social and environmental management, including the IFC.

World Bank Group EHS guidelines

The EHS Guidelines contain the performance levels and measures that are generally considered to be achievable in new facilities by existing technology at reasonable costs.

NDPs and Paris Climate Agreement and disclosure according to the TCFD recommendations

Absa commits to align with the NDPs from the countries in which we operate, whilst contributing to the goals of the Paris Climate Agreement. Absa will disclose our commitment and progress according to the Taskforce for Climate Related Financial Disclosures (TCFD) recommendations.

Industry best practices, guidelines and bodies

Absa will also refer to the following industry best practices, guidelines and bodies, as appropriate, for the related mining, metals, minerals and precious/semi-precious stone activities:

- World Gold Council's Conflict Free Gold Standard;
- Kimberly Process Certification Scheme;
- Extractive Industries Transparency Initiative (EITI);
- International Council on Mining and Metals (ICMM) Best Practices;
- Responsible Jewellery Council;
- LBMA's Guidance for Responsible Gold;
- International Cyanide Management Code for Gold Mining;
- Voluntary Principles for Security and Human Rights.

Comply with the Global Industry Standard effective date 5 August 2020 on tailings management.