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INVESTEC GROUP

Sustainable and transition finance classification framework
2024

Investec

Contents

Feedback

We value feedback and invite questions and comments on our reporting. To give feedback on this framework, please contact our Group Sustainability division.

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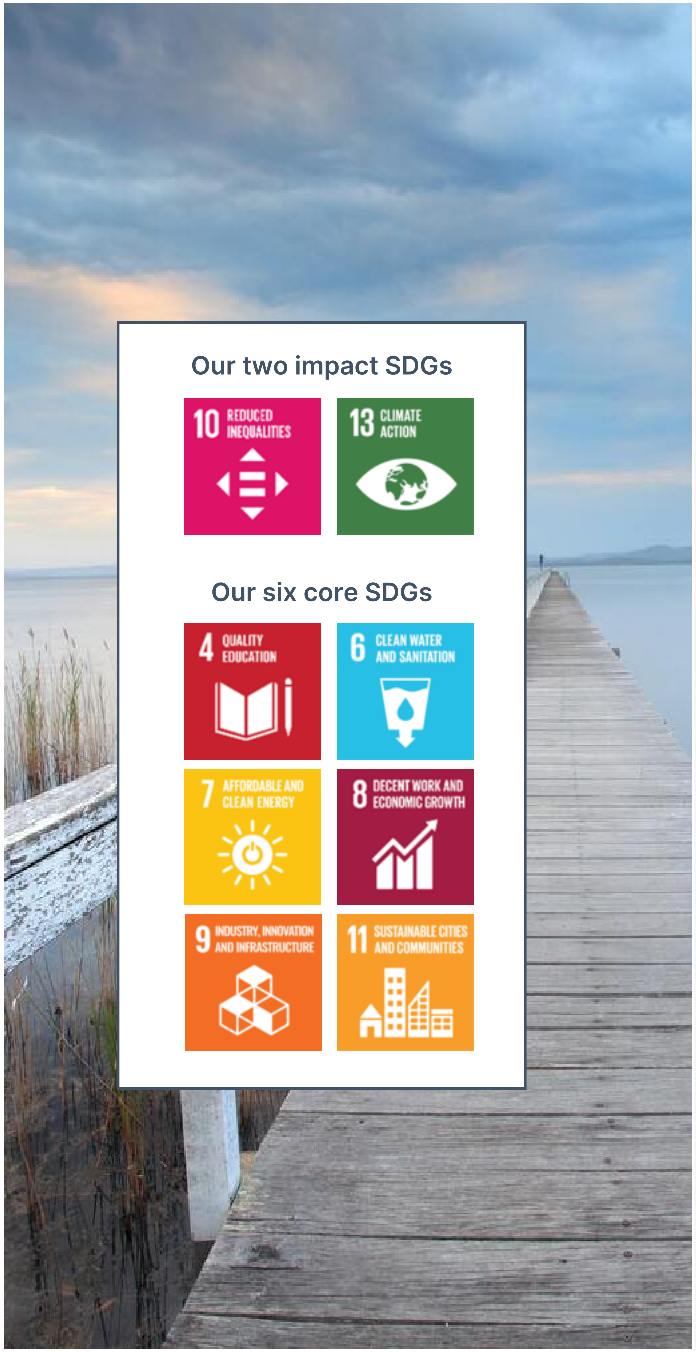


1. Introduction

Investec's purpose is to create enduring worth. We are a distinctive bank and wealth manager, driven by commitment to our purpose, values, core philosophies and culture. We deliver exceptional service to our clients in the areas of banking and wealth management, striving to create long-term value for all our stakeholders and contributing meaningfully to our people, communities, and the planet.

Our sustainability strategy addresses climate change and inequality as critical to the success of our business. Two Sustainable Development Goals (SDGs) are fundamental to Investec, being climate action (SDG 13) and reduced inequalities (SDG 10), with a further six SDGs core to our sustainability strategy. These eight priority SDGs are globally aligned yet locally relevant to our core geographies and reflect our growth strategy to fund a stable and sustainable economy. Our approach coordinates, assesses and reports on the Group's progress in terms of our contribution to our priority SDGs.

With regards to sustainable and transition finance, we are committed to:

- supporting infrastructure solutions that promote renewable and clean energy
- managing, monitoring, and tracking our scope 3 emissions towards net zero by 2050
- actively participating in industry initiatives and memberships
- supporting social upliftment in the interests of reducing inequality.

Sustainable and transition finance should actively contribute to a more sustainable future but also avoid causing significant harm, including social safeguards.

2. Scope

This framework includes the activities of the Investec Group (comprising Investec plc and Investec Limited as well as their respective direct and indirect subsidiaries), excluding the Investec Wealth & Investment business, hereinafter referred to as "Investec" or "the Group". This framework covers Investec's lending and advisory activities.

According to this framework, financing for environmental activities categorised as 'red' do not meet the criteria to be classified as sustainable or transition finance and thus will fall outside of the scope of aggregating towards our sustainable and transition finance target(s). However, exclusion under this framework does not preclude Investec from conducting or continuing business within those activities.

Refer to section 7 in the appendix for a list of excluded activities.

3. Purpose

The purpose of this document is to provide environmental and social sustainability and transition finance classification criteria for the Investec Group.

- For environmental sustainable activities, this guidance considers the recommendations from the European Union (EU) Taxonomy, the South African (SA) Green Finance taxonomy, the Loan Market Association (LMA) principles and the International Capital Market Association (ICMA) principles
- For transition activities, this guidance considers the Net-Zero Banking Alliance (NZBA) transition finance recommendations
- For social sustainable activities, this guidance considers the recommendations from the LMA and ICMA principles.

We acknowledge the challenges that we face, especially in emerging economies and therefore, where applicable, set out geographical nuances.

4. Executive summary

This document presents a comprehensive framework for the classification of environmentally sustainable finance, transition finance, and social sustainable finance activities. The framework is based on a combination of best practice guidelines and taxonomies, including the harmonised framework for impact reporting released by the ICMA, the NZBA transition finance guidance, the LMA principles, the South African Green Finance Taxonomy, and the EU Taxonomy for sustainable finance activities.

For the **environmental pillar** of this framework, a traffic light system has been adopted to classify activities into three categories: green (environmentally sustainable finance), amber (transition finance), and red (activities which do not qualify as sustainable or transition finance under this framework).

- The green category focuses on activities that contribute to the delivery of the SDGs, a low-carbon economy, and financial stability. It considers key performance indicators (KPIs) for environmental and social finance and incorporates principles such as 'do no significant harm' (DNSH) and minimum social safeguards (MSS) criteria.
- The amber category is relevant for transitioning existing infrastructure and activities (transition finance) that may not align with a 1.5°C trajectory. It focuses on reducing emissions in hard-to-abate sectors or enabling activities that are important for emission reduction in other sectors and incorporates principles such as DNSH and MSS criteria.
- The red category identifies activities which do not qualify as sustainable or transition finance under this framework. The identified activities do not constitute an exhaustive list, but are included rather as a set of examples, listing some activities for the avoidance of doubt.

The framework provides specific examples of environmentally sustainable and transition finance categories, such as energy; energy efficiency; water, waste management and pollution control; transport and supporting infrastructure; real estate/ construction; and living natural resources and land use. Each category includes subcategories, additional information, and relevant SDGs.

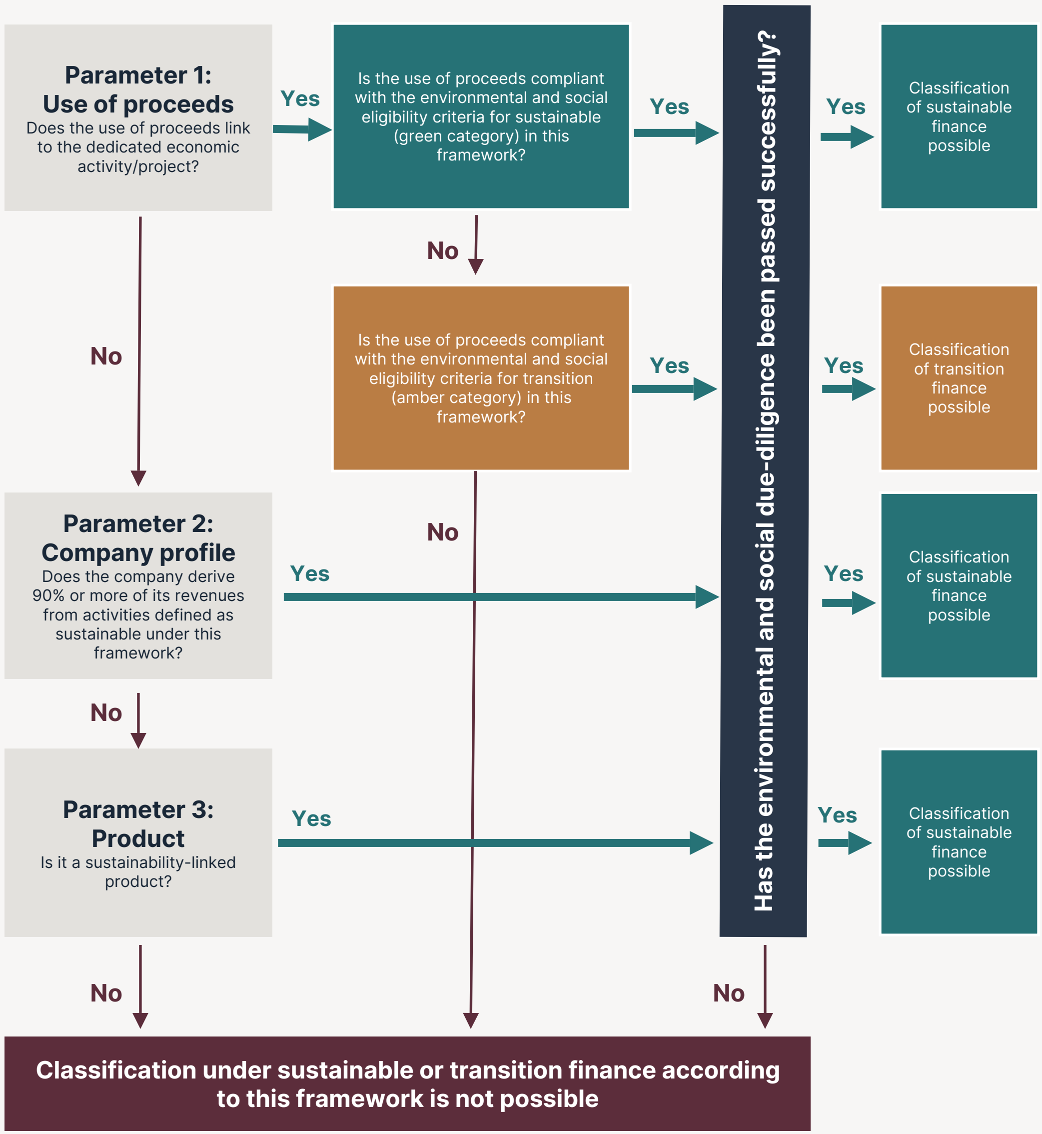
For the **social pillar** of this framework, a traffic light system does not apply. The framework gives guidance on social sustainable finance activities, including target population.

The framework includes an emphasis on the importance of ongoing developments in the sustainable finance market and the commitment to regularly update and revise the framework to align with evolving best practices and taxonomies.

The governance and evaluation of sustainable and transition finance activities within this framework are highlighted, with the recognition that it is a living document subject to revisions over time. The framework is designed to guide Investec in its sustainable and transition finance activities, ensuring alignment with market standards and contributing to the achievement of the SDGs.

The document provides detailed appendices and additional information which can be referred to for a more comprehensive understanding.

The below diagram can be used as guidance when evaluating sustainable and transition finance activities.



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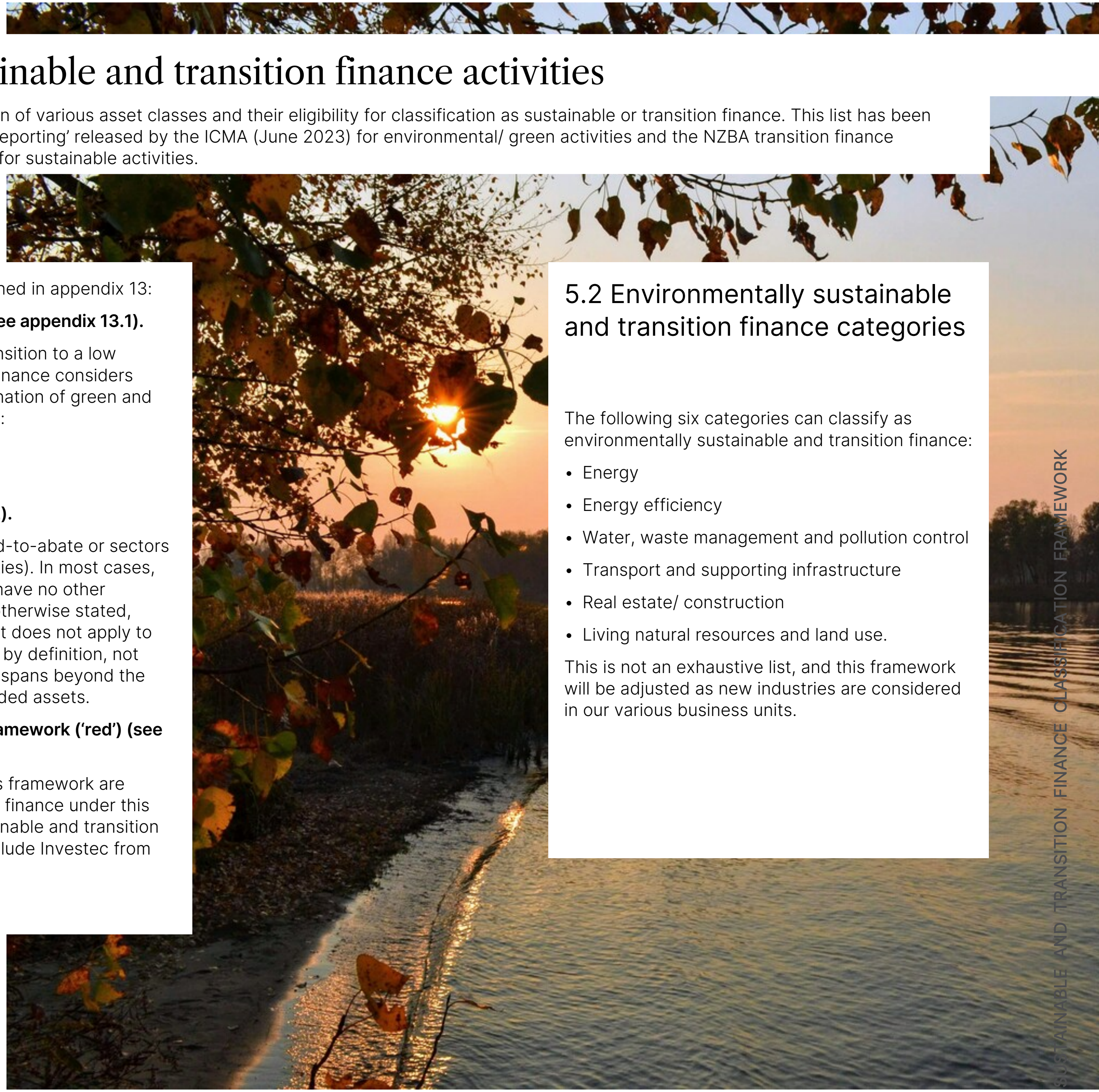
5. Classification of environmentally sustainable and transition finance activities

The categories below are not an exhaustive list, however it gives an indication of various asset classes and their eligibility for classification as sustainable or transition finance. This list has been constructed using a combination of the 'Harmonised Framework for Impact Reporting' released by the ICMA (June 2023) for environmental/ green activities and the NZBA transition finance guidance, the South African Green Finance Taxonomy and the EU taxonomy for sustainable activities.



5.1 Traffic light system

The subcategories are classified according to a traffic light system explained in appendix 13:

Classification of environmental sustainable finance activities ('green') (see appendix 13.1).

Sustainable finance contributes to the delivery of the SDGs and a just transition to a low carbon and climate resilient economy and financial stability. Sustainable finance considers clearly defined KPIs for green finance and social finance, and/ or a combination of green and social KPIs. Sustainable finance is underpinned by the following principles:

- Do no significant harm (DNSH) criteria - see appendix 12.1
- Integrates minimum social safeguards (MSS) - see appendix 12.2.

Classification of transition finance activities ('amber') (see appendix 13.2).

Transition finance focuses on reducing emissions for sectors that are hard-to-abate or sectors that are important for emission reduction in other sectors (enabling activities). In most cases, these are activities that cannot be aligned with the Paris Agreement and have no other alternatives (e.g. steel, cement, aviation). The amber category is, unless otherwise stated, relevant only for transitioning of existing infrastructure and activities and it does not apply to new projects. This is in recognition of the fact that the amber category is, by definition, not aligned with a 1.5ºC trajectory, and building of new activities with long lifespans beyond the sunset dates would lock in assets longer into the future, resulting in stranded assets.

Activities not qualifying as sustainable or transition finance under this framework ('red') (see appendix 13.3).

The activities not qualifying for sustainable or transition finance under this framework are classified as 'red'. Activities that do not qualify as sustainable or transition finance under this framework will fall outside of the scope of aggregating towards our sustainable and transition finance target(s). However, exclusion under this framework does not preclude Investec from conducting or continuing business within those activities.

5.2 Environmentally sustainable and transition finance categories

The following six categories can classify as environmentally sustainable and transition finance:

- Energy
- Energy efficiency
- Water, waste management and pollution control
- Transport and supporting infrastructure
- Real estate/ construction
- Living natural resources and land use.

This is not an exhaustive list, and this framework will be adjusted as new industries are considered in our various business units.

5.2.1. Energy

Traffic light	Subcategory
Green/ sustainable finance	**Generation of energy from renewable sources** • Wind (onshore and offshore) • Solar (including floating) • Hydropower • Green hydrogen • Geothermal • Production of biofuels and biomass from non-waste sources • Other sustainably produced fuels. **Manufacture of components for renewable energy technology** • Development and/ or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage. Examples could include wind turbines, solar panels, battery storage. **Construction/ maintenance/ expansion of associated distribution networks** • Grid expansion/development that can help to reduce curtailment and enable the deployment of renewables by adding capacity, interconnection, and other systems to improve balancing and efficiency. **Electricity storage** • Mechanical energy storage systems • Thermal energy storage systems • Pumped hydropower storage • Batteries. All activities related to the production of heat or cool from waste heat are eligible.
Amber/ transition finance	**Construction/ maintenance/ expansion of associated distribution networks** • Any transmission and distribution infrastructure not reflected above, excluding infrastructure dedicated to fossil fuel generation. **Gas as a transition fuel** • Gas-fired power generation and associated infrastructure strictly in the circumstances where it forms part of a credible transition plan within South Africa.
Activities that do not qualify for this framework	• Power plants dedicated to support fossil fuel infrastructure (e.g. operations of fossil fuel activities) • Transmission and distribution infrastructure dedicated to connecting fossil fuel plants to the grid.

Impact SDG	Core SDG
13 CLIMATE ACTION	7 AFFORDABLE AND CLEAN ENERGY

5.2.2. Energy efficiency

Traffic light	Subcategory
Green/ sustainable finance	**Energy efficiency technologies** • Development, manufacture, assembly, distribution and/ or installation of energy efficiency technologies and products such as efficient appliances, smart meters, lighting, refrigeration, and HVAC, etc. **Data centres** • That make use of waste heat (for example in district heating projects) • That use natural heat sinks to reduce electrical cooling demands • Have effective/improving power usage efficiency (PUE) ratio. **Public services** • Installation of energy-efficient lighting or equipment to increase the operational energy efficiency of utilities and/ or other public services (excluding improvements in buildings) • Improvement of heat efficiency of non-fossil-fuel powered-utilities, power plants, and other public services (district heating systems, district cooling systems heat-loss reduction, and/ or increased recovery of wasted heat) • Retrofit of renewable energy power plants. **Agricultural processes, aquaculture processes and livestock management** • Improving the energy efficiency of irrigation, and other agriculture and livestock management processes as well as of tractor or equipment efficiency through fuel-switching to low-carbon options • Improving energy efficiency of aquaculture farming and processing facilities improving energy efficiency of forestry-related activities, including the production of forestry-related products. **Industrial processes and supply chains** • Development, manufacture, distribution and/ or installation of products or services that increase the energy efficiency of industrial processes • Industrial/ utility energy-efficiency improvements involving changes in processes, reduction of heat losses and/ or increased waste heat recovery. This includes the installation of renewable-powered cogeneration plants. **Transmission and distribution systems** • Retrofit of distribution systems, transmission lines or substations to reduce energy use and/ or technical losses (except for capacity expansion) • Improving existing systems to increase efficient use of energy. Examples could include smart grid technologies, distributed generation, peak demand management, etc. **Transportation** • Improvements to the energy efficiency of infrastructure and transport. An example could include reduction of empty running and logistics software.
Amber/ transition finance	**Energy efficiency technologies** • Projects or technologies that improve the energy efficiency of fossil fuel production and/ or distribution where a credible transition plan[1] (see glossary of terms) is in place. **Industrial processes and supply chains** • Plants powered by gas are only eligible if they have a credible transition plan in place.
Activities that do not qualify for this framework	**Energy efficiency technologies** • Projects or technologies that improve the energy efficiency of fossil fuel production and/ or distribution where no credible transition plan is in place. **Commercial, public, and residential buildings (existing and new construction)** • Improvement activities that result in the lock in of fossil fuel technologies • Activities related to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuels. **Agricultural processes, aquaculture processes and livestock management** • Energy improvements in equipment and technologies that are primarily driven by fossil fuels • Energy efficiency improvements for fish farms that are not Aquaculture Stewardship Council (ASC) certified or facilities that have achieved certification with a variance from the standard • Energy efficiency improvements for forestry-related activities that are not certified by either the Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). **Industrial processes and supply chains** • Plants powered by coal or oil.

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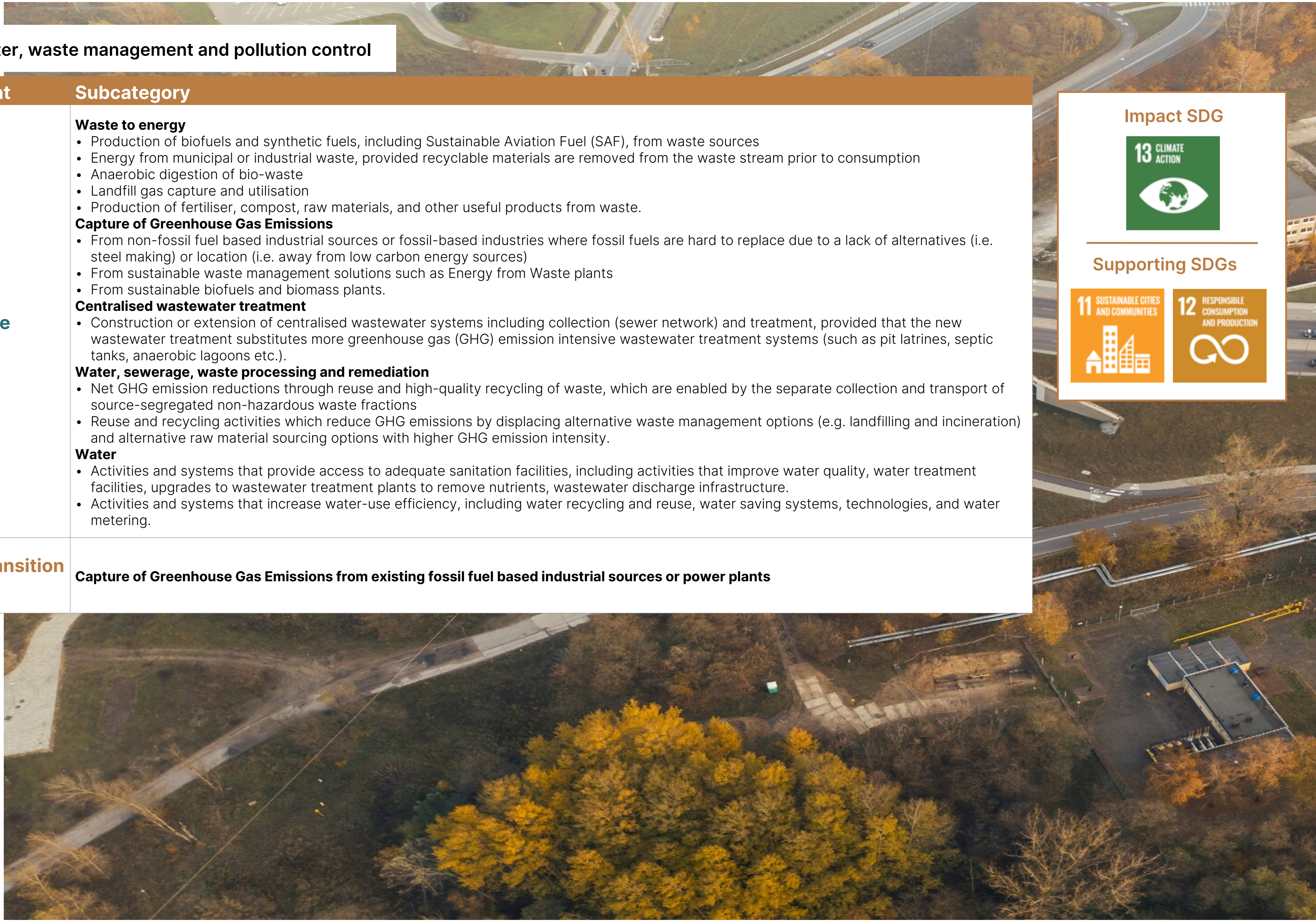
Core SDG

7 AFFORDABLE AND CLEAN ENERGY

[1] Source: Climate policy initiative: climatepolicyinitiative.org/wp-content/uploads/2022/03/Credible-Transition-Plans.pdf.



5.2.3. Water, waste management and pollution control

Traffic light	Subcategory
Green/ sustainable finance	**Waste to energy** • Production of biofuels and synthetic fuels, including Sustainable Aviation Fuel (SAF), from waste sources • Energy from municipal or industrial waste, provided recyclable materials are removed from the waste stream prior to consumption • Anaerobic digestion of bio-waste • Landfill gas capture and utilisation • Production of fertiliser, compost, raw materials, and other useful products from waste. **Capture of Greenhouse Gas Emissions** • From non-fossil fuel based industrial sources or fossil-based industries where fossil fuels are hard to replace due to a lack of alternatives (i.e. steel making) or location (i.e. away from low carbon energy sources) • From sustainable waste management solutions such as Energy from Waste plants • From sustainable biofuels and biomass plants. **Centralised wastewater treatment** • Construction or extension of centralised wastewater systems including collection (sewer network) and treatment, provided that the new wastewater treatment substitutes more greenhouse gas (GHG) emission intensive wastewater treatment systems (such as pit latrines, septic tanks, anaerobic lagoons etc.). **Water, sewerage, waste processing and remediation** • Net GHG emission reductions through reuse and high-quality recycling of waste, which are enabled by the separate collection and transport of source-segregated non-hazardous waste fractions • Reuse and recycling activities which reduce GHG emissions by displacing alternative waste management options (e.g. landfilling and incineration) and alternative raw material sourcing options with higher GHG emission intensity. **Water** • Activities and systems that provide access to adequate sanitation facilities, including activities that improve water quality, water treatment facilities, upgrades to wastewater treatment plants to remove nutrients, wastewater discharge infrastructure. • Activities and systems that increase water-use efficiency, including water recycling and reuse, water saving systems, technologies, and water metering.
Amber/ transition finance	**Capture of Greenhouse Gas Emissions from existing fossil fuel based industrial sources or power plants**

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Supporting SDGs

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

5.2.4. Transport and supporting infrastructure

Traffic light	Subcategory
Green/ sustainable finance	**Electric Vehicle (EV)** • Zero direct (tailpipe) CO_2 emissions (fully electrical). **Personal mobility or cycle logistics** • Personal mobility or transport devices where the propulsion comes from a zero-emissions motor, the physical activity of the user, or both • Pavements, bike lanes and pedestrian zones, parking provisions for active mobility modes, electrical charging and green hydrogen refuelling installations for personal mobility devices • Road vehicles running on sustainable fuels. **Rail transport** • Electrified trackside infrastructure and associated subsystems • For new and existing trackside infrastructure and associated subsystems where there is a plan for electrification. **EV charging solutions (e.g. EV charging points, swap stations, cabinets etc.) and EV infrastructure** • EV infrastructure and charging solutions connected to grids that do not have a high carbon intensity • Electricity grid connection upgrades necessary to support the deployment and operation of infrastructure for charging an EV • All other solutions related to optimising and/ or providing the necessary electrical capacity to support the deployment and operation of EV charging solutions and Electric Road Systems (ERS). **Sea and coastal water transport** • Vessel has zero direct tailpipe CO_2 emissions, with an emphasis on tank-to-wake emissions • Energy source must meet criteria set out in Energy section above. **Air transport** • Using zero exhaust CO_2 emission aircraft such as those powered by electricity or green hydrogen • Purchase/ use of Sustainable Aviation Fuel (SAF).
Amber/ transition finance	**Hybrid Vehicles** • Vehicles using both an electrical, hydrogen, or bio-fuel powered motor and an internal combustion engine leading to substantially lower carbon emissions. **Mobility** • Vehicle or rail fleet retrofit or replacement with clean technologies including electric or green hydrogen. **Passenger or freight transport (transport where empty weight is more than 2.5t)** • A passenger or freight vehicle that has specific CO_2 emissions of less than half of the reference CO_2 emissions of all vehicles in the vehicle sub-group to which the vehicle belongs, i.e., has better emissions than 50th percentile of vehicles in the same class. **EV charging solutions (e.g. EV charging points, swap stations, cabinets etc.) and EV infrastructure** • EV infrastructure and charging solutions connected to grids that have a high carbon intensity. **Sea and coastal water transport** • Vessels achieve the levels of ambition set by the 2023 IMO Strategy on Reduction of GHG emissions from ships • A managed reduction plan is required that outlines the retrofit technologies or a fuel switch option that the vessel will be able to take in order to remain compliant with the net-zero trajectory and explains how these plans are cost-effective. **Air transport** • Financing of any aircraft type, engine or other technology, or overhaul or retrofit, that significantly reduces emissions compared to existing aircraft • Airlines or lessors with a 2030 commitment on the proportion of SAF in the fuel mix.
Activities that do not qualify for this framework	• Any transport or storage dedicated to fossil fuels • Infrastructure dedicated to the transport or storage of fossil fuels • Infrastructure used for operation of fossil fuel-based transport (passenger and freight).

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Core SDG

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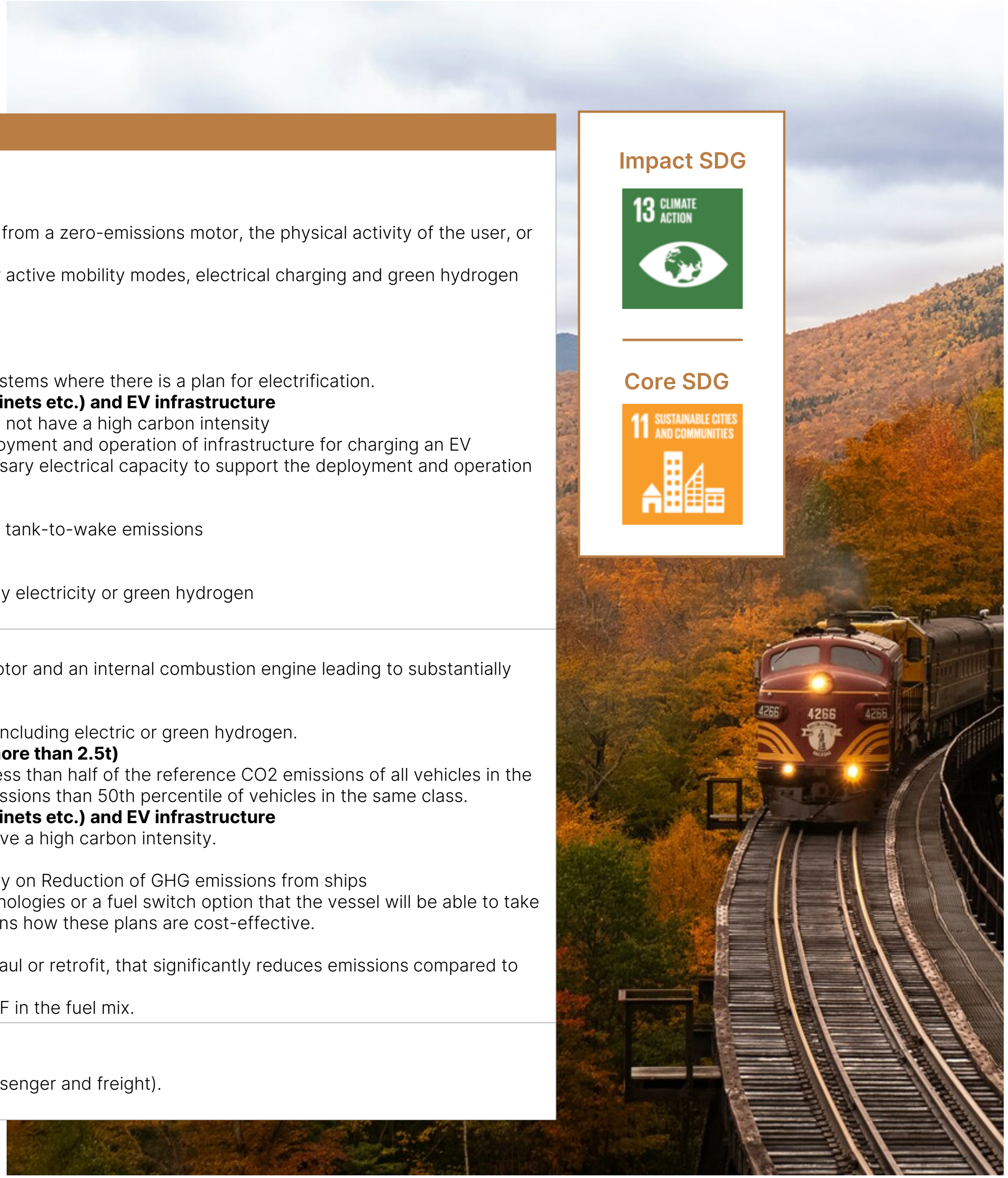

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5.2.5. Real estate/ construction

Traffic light	Subcategory
Green/ sustainable finance	**Construction, retrofit, refurbishment, acquisition, or ownership of commercial, public, and residential buildings** • Certified to an acceptable level under recognised green mark/ international certifications and ratings[2] • Replacement of existing heating/ cooling systems in buildings with more efficient, non-fossil fuel powered systems, or installation of new cogeneration/ tri-generation/ combined heat and power plants that generate electricity in addition to providing heating/ cooling • Waste heat recovery improvements. **Installation, maintenance, repair of equipment** • Installation of renewable energy equipment, renewable energy charging stations and regulation devices.
Amber/ transition finance	**Renovation, retrofit and refurbishment of existing buildings** • Lending to enable the upgrade of a building that would not be classified as sustainable in this framework, to a condition that would be classified as sustainable • Achieving recognised green mark/international certification and ratings but that fall below the certification level set for Green • Where there is a minimum 20% improvement in emissions or energy consumption • Replacement of existing heating/ cooling systems in buildings with more efficient fossil fuel powered systems.
Activities that do not qualify for this framework	• Buildings dedicated to fossil fuel use (consistent with treatment of fossil fuels in energy; however, this would not apply to indirect activities, e.g. all green buildings will be eligible) • Buildings are dedicated to extraction, storage, manufacturing, transport of fossil fuels. For the avoidance of doubt, the above does not include buildings providing office space to fossil companies for administrative or trading activities.

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[2] Examples include GBCSA (Green Star 4 category or above), EDGE (Certified or above), EPC of minimum B, Green Star, LEED ('Gold' certification), WorldGBC, BREEAM (Excellent or above), or other equivalent internationally recognised certification/ threshold.

5.2.6. Living natural resources and land use

Traffic light	Subcategory
Green/ sustainable finance	**Agriculture** • Financing for agricultural products certified under a credible scheme such as Rainforest Alliance. **Natural resources and biodiversity** • Loans to finance sustainable management and protection of natural resources and biodiversity. **Oceans (blue economy)** • Projects designed and implemented to provide coastal protection (nature-based solutions) • Capital expenditures related to creating and ongoing monitoring and surveillance of marine protected areas • Products and fisheries demonstrating sustainable aquaculture practices through certification by the Aquaculture Stewardships Council • Seafood products demonstrating sustainable practices through certification by the Marine Stewardship Council (MSC).

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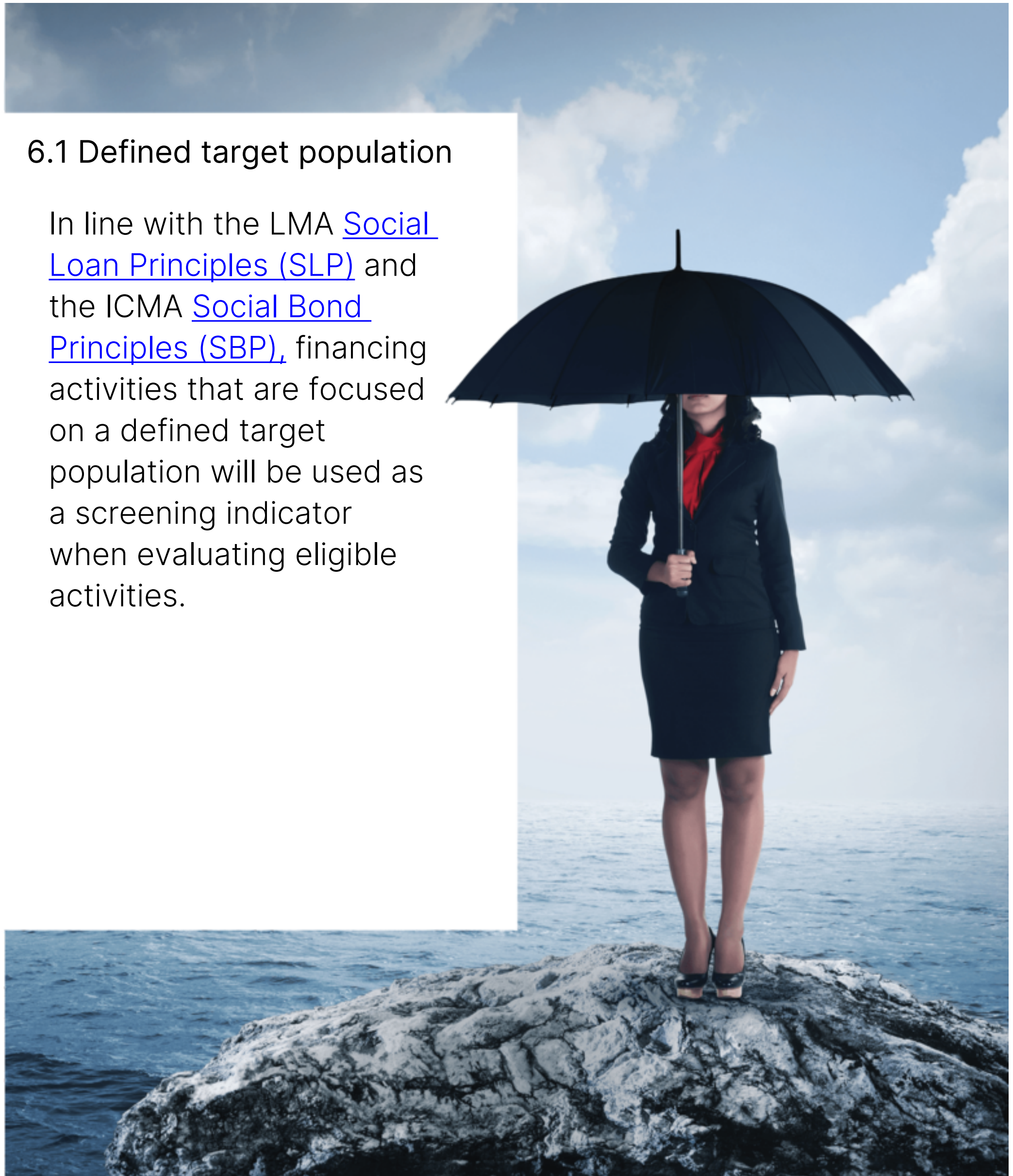
Supporting SDGs: 14 LIFE BELOW WATER; 15 LIFE ON LAND

6. Classification of social sustainable finance activities

For the purpose of this framework, social sustainable finance activities will be those that contribute to the fulfilment of the SDGs. Social sustainable finance activities should have defined expected social outcomes and impacts arising from Investec's financial intervention.



6.1 Defined target population

In line with the LMA Social Loan Principles (SLP) and the ICMA Social Bond Principles (SBP), financing activities that are focused on a defined target population will be used as a screening indicator when evaluating eligible activities.

6.2 Social categories

The following six categories can classify as social sustainable finance as per the 'Harmonised Framework for Impact Reporting for Social Bonds' released by the ICMA (June 2023).

- Access to essential services
- Socioeconomic advancement and empowerment
- Employment generation
- Food security and sustainable food systems
- Affordable basic infrastructure
- Affordable/ social housing.

The tables that follow include guidance for target population and impact indicators for each subcategory.

6.2.1. Access to essential services

Subcategory	Topics		SDG
Health	• Hospitals, clinics, and health care centres • Infrastructure, services, equipment, transportation, and logistics for the provision of emergency medical response and disease • Aircraft used for search and rescue, emergency medical services, firefighting, aid missions • R&D and manufacturing for equipment for the provision of emergency medical response and disease control services.	**Target population** General public, particularly low-income individuals and the aging population **Potential impact measure** • # of beneficiaries • # of patients benefitting from better healthcare or medical treatment • # of individuals receiving preventative care • # of individuals undergoing early-detection tests • # of healthcare facilities constructed or equipped • # of people with a rare disease being provided access to services and adequate medication • # of health training and education sessions	
Education	Early childhood development, primary, secondary, adult, and vocational education activities.	**Target population** General public, particularly low-income students and educators **Potential impact measure** • # of beneficiaries • # of students reached (breakdown by gender) • # of education facilities and/ or initiatives • # of textbooks and teaching materials supplied • # of vulnerable students • # of teachers trained • # of people provided with skills development and/ or vocational training, ideally for in-demand subjects (breakdown by gender) • # of classrooms and educational support facilities constructed / rehabilitated • # of students enrolled	
Financial services	• Access to affordable and responsible financial products and services • Financing Microfinance institutions via intermediaries (MFIs), and financing of SMEs in least developed, low income and lower middle income OECD DAC countries.	**Target population** Low-income individuals and vulnerable groups[3] SMEs[4] **Potential impact measure** • # of loans to SMEs in low-income areas and/ or microenterprises • # of people provided with access to financial services • # of low-income people provided with access to affordable microcredit/ microfinance • # of low-income people provided with access to microinsurance products • # of low-income people provided with access to microsavings products.	

[3] Defining 'low-income individuals and vulnerable groups' varies by country due to differences in economic conditions, cost of living, and national poverty lines. Additionally, poverty lines can be measured in various ways, including absolute, relative, and national thresholds. Given the implicit judgment required to define 'low-income individuals and vulnerable groups', this will be determined on a case-by-case, relative basis, with reference to target country's own economic classification, as well as the OECD Development Assistance Committee and World Bank Group guidelines.

[4] SME is defined per geography: For Investec's UK and European activity, an SME is an enterprise which employs fewer than 250 people and which has an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million. For Investec's South African activity, an SME is an enterprise which employs fewer than 250 people and which has an annual turnover not exceeding R300 million.

6.2.2. Socioeconomic advancement and empowerment

Subcategory	Topics		SDG
Women empowerment	Financing directed to empowering women, thereby giving women equitable rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.	**Target population** Low-income, rural or minority / vulnerable women **Potential impact measure** • # of low-income, rural or minority women provided with access to micro-savings and micro-insurance products • # of low-income, rural or minority women provided with access to affordable credit • # of women provided with access to technology • # of women provided with access to information or financial services through digital products/ services • # of loans made to SMEs with majority women in senior management or ownership positions • #/ value of loans made to SMEs with majority women in workforce or supply chain • # of women integrated into formal workforce or provided with sustainable livelihood opportunities • # of women provided with decent work conditions (safety protocols (including personal protective equipment), adequate sanitation facilities, regular breaks, decent wages and working hours in line with national standards, etc).	1 NO POVERTY 5 GENDER EQUALITY 10 REDUCED INEQUALITIES
Social inclusion for the disadvantaged	Opportunities for social participation to various vulnerable groups.	**Target population** Various vulnerable groups and SMEs **Potential impact measure** • #/ share of disabled people employed • # of beneficiaries of minimum benefits • # of products and services serving low-income group • # of vulnerable people benefitting from measures to mitigate the consequences of climate change such as natural disasters.	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 13 CLIMATE ACTION
Access to technology	Financing to improve the extent and quality of information and communication technology (ICT).	**Target population** SMEs, various vulnerable groups including the underserved and rural areas **Potential impact measure** • # of SMEs that receive support for equipment, facilities and technological modernisation • # of loans granted to low-income households for installations of improvement technologies • # of first-time internet connections • # of beneficiaries receiving technology products (such as laptops and tablets) to enable remote learning.	4 QUALITY EDUCATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

6.2.3. Employment generation

Subcategory	Topics		SDG
Employment	Financing or opportunities that enable meaningful employment and stimulate wider social and economic development.	**Target population** Projects, SMEs, microenterprises that create meaningful employment for vulnerable groups such as disabled people and low-income groups requiring new vocational skills **Potential impact measure** • # of loans to SMEs and/ or microenterprises • # of people trained in new vocational skills • # of jobs created, supported, and/ or retained • # of disabled people employed.	8 DECENT WORK AND ECONOMIC GROWTH

6.2.4. Food security and sustainable food systems

Subcategory	Topics		SDG
Food security and food systems	Financing or opportunities that enable resilient food systems with the aim towards food security.	**Target population** Populations, in particular vulnerable groups, farmers, and individuals that would benefit from improved farming technology **Potential impact measure** • # of people provided with access to affordable, safe, nutritious, and sufficient food • # of farmers provided with training (climate smart training/ organic etc.) • # of smallholder farmers reached • # of farmers provided with access to agricultural inputs (financial inputs, equipment, etc.) • # of farmers provided with fair prices • # of hectares of land cultivated for which use has been improved, i.e. replanted, reforested, landscaped • Kilometres of feeder roads rehabilitated / constructed • # of production facilities and distribution centres constructed or rehabilitated in underserved areas • Technology that bridges the gap between food supply and demand in underserved areas • # of people benefiting from agricultural projects and using improved farming technology.	1 NO POVERTY 2 ZERO HUNGER 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

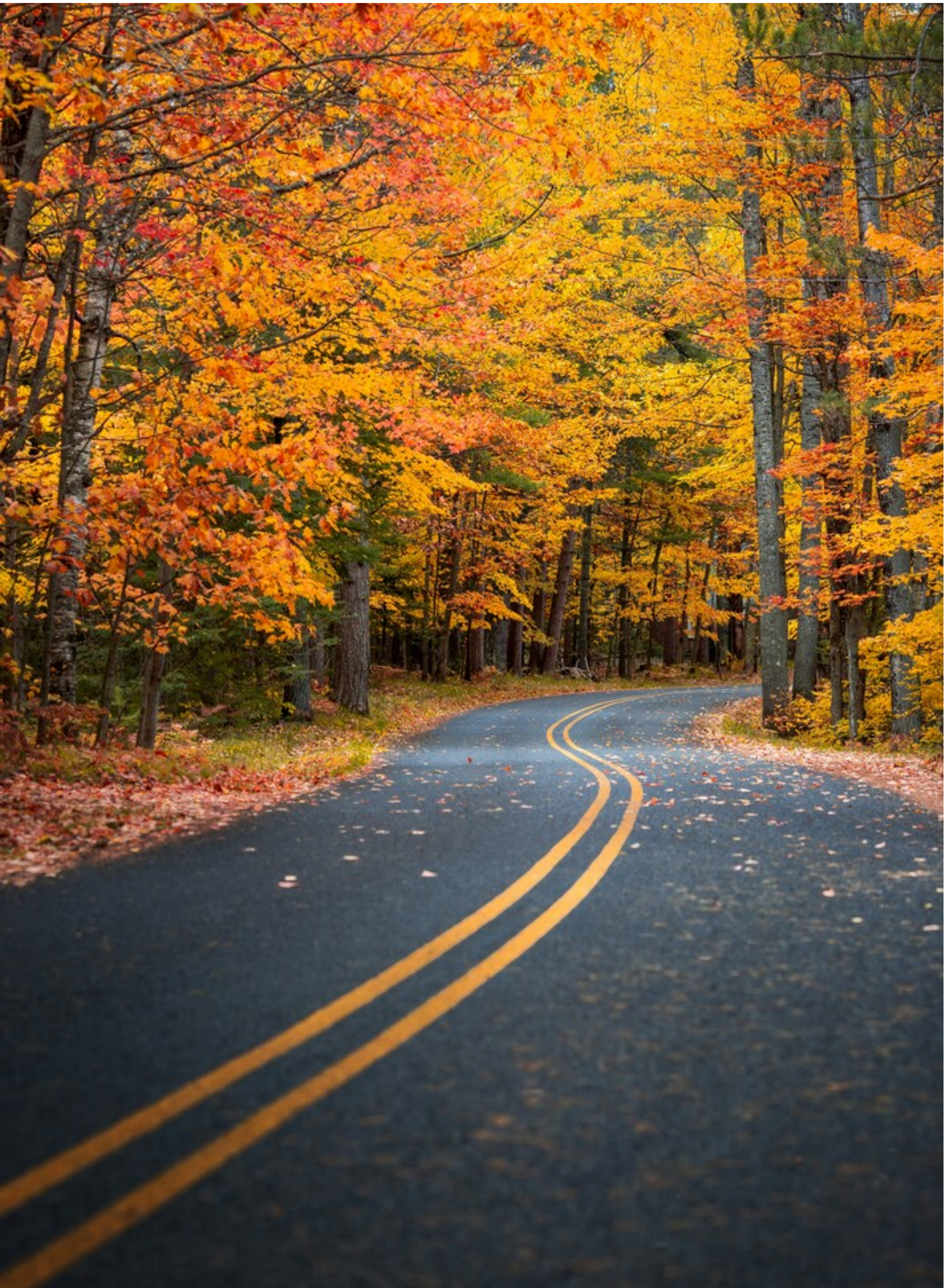
6.2.5. Affordable basic infrastructure

Subcategory	Topics		SDG
Water and sanitation	Activities that expand public access to water and sanitation.	**Target population** General population, particularly low-income individuals and those living in rural areas **Potential impact measure** • Length of effluent, stormwater, sewage water transmission and distribution pipes constructed • Clean water storage • # of new household water connections • # of people provided with adequate and equitable sanitation.	6 CLEAN WATER AND SANITATION
Transport	• Development of transport infrastructure with a goal to improve connectivity, passenger transport and commercial transport in rural or remote areas, or between areas that have non-existent or inadequate transport infrastructure in place • Aircraft used for routes which create connectivity where it does not otherwise exist via road or rail, with a focus on connecting rural communities.	**Target population** General population, particularly low-income individuals and those living in rural areas **Potential impact measure** • # of people with access to affordable transport systems • Length of sustainable road construction with equitable access • # of residents benefitting from new/ upgraded basic infrastructure which is otherwise not accessible (i.e. rail transportation, development road).	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES
Power	Financing or opportunities that provide access to affordable energy.	**Target population** Low-income individuals and those living in rural areas **Potential impact measure** • # of new household power connections • # of people provided access to clean and affordable energy.	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

6.2.6. Affordable/ social housing

Subcategory	Topics		SDG
Affordable housing	Access to adequate, safe and affordable housing	**Target population** Excluded and/ or marginalised population or communities, vulnerable and low-income individuals **Potential impact measure** • # of dwellings • # of individuals/ families benefiting from subsidised housing • # of disabled people with access to well-equipped dwellings • Share of target population tenants.	1 NO POVERTY 11 SUSTAINABLE CITIES AND COMMUNITIES

Appendix



7. Excluded activities

The below activities are automatically excluded from this framework and do not classify as sustainable or transition finance activities. This includes activities that:

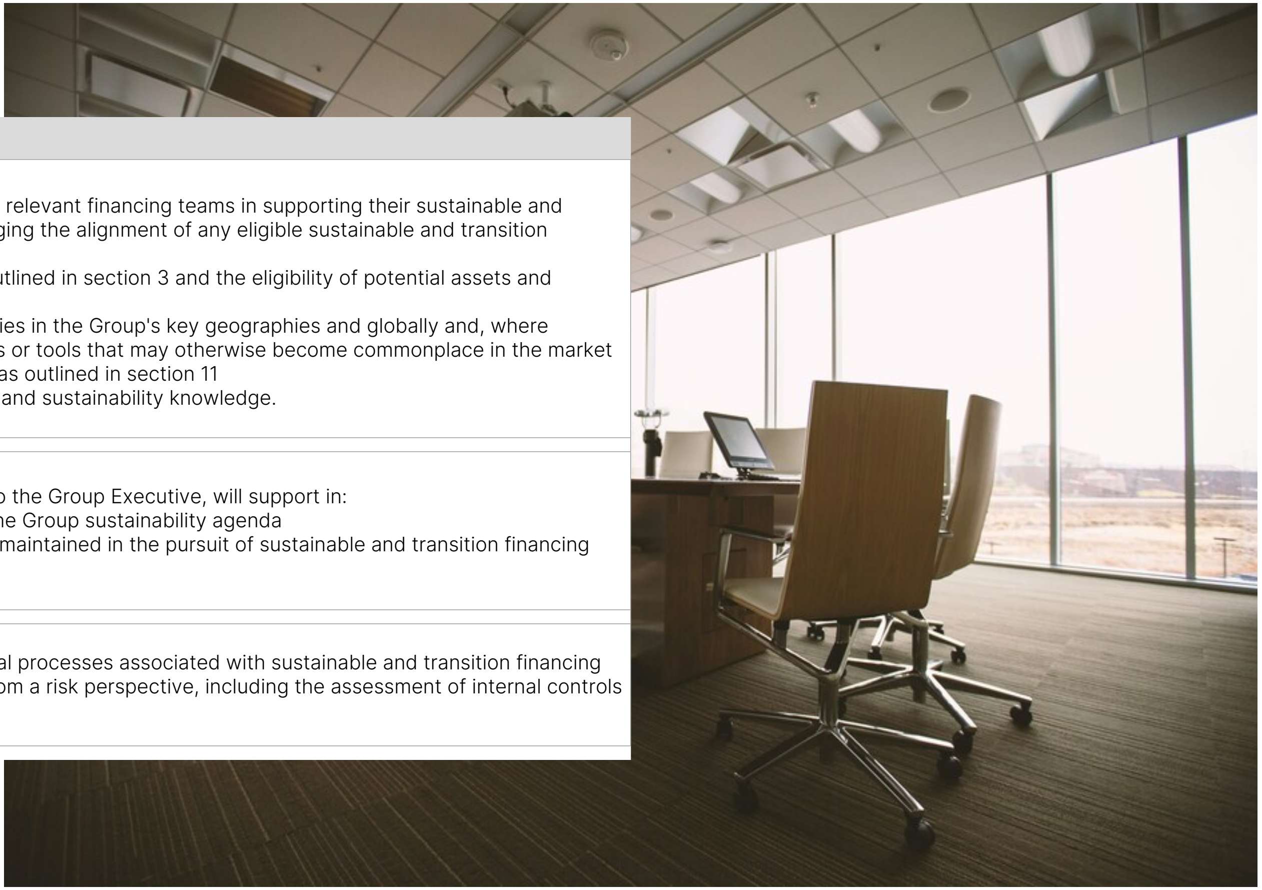
- are in contravention of any international and/ or local laws and conventions of the countries where Investec or the counterparties operate
- do not respect human rights, and do not respect the rights of local communities and indigenous peoples
- do not comply with minimum standards for occupational health and safety and the relevant local legislation
- 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)
- involve pornography or prostitution
- negatively impact high conservation value areas and United Nations Educational, Scientific and Cultural Organisation (UNESCO) world heritage sites (for example any national park)
- involve illegal wildlife trade or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- 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
- involve the production and distribution of activities that are racist, anti-democratic or with the intent to discriminate part of the population
- do not include a site rehabilitation plan where relevant to restore land to a usable state
- do not manage environmental and social risks 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
- use drift net fishing in the marine environment with nets more than 2.5km in length
- produce or trade in weapons and/ or munitions, tobacco, and alcohol
- involve gambling, casinos, or any equivalent enterprises
- produce, use or trade in hazardous materials such as asbestos fibres and products containing polychlorinated biphenyls (PCBs)
- produce, use or trade in pharmaceuticals, pesticides/ herbicides, chemicals, ozone depleting substances and other hazardous substances, and that are subject to international phase-outs or bans
- relate to diamond mines, and commercialisation of diamonds, when the host country has not adhered to the Kimberley Process.

8. Governance and evaluation of sustainable and transition finance activities

Any sustainable and transition finance activities will follow an internal process to ensure alignment with this framework, along with the Group's typical credit and risk processes. The process of evaluation and selection will be done by the relevant business area with support from the Group Sustainability team and committees throughout the Group. These teams will have the responsibilities laid out below.

The framework will undergo an annual assessment and be updated as necessary. This process will involve approvals from the Group's Board Risk and Capital Committees, the Social and Ethics Committee, and the Board.

Team	Responsibilities
Business and Group Sustainability	The Group Sustainability team will work in conjunction with the relevant financing teams in supporting their sustainable and transition financing activities, and will be responsible for managing the alignment of any eligible sustainable and transition financing activities with this framework, including: • Confirming compliance with the best practice taxonomies outlined in section 3 and the eligibility of potential assets and projects • Monitoring the development of sustainable finance taxonomies in the Group's key geographies and globally and, where applicable, conformance with any other principles, standards or tools that may otherwise become commonplace in the market • Assessing compliance with Investec's sustainability policies as outlined in section 11 • Applying Investec's own professional judgement, discretion, and sustainability knowledge.
Group Executive ESG Committee	The Group Executive ESG Committee, a committee reporting to the Group Executive, will support in: • Aligning the sustainable and transition finance activities of the Group sustainability agenda • Monitoring that the appropriate governance procedures are maintained in the pursuit of sustainable and transition financing activities.
Internal Audit	Internal Audit will be required to routinely assess that all internal processes associated with sustainable and transition financing activities support the framework and the Group's operations from a risk perspective, including the assessment of internal controls linked to the process.



9. Reporting

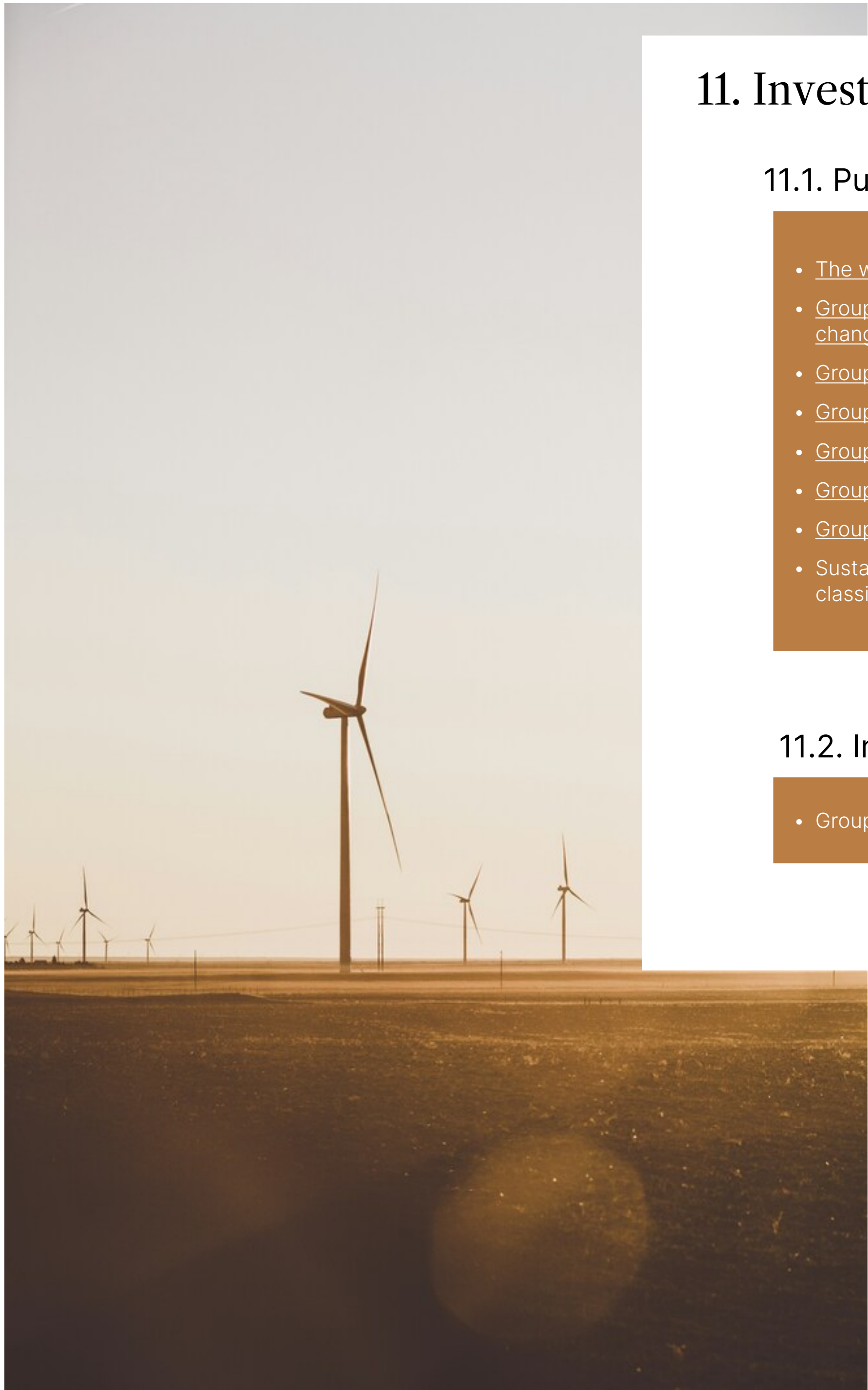
Investec recognises investor interest in transparency of reporting and disclosure, particularly as it relates to sustainable financing activities. Therefore, we will endeavour to report on these activities as part of our Sustainability reporting suite, which is disclosed annually.

10. Ongoing developments

The green, social, and sustainable capital finance market continues to evolve, which means current methodologies and taxonomies underpinning sustainable finance frameworks are continually being developed.

Investec recognises this complexity and seeks to utilise existing and commonly accepted mechanisms in the marketplace, such as those listed in section 3 and others as they become available. We regularly monitor this area of taxonomy, along with participation in various working groups across both our key geographies to help engage and further develop these frameworks.

As such, this framework will be assessed annually, and updated as required, in line with developing globally recognised best-practice standards and taxonomies.



11. Investec sustainability policies

11.1. Public policies

- The way we do business policy
- Group environmental policy and climate change statement
- Group fossil fuel policy
- Group health and safety policy
- Group modern slavery act statement
- Group operational resilience statement
- Group biodiversity statement
- Sustainable and transition finance classification framework (this document).

11.2. Internal policies

- Group defence sector policy

12. Do No Significant Harm and Minimum Social Safeguards

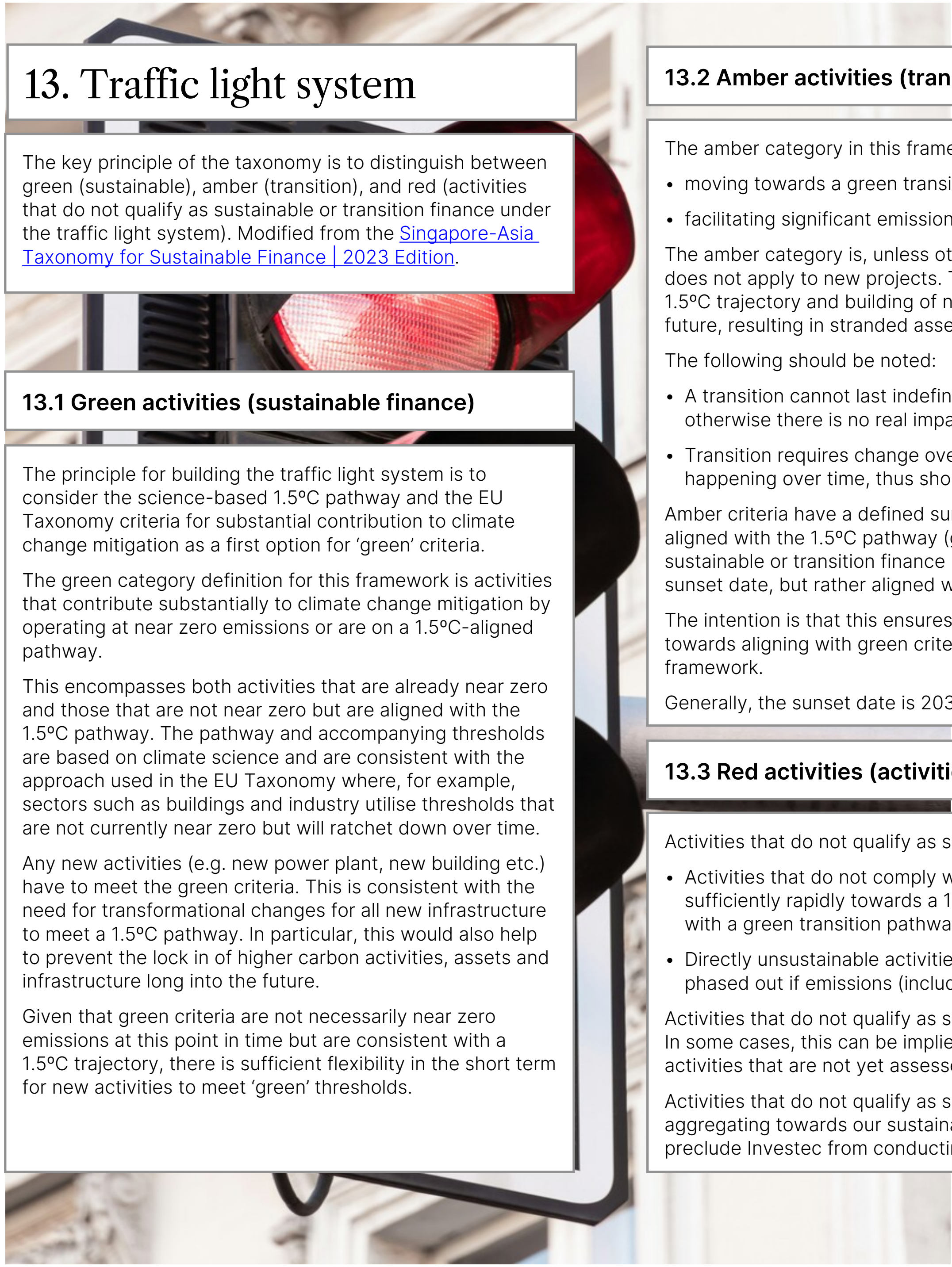
12.1 DNSH criteria

'Do no significant harm' criteria follows the criteria from the EU Taxonomy and the South African Green finance taxonomy, which will be assessed and screened by the Group Sustainability team.

12.2 MSS criteria

The below principles should be considered when evaluating minimum social safeguards.

Overarching principles	South Africa	United Kingdom
International Labour Organisation (ILO) core labour conventions	The Bill of Rights as contained in the Constitution of South Africa	UK Modern Slavery Act 2015
The OECD Guidelines on Multinational Enterprises	The Labour Relations Act, Act 66 of 1995 as amended	Employment Rights Act 1996
The UN Guiding Principles on Business and Human Rights	The Basic Conditions of Employment Act, Act 75 of 1997 as amended	National Minimum Wage Act 1998
The Equator Principle EP4	The Employment Equity Act, Act 55 of 1998	Employment Relations Act 1999
IFC performance Standards.	The Unemployment Insurance Act, Act 30 of 1996	The Equality Act 2010
	The Occupational Health and Safety Act, Act 85 of 1993 as amended	Health and Safety at Work etc. Act 1974.
	The Compensation for Occupational Injuries and Diseases Act, Act 130 of 1993	
	Protection of Personal Information Act, Act 4 of 2013.	



13. Traffic light system

The key principle of the taxonomy is to distinguish between green (sustainable), amber (transition), and red (activities that do not qualify as sustainable or transition finance under the traffic light system). Modified from the Singapore-Asia Taxonomy for Sustainable Finance | 2023 Edition.

13.1 Green activities (sustainable finance)

The principle for building the traffic light system is to consider the science-based 1.5ºC pathway and the EU Taxonomy criteria for substantial contribution to climate change mitigation as a first option for 'green' criteria.

The green category definition for this framework is activities that contribute substantially to climate change mitigation by operating at near zero emissions or are on a 1.5ºC-aligned pathway.

This encompasses both activities that are already near zero and those that are not near zero but are aligned with the 1.5ºC pathway. The pathway and accompanying thresholds are based on climate science and are consistent with the approach used in the EU Taxonomy where, for example, sectors such as buildings and industry utilise thresholds that are not currently near zero but will ratchet down over time.

Any new activities (e.g. new power plant, new building etc.) have to meet the green criteria. This is consistent with the need for transformational changes for all new infrastructure to meet a 1.5ºC pathway. In particular, this would also help to prevent the lock in of higher carbon activities, assets and infrastructure long into the future.

Given that green criteria are not necessarily near zero emissions at this point in time but are consistent with a 1.5ºC trajectory, there is sufficient flexibility in the short term for new activities to meet 'green' thresholds.

13.2 Amber activities (transition finance)

The amber category in this framework includes activities that are not presently on a 1.5ºC pathway, but are either:

- moving towards a green transition pathway within a defined time frame, or
- facilitating significant emissions reductions in the short term with a prescribed sunset date.

The amber category is, unless otherwise stated, relevant only for transitioning of existing infrastructure and activities and it does not apply to new projects. This is in recognition of the fact that the amber category is, by definition, not aligned with a 1.5ºC trajectory and building of new activities with long lifespans beyond the sunset dates would lock in assets longer into the future, resulting in stranded assets.

The following should be noted:

- A transition cannot last indefinitely: at some point in time, the amber activity should be following a 1.5ºC pathway to net zero, otherwise there is no real impact.
- Transition requires change over time and therefore to demonstrate the transition, there is a need to show how change is happening over time, thus short-, medium- and long-term targets are required.

Amber criteria have a defined sunset date. At the sunset date, there is no longer an amber category and either the activity is aligned with the 1.5ºC pathway (green category) or it is downgraded to the red category ('activities that do not qualify as sustainable or transition finance under this framework'). This does not mean that the activity has to be zero emissions by the sunset date, but rather aligned with the 1.5ºC pathway.

The intention is that this ensures that transition is not forever, and it facilitates change over time by ensuring activities move towards aligning with green criteria or risk being activities that do not qualify as sustainable or transition finance under this framework.

Generally, the sunset date is 2030 and all amber traffic lights will disappear after this time unless stated otherwise in the criteria.

13.3 Red activities (activities that do not qualify for this framework)

Activities that do not qualify as sustainable or transition finance under this framework are either:

- Activities that do not comply with green or amber criteria. For example, activities that are not currently compatible nor moving sufficiently rapidly towards a 1.5ºC-aligned trajectory and will require emissions reductions (including Scope 3) to be in line with a green transition pathway (e.g. high-carbon cement producer), or
- Directly unsustainable activities – these are activities that are incompatible with a 1.5ºC-aligned pathway and will need to be phased out if emissions (including Scope 3) cannot be reduced (e.g. fossil fuels).

Activities that do not qualify as sustainable or transition finance under this framework may not always indicate significant harm. In some cases, this can be implied as harmful and in others, it is less clear. Further, there are some activities or components of activities that are not yet assessed against and fall outside the scope of this framework.

Activities that do not qualify as sustainable or transition finance under this framework will fall outside of the scope of aggregating towards our sustainable and transition finance target(s). However, exclusion under this framework does not preclude Investec from conducting or continuing business within those activities.

14. Glossary of terms

The definitions of key terminology used in this document are defined below.

Acronym	Terminology	Definition	Reference
CCS	Carbon Capture and Storage	The process of recovering carbon dioxide from the fossil-fuel emissions produced by industrial facilities and power plants and moving it to locations where it can be kept from entering the atmosphere to mitigate global warming. Carbon capture and storage is a three-stage process: capture, transport, and storage.	Britannica: carbon capture and storage
CCU	Carbon Capture and Utilisation	Carbon capture and utilisation refers to a range of applications through which CO2 is captured and used either directly (i.e., not chemically altered) or indirectly (i.e., transformed) in various products. CO2 is today primarily used in the fertiliser industry and for enhanced oil recovery. New uses such as producing CO2-based synthetic fuels, chemicals and building aggregates are gaining momentum.	IEA: CO2 Capture and Utilisation
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora	An international agreement between governments. It aims to ensure that international trade in specimens of wild animals and plants does not threaten the survival of the species.	Cites.org
DNSH	Do No Significant Harm	Criteria defined per sector by the EU and South Africa green finance taxonomies to ensure that an activity, despite making a substantial contribution, does not have adverse effects on other environmental objectives.	• EU taxonomy for sustainable activities • South African Green Finance Taxonomy (1st edition, March 2022)
EU	European Union		
GBP	Green Bond Principles	Green Bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/ or existing eligible Green Projects and which are aligned with the four core components of the GBP.	The Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1, ICMA)
GLP	Green Loan Principles	Green loans are any type of loan instruments and/ or contingent facilities (such as bonding lines, guarantee lines or letters of credit) made available exclusively to finance, re-finance, or guarantee, in whole or in part, new and/ or existing eligible Green Projects and which are aligned to the four core components of the GLP.	Green Loan Principles (LMA, February 2023)
ICMA	International Capital Market Association	Association that works together to promote the development of the international capital and securities markets, pioneering the rules, principles, and recommendations.	icmagroup.org
IFC	International Finance Corporation	IFC is the largest global development institution focused on the private sector in developing countries. By encouraging growth, IFC advances economic development, creates jobs, and improves the lives of people.	ifc.org
ILO	International Labour Organisation	The ILO is devoted to promoting social justice and internationally recognised human and labour rights, pursuing its founding mission that labour peace is essential to prosperity. South Africa and the UK are members.	ILO: International Labour Organization (United Nations)
LMA	Loan Market Association	Association where the key objective is improving liquidity, efficiency and transparency in the primary and secondary syndicated loan markets in Europe, the Middle East and Africa (EMEA). By establishing sound, widely accepted market practice, the LMA seeks to promote the syndicated loan as one of the key debt products available to borrowers across the region.	LMA sustainable lending resources
MSS	Minimum Social Safeguards	The purpose of the minimum safeguards under the Taxonomy Regulation is to prevent activities and investments from being regarded as 'sustainable' if they involve breaches of key social principles and human and labour rights or do not align with minimum standards for responsible business conduct. See appendix 12.2.	• EU taxonomy for sustainable activities • South African Green Finance Taxonomy (1st edition, March 2022)
NACE	Nomenclature of Economic Activities	Statistical Classification of Economic Activities in the European Community. This is similar to the Sector Industry (SIC) codes.	List of NACE codes
NZBA	Net-Zero Banking Alliance	Industry-led and UN-convened, the Net-Zero Banking Alliance (NZBA) is a group of leading global banks committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050.	UNEPFI: Net-Zero Banking Alliance

Acronym	Terminology	Definition	Reference
OECD	Organisation for Economic Cooperation and Development	An international organisation that works together with governments, policy makers and citizens, to work on establishing evidence-based international standards and finding solutions to a range of social, economic, and environmental challenges. South Africa and the UK are member countries.	oecd.org
SA	South Africa		
SAF	Sustainable Aviation Fuel	SAF is a biofuel used to power aircraft that has similar properties to conventional jet fuel but with a smaller carbon footprint.	IATA: What is SAF?
SBP	Social Bond Principles	Social Bonds are any type of bond instrument where the proceeds, or an equivalent amount, will be exclusively applied to finance or re-finance in part or in full new and/ or existing eligible Social Projects and which are aligned with the four core components of the SBP.	The Social Bond Principles (SBP) 2023 (ICMA)
SDGs	Sustainable Development Goals	The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries, developed and developing, in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth, all while tackling climate change and working to preserve our oceans and forests.	sdgs.un.org
SLBP	Sustainability-Linked Bond Principles	Sustainability-Linked Bonds (SLBs) are any type of bond instrument for which the financial and/ or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives. In that sense, issuers are thereby committing explicitly (including in the bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline. SLBs are a forward-looking performance-based instrument.	The Sustainability-Linked Bond Principles (SLBP) 2023 (ICMA)
SLLP	Sustainability-Linked Loan Principles	SLLs are any types of loan instruments and/ or contingent facilities (such as bonding lines, guarantee lines or letters of credit) for which the economic characteristics can vary depending on whether the borrower achieves ambitious, material and quantifiable predetermined sustainability performance objectives.	Sustainability-Linked Loan Principles (LMA, February 2023)
SLP	Social Loan Principles	Social loans are any type of loan instruments and/ or contingent facilities (such as bonding lines, guarantee lines or letters of credit) made available exclusively to finance, re-finance, or guarantee, in whole or in part, new and/ or existing eligible Social Projects, and which are aligned to the four core components of the SLP.	Social Loan Principles (LMA, February 2023)
UK	United Kingdom		
UNESCO	United Nations Educational, Scientific and Cultural Organisation	UNESCO's mission is to contribute to the building of a culture of peace, the eradication of poverty, sustainable development and intercultural dialogue through education, the sciences, culture, communication, and information.	UNESCO: United Nations Educational, Scientific and Cultural Organization
	Best available technology	Technology approved by legislators, regulators, or the industry for meeting output standards for a particular process.	OECD - Best Available Techniques (BAT) to Prevent and Control Industrial Pollution
	Carbon lock-in	Carbon lock-in occurs when fossil fuel-intensive systems perpetuate, delay, or prevent the transition to low-carbon alternatives. Avoiding carbon lock-in is a key principle of transition finance.	World Resources Institute: What Is Carbon Lock-in and How Can We Avoid It?
	Climate adaptation finance (adaptation finance)	Finance for actions that help communities reduce the risks they face and harm they might suffer from climate hazards like storms or droughts. It pays for things like stronger housing, more drought-tolerant crops, social safety nets, or improved decision-making around climate-related risks.	World Resources Institute: Adaptation finance explained
	Climate finance	Consists of mitigation and adaptation finance.	UNFCCC: Climate finance

Acronym	Terminology	Definition	Reference
	Climate mitigation finance (mitigation finance)	An activity can be classified as climate change mitigation where the activity, by avoiding or reducing GHG emissions or increasing GHG sequestration, contributes substantially to the stabilisation of GHG concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement.	Common Principles for Climate Mitigation Finance Tracking (Version 4 –5 December 2023)
	Financing transition	Financing any activity that reduces emission (all mitigation activities: renewable energy, energy efficiency, carbon capture, forests). Not the same as 'transition finance'.	Singapore-Asia Taxonomy for Sustainable Finance | 2023 Edition
	Green finance	Financing technologies that are zero emissions or near emissions and thus, already aligned to the Paris Agreement (e.g. renewable energy).	Singapore-Asia Taxonomy for Sustainable Finance | 2023 Edition
	Just transition	Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities, and leaving no one behind.	UN Global Compact: Just Transition
	Paris Agreement	The Paris Agreement, often referred to as the Paris Accords or the Paris Climate Accords, is a legally binding international treaty on climate change. Adopted in 2015, the agreement covers climate change mitigation, adaptation, and finance.	UNFCCC: The Paris Agreement
	Substantial contribution	As defined in the South Africa green finance taxonomy and the EU taxonomy.	• EU taxonomy for sustainable activities • South African Green Finance Taxonomy (1st edition, March 2022)
	Sustainable finance	The process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects.	The World Bank: Sustainable finance
	Transition finance	Reducing emissions for sectors that are hard-to-abate sectors or sectors that are important for emission reduction in other sectors (enabling activities). In most cases, these are activities that cannot be aligned with the Paris Agreement and have no other alternatives (e.g. steel, cement, aviation). Not the same as 'financing transition'.	UNEPFI: NZBA Transition Finance Guide October 2022
	Transition plan (credible transition plan)	Elements of a credible transition plan: • Quantitative, detailed, and time-bound interim emission targets supporting a 2050 net zero goal: The plan includes progress benchmarks on emissions reductions that are clearly outlined for defined timeframes and consistent with 1.5°C no or low overshoot pathways. • Implementation: The plan sets out how the company will deliver on its climate commitments – both to reduce its own risks as well as in support of climate action – through policies, products, tools, services, and relationships. • Whole institution approach: The plan covers the whole organisation, builds capacity in-house, and is integrated into the overall business strategy including budgeting and investment plans. • Sustainability: The plan sets context-specific sustainability targets and attempts to ensure there are no negative externalities to the environment or communities. • Transparency, verification, and accountability: The plan sets out a framework for transparently reporting on progress, assumptions, monitoring, and accountability. • Flexibility, responsiveness, and rapidly escalating ambition: The plan is reviewed and revised regularly, and updates the level of ambition based on progress.	Climate Policy Initiative: What Makes a Transition Plan Credible? (March 2022)

Last updated: May 2024