Investec's Group fossil fuel policy

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OUT OF THE ORDINARY

01. Introduction

We seek to build resilient profitable businesses that support our clients and enable them to grow their businesses while contributing in a positive and responsible way to the health of our economy, our people, our communities and the environment.

02. Our purpose

Investec's purpose is to create enduring worth.

03. Scope

Investec, comprising Investec plc, Investec Limited, and all subsidiaries, partners with private, institutional and corporate clients in two principal markets: South Africa and the United Kingdom, as well as certain other countries. This policy will cover all Investec's activities including lending, investing, advisory and any other activities of the group.

3.1 Specialist Bank

This fossil fuel policy covers our approach to the following activities:

- Coal
    - Extraction (mining)
    - Power plants and power generation
    - Infrastructure and industrial processes
- Oil and gas
    - Exploration and production
    - Power plants and power generation
    - Infrastructure and industrial processes

3.2 Secondary market equity and equity derivative trading

As far as our secondary market equity and equity derivative trading activities are concerned, these will not be restricted.

3.3 Wealth and Investment

Our Wealth & Investment business subscribes to the Code for Responsible Investing in South Africa (CRISA). We are also a signatory of the United Nations Principles for Responsible Investment (UN PRI). Our policy and related frameworks incorporate both the CRISA and the UN PRI principles in defining our governance and stewardship responsibilities regarding fossil fuels. In addition, our Investec Wealth & Investment research team incorporates ESG factors into its investment analysis as standard across all asset classes and for listed equities, this is strengthened using Sustainalytics, a global leader in ESG research and risk metrics.

04. Commitment to sustainability

Our commitment to sustainability recognises the interconnected nature of our business, the economy, the environment and society. We play an important role in funding (both lending and investing) a sustainable economy that is cognisant of the world's limited natural resources and promotes carbon reduction. We integrate sustainability-related considerations into our day-to-day operations and decision-making to support a sustainable, long-term vision. One of the greatest socio-economic and environmental impacts we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world. As a result, we are focused on positively contributing to the delivery of the Sustainable Development Goals (SDGs). We are committed to respecting human rights, using internationally recognised principles and voluntary standards to guide us in our consideration of sustainability aspects. These principles and standards include the:

- 2030 Agenda and the UN Sustainable Development Goals
- 10 principles of the UN Global Compact
- International Finance Corporation (IFC) to assess high and medium risk industries
- OECD Guidelines for Multinational Enterprises and export credits
- CDP (formerly known as the Carbon Disclosure Project)
- Task Force on Climate-related Financial Disclosures (TCFD)
- Task Force on Nature-related Financial Disclosures (TNFD)
- Partnership for Biodiversity Accounting Financials (PBAF)
- African Natural Capital Alliance (ANCA)
- International Financial Reporting Standards (IFRS) S1 and S2
- Corporate Sustainability Reporting Disclosure (CSRD) requirements
- Banking Association of South Africa (BASA) guidelines for social and environmental risk
- United for Wildlife Financial Taskforce principles
- International and local laws and regulatory frameworks relating to environmental standards.

We are members of the Net Zero Banking Alliance (NZBA) supporting the global response to the threat of climate change, committing to aligning our lending and investment portfolios with net-zero emissions by 2050.

We support the key provisions of the Equator Principles (EP). We are not currently a signatory due to the low number of transactions that Investec does in non-designated countries, as defined by EP guidance. All transactions done in non-designated countries are EP monitored and compliant. Please refer to our latest Sustainability and ESG Supplementary Report available on our website for more information and our EP disclosures.

05. Commitment to the environment and climate change

We acknowledge the intricate and pressing nature of climate change. Our commitment lies in supporting the transition towards a clean and energy-efficient world, while safeguarding biodiversity and the wellbeing of our people and planet.

Climate change could directly affect our operations, communities and clients through increasing severity of weather events (physical risks), or indirectly through legislative, regulatory or policy responses, such as carbon pricing and climate change adaptation or mitigation policies (transition risks).

Investec's environmental policy considers the risks and opportunities that climate change presents to the global economy. We believe that as a specialised financial services organisation and given our positioning in the developed and emerging worlds, we have the opportunity to make a meaningful impact in addressing climate change.

We are a member of the Net-Zero Banking Alliance (NZBA) and we support the Paris Agreement's aim of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and of pursuing efforts towards limiting it to 1.5°C. We also recognise the urgency and need to accelerate action which has been incorporated into our approach. We report annually on our climate strategy, positioning and progress in our Task Force on Climate-related Financial Disclosures (TCFD) report.

We understand the importance of various industries, including the energy sector, for the global economy. We have an international business and operate in both the developed and developing world with varying economic, social and environmental contexts. We need to find a balance between the need for increasing energy access and economic growth (particularly in our South African business) and the urgency to reduce carbon emissions across all areas of operation. Consequently, we will be cautious and orderly in our approach to this transition, which is not solely focused on the next decade but rather 20, 30 and 40 years ahead. As such, when assessing our participation in all fossil fuel activities, we will ensure we consider a variety of financial, socio-economic and environmental factors relevant to a local context (for example poverty, growth, unemployment, and carbon impact). **This transition cannot be done in isolation from the realities of the communities in which we, and our clients, operate.**

Our overall premise is to partner with our clients to enable a just transition towards a zero-carbon economy. **We welcome the voice of all stakeholders as we make the move together to net-zero carbon economy, in a way that is most responsible for all participants.**

06. Approach to net-zero

As part of our climate strategy, we have established specific thresholds in our fossil fuel policy for coal, oil, and gas, which align with our goal of limiting global warming to well under 2°C in accordance with the Paris Agreement. These thresholds reflect our commitment to responsible investment practices and our proactive approach to mitigating climate-related risks, ensuring that our future plans are robust and aligned with global sustainability targets.

We are continuously working to understand the carbon emissions from our Scope 3 activities by participating in international alliances like the Partnership for Carbon Accounting Financials (PCAF).

As a specialised financial services organisation with a small physical presence, the direct environmental and social impacts of Investec's daily operations are limited.

We embrace our responsibility to understand and manage our own carbon footprint. In February 2020 we achieved net-zero carbon status in our Scope 1 and 2 (and part of Scope 3, for example business travel) emissions and committed to ongoing carbon neutrality. Our priority is to avoid, then limit and minimise our direct carbon impact from day-to-day operations as well as create awareness to encourage positive sustainable behaviour among our stakeholders. This may include procuring energy from renewable sources or acquiring renewable energy certificates. Only then will we offset our remaining carbon dioxide emissions to ensure a net-zero direct carbon impact.

In terms of Scope 3 financed emissions, we believe that the widest and most positive influence we can have is for our businesses to use their specialist skills in advisory, lending and investing to support our clients and stakeholders to move as quickly and smoothly as possible towards a low-carbon economy. We also support the development of innovative solutions and engage in advocacy efforts that will help accelerate a decarbonised economy. We are continuously working to understand the carbon emissions from our Scope 3 activities by participating in international alliances like the Partnership for Carbon Accounting Financials (PCAF).

While the Group does not currently have a comprehensive transition plan in place, we are committed to developing one within the next three to four years as part of our long-term climate approach.

07. General sustainability screening criteria

We apply prudent due diligence to all fossil fuel activities which go through a rigorous process and may require senior decision-making approval. Furthermore, this policy and Investec's risk appetite for this sector is reviewed every two years and signed off by the Board Risk and Capital Committee (BRCC) and the Dual Listed Company (DLC) Social and Ethics Committee.

We will not engage in activities:

- that are in contravention of any international and/or local laws and conventions of the countries where Investec or the counterparty operate
- that do not respect human rights, and do not respect the rights of local communities and indigenous peoples
- that are in non-compliance with minimum standards for occupational health and safety and the relevant local legislation
- that use child labour, forced labour, modern slavery or human trafficking (as defined by international standards, including the International Labour Organisation and the UK Modern Slavery Act 2015)
- that negatively impact high conservation value areas and UNESCO world heritage sites (for example any national park)
- that involve projects in environmentally high-risk areas, for example but not exclusively related to tar sands exploitation, Arctic drilling, and deforestation or drilling in the Amazon rain forest
- where environmental and social risks are not being managed including for example but not exclusively: non-compliance with standards for water use, wastewater management, air emissions, solid waste, spill response/clean-up operations, site restoration and community/stakeholder management.

08. Coal

Our approach to coal takes cognisance of the unique socio-economic nuances we face in our two core geographies of the UK and South Africa and the role that each country plays in the global energy transition. At March 2025, our group exposure to coal as a percentage of total core loans and advances was 0.05% (March 2024: 0.08%). We will consider metallurgical coal projects on a case-by-case basis.

- **Subject to 8.1, 8.2 and 8.3, in principle, Investec will:**
  - **Not provide financial services to new coal mines outside of South Africa**
  - **Not provide limited recourse project financing for new coal mines, regardless of jurisdiction, after 31 March 2023**
  - **Not provide financial services to new clients that export thermal coal**
  - **Not provide financial services to any new coal-fired power stations, regardless of technology or jurisdiction.**
- **Investec will continue to provide all financial services to existing coal sector clients who have a credible transition plan**
- **Investec will continue to provide financial advisory services to coal sector clients who have a credible transition plan and are strategic to the Indian economy**
- **Investec will provide financial services where finance is used to decommission coal-fired power stations or where power stations are being converted away from coal-fired power, in line with the Country's transition plan**
- **Investec will manage current thermal coal exposure, to ensure that all our direct thermal coal exposure decreases to zero by 31 March 2030.**

8.1 Extraction

The mining sector plays an important role in providing mineral resources that are essential inputs to many other sectors of the global economy. Demand for mineral resources continues to grow while the availability of mineral reserves gets progressively scarcer and more difficult to access. As we transition to cleaner energy, demand for the requisite metals and materials will also increase. Our approach, therefore, is to provide financial products and services to companies and projects in the mining industry in a balanced and responsible manner.

With respect to coal mining, we distinguish between thermal and metallurgical coal projects due to the vast volumes of thermal coal required in coal-fired power generation and the current lack of viable alternatives to metallurgical coal required.

We have clients who are heavily dependent on coal mining in certain developing countries, and we will continue to work with and engage with those who demonstrate credible progress in line with our commitment to the energy transition.

8.2 Power plants and power generation

Investec acknowledges that coal-fired power is a significant emitter of carbon emissions and a key contributor to climate change. At the same time, we recognise that coal still plays a significant role in the global energy mix and there are certain economies and industries that are still dependent on coal-fired power generation. Abruptly discontinuing the use of coal would be damaging to the economy and affect many communities through socio–economic issues. We need to be pragmatic and balanced in our approach as we work with our clients to recognise the urgency and complexity of this global energy transition.

8.3 Infrastructure and industrial processes

When considering the funding of logistics, handling infrastructure and contract mining companies that support the coal sector, we will take into account the nature of the operations ultimately supported by the infrastructure and apply the same socio-economic considerations as indicated above in the extraction of coal and coal-fired power generation.

We are cognisant that smaller independent operators of “yellow metals” or transporters of coal, may not have the sophistication to demonstrate a credible transition plan themselves, however they will still be screened against our established criteria.

We will support corporates and industrial projects and processes that are committed to, and demonstrate, progress in transitioning away from a reliance on coal.

09. Oil and gas

Oil and gas remain important energy sources, and are therefore still essential to the global energy supply, but they need to be produced with the best possible practice in order to limit associated greenhouse gas (GHG) emissions and other potential adverse impacts.

Given the complexities of supporting this industry, we will consider a range of carbon intensities of particular projects relative to industry standards to guide us in our due diligence. For example, we see liquefied natural gas (LNG) as assisting the transition towards net-zero, particularly in economies that are trying to reduce their reliance on coal. We will favour clients who are committed to taking an active role in the energy transition and who apply the highest industry standards and will monitor and review our policy concerning the environmental and social impacts as this industry evolves.

- **Subject to 9.1, 9.2 and 9.3, in principle, Investec will:**
    - **Not provide financial services to new projects or developments which:**
        - **Involve the exploration, extraction or production of oil and gas in the Arctic region;**
        - **Involve the exploration, extraction or production of oil and gas in the Amazon Basin;**
        - **Involve the exploration, extraction or production of oil from tar sands, including the construction of associated export facilities;**
        - **Involve the exploration, extraction or production of oil or gas from ultradeep water (defined by offshore wells in water deeper than 1500 meters).**
    - **Not finance new oil and gas exploration, extraction or production projects directly, regardless of jurisdiction, from 1 January 2035.**

9.1 Exploration and production

There are increasing concerns related to transactions involving new hydraulic fracturing in particular the negative impacts on local communities, water quality, water consumption, wastewater disposal methods, potential seismic impacts, and air emissions (including methane). In these instances, we apply prudent due diligence and require senior decision-making approval.

9.2 Exploration and production

We acknowledge that gas is relevant to the transition to a net-zero economy. We will fund power generation from gas only if the project (1) provides a baseload generation profile with materially lower emissions than coal or (2) provides a mid-merit or peaking generation profile that complements the volatility of renewable energy sources such as wind and solar.

Heavy fuel oil or diesel generation plants, including power barges used for emergency power, remain critical for peaking power. Our approach is to fund these plants (both existing and new) provided there is both the potential and the intention for the plant to be converted to gas in due course and that meets our screening criteria.

9.3 Infrastructure and industrial process

We will fund mid-stream infrastructure in the oil and gas sector (for example, pipelines, storage facilities, rail and port infrastructure) provided the individual project meets our screening criteria, as outlined above. We view support of this sector as facilitating the transition to an overall lower-carbon emission profile.

10. How do we put these standards into practice?

Investec seeks to ensure that all clients act ethically, and with integrity, and meet all the group’s minimum requirements. Investec performs due diligence of all actual and prospective clients and transactions.

Investec reviews existing and prospective clients to determine their compliance with the bank’s policies:

- When the client is first accepted, in accordance with our lending or investment policy
- When the client applies for a loan, in accordance with our lending or investment policy
- In the event of incidents or if important new information becomes known based on which the client’s risk level might change.

Any transaction falling within this fossil fuel policy has to be taken through a sustainability risk approval process and escalated for executive approval as required.

11. Transparency and reporting

- We aim to conduct our business in a responsible, transparent and accountable manner that supports financial stability
- In terms of transparency and reporting, we will disclose this policy publicly on our website and continue to improve our reporting
- Our approach to reporting on ESG matters follows guidance from the King Code of Governance Principles for South Africa (King IV) and is in accordance with the Global Reporting Initiative's (GRI Standards: core option) sustainability reporting guidelines
- We have been reporting to the CDP since 2010 detailing how we measure, manage, disclose and reduce our greenhouse gas emissions. Investec's score for the 2024 disclosure year is a B, against an industry average of C
- Investec was the first bank in South Africa, and eighth in the UK banking and financial services sector to sign up to the TCFDs reinforcing our commitment to climate change
- As part of our commitment to the Net-Zero Banking Alliance (NZBA) and towards a low-carbon transition and transparency, we will report annually on our progress in shifting our own exposure and working with clients to improve their dependence on fossil fuels. In particular, we will disclose our fossil fuel exposures and report on the progress made with our climate-related disclosures as part of our commitment to the TCFDs. We will also report on any direct financing of coal.

12. Metrics and targets

Our metrics and targets guide us in our journey with an aspiration to become net-zero. These metrics and targets relate to our direct and indirect operational carbon emissions and our indirect financed missions. They help us navigate the progress we make against our sustainability strategy and our commitment to the goals of the Paris Agreement.

Climate change metrics and targets:

The financial risks from climate change present unique challenges and require a strategic approach to financial risk management. These challenges are considered on a case-by-case basis as part of the credit process and discussed as part of the risk appetite annual review process.

As we further develop our approach to monitoring and reporting our financial risk from climate change, more specific metrics and targets will be incorporated within the risk appetite framework over time.

Climate risk disclosure is an evolving process. As we receive guidance from our regulatory regimes and the relevant reporting frameworks, we will continue to engage constructively with various stakeholders to improve our disclosures in alignment with our commitment to the energy transition.

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