Financing policy on thermal-coal-related activities

(Extract from the Nedbank Group credit policy, with specific reference to thermal-coal as it is key to integrate the transition to a low-carbon economy in Nedbank Group's lending activities)

1 INTRODUCTION

Nedbank Group's purpose is 'to use our financial expertise to do good for individuals, families, businesses and society' and we understand that our long-term sustainability is contingent on the success of the societies in which we do business. As part of our journey as a purpose-led business, we are committed to playing a role in addressing climate change in ways that are sensitive to the local socioeconomic context and climate vulnerability.

As per Nedbank Group's Climate Change Position Statement, Nedbank remains committed to, over time, align strategy, policies and mandates with national obligations under the Paris Agreement, ensuring energy security alongside responsible credit granting.

Nedbank recognises that climate change is the #1 risk globally and we are taking actions to incorporate climate risk more holistically into our risk management practices and processes.

There is an increasing awareness of the cause and impact of global warming, both internationally and locally. Scientific evidence indicates that the growth of Greenhouse Gas (GHG) concentrations in the atmosphere since the start of the Industrial Revolution is the primary driver of global warming observed over the last century. The current rate of accumulation of GHGs in the atmosphere makes it exceptionally unlikely to avoid overshooting the lower bound of the Paris Agreement, i.e. to limit warming to 1,5°C above the long-term pre-industrial level.

2 FINANCING POLICY ON THERMAL-COAL-RELATED ACTIVITIES

As part of Nedbank's ongoing commitment, the following policy has been adopted to inform the financing of activities related to thermal coal. Nedbank remains committed to active dialogue with key stakeholders to inform future policy development with respect to the energy sector more broadly.

1. Nedbank undertakes to:
   - 1.1. Not provide financing to any new coal-fired power stations regardless of technology or jurisdiction
   - 1.2. Not provide financing to thermal coal mines outside of South Africa
   - 1.3. Restrict total financing in aggregate for oal mining companies, thermal coal-related infrastructure, and thermal coal-related trade to less than 1% of its Group Total Advances, reducing to 0,5% by 2030.
     - 1.3.1. Thermal coal mining company relates to mining companies that derive more than 40% of their revenue from thermal coal mining;
     - 1.3.2. Thermal coal related trade relates to commodity traders that derive more than 40% of their revenue from thermal coal trading, or thermal coal trade approved facilities for any commodity traders;
     - 1.3.3. Thermal coal related infrastructure means fixed infrastructure which is related to the dedicated handling of thermal coal.
2. The above restrictions exclude:
   - 2.1. Financing support for Eskom*, as an integral provider of electricity to South Africa.
   - 2.2. The provision of environmental guarantees to thermal coal mining companies.

(*****) Excludes Eskom. Financing includes corporate term lending, trade finance, short term lending, transactional guarantees and letters of credit and refers to the total approved limit of the approved facility.

For further details re Nedbank' s approach to climate change, please refer to our Climate Change Position Statement and 2019 Sustainable Development Review at www.nedbank.co.za