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1. 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.

2. Our purpose
Investec's purpose is to create enduring worth, living in, not off, society.

3. Scope
Investec, comprising Investec plc and Investec Limited, partners with private, institutional and corporate clients to offer international banking, investments and wealth management services in two principal markets: South Africa and the United Kingdom, as well as certain other countries.

This fossil fuel policy covers all our businesses, areas of operation and our approach to the following industries:

- Coal-fired power generation
- Coal mining
- Oil and gas.

4. 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 environmental, social and governance (ESG) considerations into our day-to-day operations and decision-making to support a sustainable, long-term vision. The greatest socio-economic and environmental impact 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 ESG aspects. The following are some that are specific to climate:

- 2030 Agenda and the UN Sustainable Development Goals
- UN Global Compact
- International Finance Corporation guidelines 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 • Bankers Association of South Africa (BASA) guidelines for social and environmental risk
- United for Wildlife Financial Taskforce
- International and local laws and regulatory frameworks relating to environmental standards.

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. 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.

5. Climate change commitment

We recognise the complexity and urgency of climate change. 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 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.

Investec plays an important role in funding a sustainable economy that is cognisant of the world’s limited natural resources and promotes carbon reduction. 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). Bank lending and investments contribute essential capital for carbon intensive industries and is critical for accelerating development in renewable and clean energy. We also have an important role to play in terms of advocacy and collaboration and our CEO, Fani Titi, is one of 30 CEOs from around the world involved in the UN Global Investors for Sustainable Development (GISD) programme.

We understand the importance of various industries, including the energy sector, for the global economy. We have a global 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 and we welcome the voice of all stakeholders as we make the move together to a cleaner, zero-carbon world in a way that is most responsible for all participants.
6. Approach to net-zero
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. We also continue to reduce our historic carbon impact through our various voluntary community initiatives.

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 that will help accelerate a decarbonised economy. We are working to understand the carbon emissions from our Scope 3 activities by participating in international alliances like the Partnership for Carbon Accounting Financials.

We focus on protecting biodiversity and promoting the well-being of our planet. Environmental considerations are incorporated when making lending and investment decisions, as outlined in Section 4 above. Furthermore, where appropriate, we share resources and intelligence to support global efforts to combat illegal wildlife trade. We are signatories to the United for Wildlife Financial Taskforce which leverages the existing global financial crime architecture to support efforts to combat illegal wildlife trade.

7. Approach to fossil fuels
We apply prudent due diligence to all fossil fuel activities (including extraction, power generation, industrial processes and infrastructure) which go through a rigorous process and require senior decision-making approval. Furthermore, this policy and Investec’s appetite for this sector is annually reviewed at the risk appetite executive forum and the DLC Social & Ethics Committee.

8. Cross sectional requirements
We apply prudent due diligence to all fossil fuel activities (including extraction, power generation, industrial processes and infrastructure) which go through a rigorous process and require senior decision-making approval. Furthermore, this policy and Investec’s appetite for this sector is annually reviewed at the risk appetite executive forum and the DLC Social & Ethics Committee.

We have zero risk tolerance for activities:

- that are in contravention of any international and/or local laws and conventions of the countries where Investec or the counterparty operate
- that are in non-compliance with human rights, and especially non-compliance with
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 uses 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), for example undertaking artisanal or informal mining
- that involve pornography or prostitution
- that exploit 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 (fossil fuel extraction is banned in the Antarctic), and drilling in the Amazon rain forest
- that does not include a site rehabilitation plan to restore land to a usable state
- where environmental and social risks are not being managed including for example but not exclusively: water use, wastewater management, air emissions, solid waste, spill response/clean-up operations, site restoration and community/stakeholder management.

9. Coal
9.1. 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:

- Investec distinguishes 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 for industries like steel and cement
- We have limited exposure to thermal coal
- We will consider metallurgical coal projects on a case-by-case basis
- We will only finance new coal mining transactions or the expansion of ongoing operations if there is a comprehensive socio-economic motivation that is processed through special senior risk forums and approved by senior executive
- We will not finance mountaintop removal mining activities.

We have clients who are heavily dependent on coal mining in certain developing countries and we will continue to work with those who demonstrate credible progress in line with our commitment to the energy transition.
9.2. 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.

Acknowledging this, Investec will not provide funding to new build of conventional plants*. We will only consider financing new coal-fired power plants if they use advanced technology and higher quality thermal coal to significantly reduce emissions and there is a strong socio-economic motivation. For example, where it will result in substantial reduction in the cost of power and support economic growth, job protection and skills upliftment.

We will only consider funding an existing plant or portfolio under the following circumstances:

- Where an existing exposure is being restructured or refinanced but not for expansion purposes unless it meets the required efficiency criteria
- Where an existing plant or portfolio of plants, not previously funded by Investec, is being acquired or refinanced, provided such plants fall into the lowest quartile in the region with respect to both cost and emissions and there is a social-economic motivation for the transaction
- Where the development of the project will facilitate a net carbon emission reduction within the respective jurisdiction over time for example, where more efficient or cleaner plants are developed in order to replace older, less efficient plants
- In markets where there is no viable alternative fuel source.

*Conventional plants are those plants not using advanced, commercially proven technologies (such as supercritical or ultra-supercritical boilers, gasification or circulating fluidised boilers) that meet our required efficiency criteria to significantly reduce CO2 emissions.

9.3. 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 will support corporates and industrial projects and processes that are committed to, and demonstrate, progress in transitioning away from a reliance on coal.
10. Oil and gas
Oil and gas remain important energy sources and are therefore still essential to the global energy supply. Natural gas is necessary, as part of the energy transition, but it needs 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 an important transition fuel, 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.

10.1. Extraction
For transactions involving new hydraulic fracturing, there are increasing concerns related to 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.

10.2. Power plants and power generation
We acknowledge gas as a relevant transition fuel. 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 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 cross-sectional requirements.

10.3. Infrastructure and industrial processes
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 cross-sectional requirements, as outlined above. We view support of this sector as facilitating the transition to an overall lower-carbon emission profile.

11. How do we put these standards into practice?
Investec seeks to ensure that all clients act with ethical 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 at various moments 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.

12. 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 maintained a B rating for the 2020 assessment versus an industry average of B.
• 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 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 to coal and the measures taken to ensure these are short-term exposures for the benefit of a greater socioeconomic purpose.

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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