Energy Policy

NEDBANK GROUP

Energy policy

1. Context

This energy policy builds on the Nedbank Climate Change Position Statement[1], which outlines the commitment of the bank, over time, to aligning its business strategy, policies, mandates and incentives with the Paris Agreement. This energy policy integrates and supersedes the financing policy on activities related to thermal coal, which Nedbank adopted on 22 April 2020.

We recognise that meeting the Paris Agreement objectives will require, among other things, full decarbonisation of the global energy system by mid-century. An orderly exit from fossil fuel financing will be necessary well before 2050, given the long lifetimes of the physical assets. Accordingly, this policy serves to guide our transition away from fossil fuels, while accelerating efforts to finance non-fossil energy solutions needed to support socioeconomic development and build resilience to climate change.

2. Policy scope and definitions

The policy focuses on the financing of fossil-fuel-related activities and renewable and embedded energy solutions, as defined below. We will continue to pursue active dialogue with key stakeholders to inform future enhancements of this policy.

2.1 Fossil fuels

- **Thermal coal** – focusing on mining, trading and infrastructure.
- **Oil** – focusing on upstream activities (exploration and production of crude oil).
- **Gas** – focusing on upstream activities (exploration and production of natural gas).
- **Power generation** – focusing on the combustion of fossil fuels (coal, oil and gas) in thermal power plants to generate electricity.

2.2 Renewable and embedded energy solutions

- **Renewable energy** – focusing on power generation from energy sources that are not depleted when used, such as wind, solar, hydro, geothermal and tidal.
- **Embedded energy** – focusing on energy technologies, usually renewable generation or energy storage, that are integrated into the built environment.

3. Financing of fossil-fuel-related activities

With regard to our corporate or commercial clients whose principal business activities[2] relate to fossil fuels, we make the following undertakings:

3.1 Thermal coal

We undertake the following:

- Not to provide financing to thermal coal mines outside of South Africa.
- Not to provide project financing for new thermal coal mines, regardless of jurisdiction, from 1 January 2025.
- To restrict total financing in aggregate for coal mining companies, infrastructure related to thermal coal, and trade related to thermal coal to less than 1% of our gross loans and advances, with this decreasing to 0,5% by 2030:
  - Thermal coal mining companies are mining companies that derive more than 40% of their revenue from thermal coal mining.
  - Trade related to thermal coal refers 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.
  - Infrastructure related to thermal coal means fixed infrastructure dedicated to handling thermal coal.

3.2 Oil

We undertake the following:

- Not to finance new oil exploration projects directly, regardless of jurisdiction.
- Not to provide any new financing for oil production, regardless of jurisdiction, from 1 January 2035.

3.3 Gas

We undertake the following:

- Not to finance new gas exploration projects directly, regardless of jurisdiction.
- To continue to finance natural gas production where it will play an essential role in facilitating the transition to a zero-carbon energy system by 2050.

3.4 Power generation

We undertake the following:

- Not to provide financing to any new coal-fired power stations, regardless of technology or jurisdiction.
- Not to provide financing for new utility-scale or embedded oil-fired power generation, unless it is integrated as backup supply to renewable generation projects.
- Not to provide financing for new utility-scale or embedded gas-fired power generation from 1 January 2030, unless:
  - for renewable generation projects with integrated gas-fired backup supply; or
  - for the conversion of existing coal- or oil-based generation to gas, to the extent that it is necessary to facilitate the transition to a zero-carbon energy system; or
  - for mid-merit or peaking capacity, to the extent that it is necessary to facilitate the transition to a zero-carbon energy system.

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[1] www.nedbank.co.za.

[2] These undertakings do not relate to the supply chains of these business activities.

Accordingly, we aim to have zero exposure to all activities related to fossil fuels[3] addressed within this policy by 2045.[4]

4. Financing of renewable and embedded energy technologies

We will continue to scale up our historical commitment towards the fast-growing renewable energy sector, in line with the need to support socioeconomic development objectives while driving the transition to a zero-carbon energy system.

In addition to the R50bn limits already committed to the South African Renewable Energy Independent Power Producer Procurement Programme, we will further grow our embedded generation financing to accelerate the transition.

5. Managing our own carbon footprint

Nedbank has been actively managing our direct and upstream carbon emissions and off-setting them for own operations since 2010. On the back of our successful track record of continually reducing our Scope 1, Scope 2 and the Upstream Scope 3 emissions, we further aim to reduce our own carbon footprint to achieve a net zero by 2045 without applying carbon offsets.

In the interim, we undertake the following:

- A 30% reduction in energy consumed by the end of 2025 based on 2019 levels to 97 000 MWh, whilst 30% will be from a renewable source. This implies 68 000 MWh will be derived from fossil fuels, whichever is met first.
- A 40% reduction in greenhouse gas emissions by the end of 2025 based on 2019 levels. This implies a total carbon footprint (Scope 1 & 2 emissions) of 83 000 tCO_2e.

We endeavour to obtain a Green Star rating or Excellence in Design for Greater Efficiencies (EDGE) certification for 90% of our Nedbank-owned buildings by 2030.

6. Target setting and reporting

We will report on our actual exposure to thermal coal, upstream oil, upstream gas and power generation financing activities as part of our annual results, to track the transition away from fossil fuel financing, in line with the goal of a zero-carbon energy system by 2050.[5]

We will review targets and metrics over time to ensure coherence with the objectives of the Paris Agreement, including the latest scientific understanding and other relevant factors.

7. Enhanced due diligence

Our enhanced due diligence requirements are based on the following industry best practices and standards:

- The Environmental, Health and Safety Guidelines for Thermal Power Plants of the International Finance Corporation.
- The Sustainable Development Principles of the International Council on Mining and Metals.
- Voluntary principles on security and human rights (a set of principles that guide companies on how to conduct their security operations while respecting human rights).
- Organisation for Economic Cooperation and Development guidelines.
- Equator Principles.

8. Annual review

In line with our Enterprisewide Risk Management Framework, we review all policies on an annual basis.

[3] With the exception of backup supply to renewable generation projects.

[4] If future developments (eg technological breakthroughs or regulatory changes) allow for the large-scale rollout of negative-emissions technologies such as carbon capture and storage, we reserve the right to participate in the financing of such projects, subject to terms.

[5] Thermal coal lending is currently the only activity with a metric that restricts the percentage of gross advances through to 2030.