

## Summary Mining, Metals, Minerals and Precious/Semi-Precious Stones Financing Standard

### 1 Mining, Metals, Minerals and Precious/Semi-Precious Stones Financing Standard

Absa Group's Mining, Metals, Minerals and Precious/Semi-Precious Stones Financing Standard outlines the necessary provisions and control requirements for funding specific activities within the Mining, Metals, Minerals and Precious/Semi-Precious Stones sector. This standard supports the Group Sustainability Risk Policy and its Enterprise Risk Management Framework.

The primary objectives of the Standard are to:

- a. Provide an overview of Absa's position on financing Mining, Metals, Minerals and Precious/Semi-Precious Stones.
- b. Provide the minimum requirements which must be met to fund all products and activities related to Mining, Metals, Minerals and Precious/Semi-Precious Stones.
- c. Specify the enhanced due diligence required for all products and activities of Mining, Metals, Minerals and Precious/Semi-Precious Stones.

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:

- a. Coal Financing (as these reside in the scope of the Absa Coal Financing Standard).
- b. Commodity Trading entities unless we are providing banking services to their physical mining and metal operations.
- c. Precious and Semi-Precious Stones midstream industry financing (cutting, polishing and trading of precious stones).
- d. Contract Miners.

### 2 Overview

Africa is well endowed with vast Metal, Minerals and Precious/Semi-Precious stone resources and reserves which are highly demanded globally. It is for this reason that this 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. There is a fairly steady reinvestment 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 high capital-intensive undertaking requiring significant investment. Africa on select minerals such as gold, iron ore and copper is considered mature however given its vast untapped resources potential a significant amount of capital is still 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 in Africa. As the world's needs shifts to more "environmental mineral requirements" Africa will still be a significant player. For Africa to achieve its growth aspirations, mining need 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 in the world achieving its sustainability goals as well as supporting miners as miners transition into these metals away from the 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 not only in the development of the continent but also during 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 would include financing of greenfield development of mining operations. Resources extraction plays a key role in inclusive growth in almost all countries on the continent. The importance and impacts of the Environmental Social 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 broader risk framework of the bank.

### **3 Financing of Mining, Metals, Minerals and Precious/Semi-Precious Stones related products and activities**

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.

#### **3.1 Activities covered in the Standard**

The Standard covers the provision of banking products and services as well as financial assistance to Mining, Metals, Minerals and Precious/Semi-precious stone 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 on-site or off-site processing or refining of extracted ores.

#### **3.2 Activities excluded in the Standard**

- a. The provision of financial products and services to the following Mining, Metals, Minerals and Precious/Semi-Precious Stone 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, Metal, Mineral and Precious/Semi-Precious Stone 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).
- b. 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.

#### **3.3 Thresholds**

Various thresholds are in place subject to qualifying criteria.

### **4 Managing the Mining, Metals, Minerals and Precious/Semi-Precious Stone portfolio**

Absa will provide financial assistance, including, but not limited, to advisory, products, services and funding to Mining, Metals, Minerals and Precious/Semi-Precious Stone clients which:

- a. Fall within the Compliance and Sanctions framework of Absa;
- b. Meet Absa's lending requirements;
- c. Have appropriate Environmental, Social and Governance (ESG) policies in place where required by regulation and subject to the thresholds of the Standard, including water usage registration in countries where applicable;

- d. Have sustainability policy/ies in place, addressing the environmental and social risks they are exposed to as well as the governance structures/principles they adhere to;
- e. Develop projects and manage operations in accordance with 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 guidelines;
- f. Transactions are screened against the Absa Environmental and Social Management System (ESMS) Standard;
- g. Develop projects and manage operations in accordance with the Nationally Determined Contributions (NDCs) to the Paris Climate Agreement within the countries where we operate;
- h. Have disaster recovery and response plans in place;
- i. Have appropriate rehabilitation and mine closure plans in place;
- j. Have formal commitments in place to monitor and minimize greenhouse gas emissions for all stages of the mining cycle;
- k. 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; and
- l. Comply with all regulations and environmental legislation with regards to storage, transport and commercialisation of Mining activities.

## **5 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). Business risks impacted by changes in the general macroeconomic environment, sector specific, sentiment and/or legal and regulatory landscape will be closely monitored.

## **6 Enhanced Due Diligence for the Mining, Metals, Minerals and Precious/Semi-Precious Stones sector**

### **6.1 Equator Principles (EP)**

Absa Group has adopted the Equator Principles 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.

### **6.2 Environmental and Social Due Diligence (ESDD)**

The ESDD process provides insight on the types of potential risks and impacts associated with the transaction activity/ies. An ESDD will be undertaken for all activities that have a significant impact on the environment and people, communities, society in line with the Absa Group Environmental and Social Management System (ESMS) and guidance provided in the Environmental and Social Standard.

The detail and nature of the ESDD performed will be informed by the level of risk associated with the transaction or deal, considering the financial product being provided, term, and degree of Absa participation in the transaction.

### **6.3 World Bank Group Environmental, Health and Safety (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. Absa will also refer to industry best practices, guidelines and bodies as appropriate for the related mining, metals, minerals and precious/semi-precious stone activities.

## **7 Alignment to the Nationally Determined Contributions (NDCs) and the Paris Climate Agreement**

Absa strives to align its operations with the Nationally Determined Contributions (NDCs) of the countries where it operates, and to support the objectives of the Paris Climate Agreement. Our commitments and progress will be disclosed according to the Taskforce for Climate Related Financial Disclosures (TCFD) recommendations.

## **8 Just Transitioning**

We support a Just Transition that addresses Africa's energy poverty, and we have prioritised the promotion of sustainable and inclusive economic growth, employment, and decent work for all. Our objective, therefore, is to aid customers and communities in achieving sustainable and inclusive growth by providing services that facilitate the transition and adaptation process, promoting an ethical and inclusive supply chain, and ensuring that stakeholders have a say in our climate change decisions.