بنك الإمارات دبي الوطني
Emirates NBD

Coal Financing Guidelines

Addendum to Environmental and Social Risk Framework

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Addendum to section 5.3 - Thermal Coal

The document outlines the approach to coal financing for Emirates NBD PJSC and its subsidiaries (referred to as the Group, hereinafter).

1. Background

The current global coal consumption is 8.5 billion tons (Bt), of which 7.4 Bt is **thermal coal**. The remaining 1.1 Bt is **metallurgical coal**.[1]

While 78% of thermal coal is used in power generation, 22% finds application in, for example, coal conversion, cement, and nickel production.

Metallurgical coal is used in the production of alloys such as steel.

The Group's approach to coal financing is guided by the end use of coal. Further, the Group will not initiate new business relationships with clients solely operating thermal coal-fired power plants or coal mines.

2. Group's guidelines on coal financing

e) Given the environmental impact of thermal power generation[1], the Group will not extend or facilitate[1] any new financing (funded/unfunded) for building thermal coal-fired power plants; refurbishing existing thermal coal-fired power plants; or for working capital requirements. The same exclusions apply for thermal coal mines. Existing financings are to run off unless an earlier exit can be achieved without harm to the client. *Except in cases where:*
   - o The use of funds is for abating CO_2 emissions such as carbon capture technology[1] or investments that significantly lowers CO_2 emissions.
   - o Power generated is captive and solely used to support production activities (such as aluminum smelters, steel mills) of the borrower. These power plants are typically small and are required to ensure continuity of power to run the production process.
   - o Save to existing clients where it leads to a breach of any pre-existing legally binding obligation. Ideally such increase must be offset by a corresponding decrease elsewhere in the portfolio and if the same is not possible rationale provided for the same.

   Financing provided to existing clients will undergo annual review along with the clients' transition plan assessment, and the same shall be reviewed by Sustainable Finance Framework Committee.

a) The Group will not accept thermal coal-fired power plants as collateral, regardless of the end use of funds.

b) The Group can finance thermal and metallurgical coal for non-power generation, where there is not an economically viable and proven alternative to coal in pyrometallurgy, such as:
   i. Thermal coal required to heat raw materials to high temperatures in the production of cement.
   ii. Thermal coal used as a reducing agent in nickel production. Nickel is a critical input for battery manufacturing, the demand for which is projected to increase.
   iii. Metallurgical coal in steel production as a reducing agent to extract iron from iron ore and to provide the carbon content needed in steel.

c) The Group can finance certain other coal-related activities such as:
   i. Transport clients – such as shipping – in the coal value chain.
   ii. Transport, trade and commodity finance, commodity hedging and dedicated storage terminals for all metallurgical coal and thermal coal where the end use[5] is not for 2(a).

d) The Group can finance diversified industrial companies which, among other sectors, have interests in coal – power generation or mines – either as owner, operator, or providing ancillary activities. Such companies will be subjected to enhanced due diligence to ensure that:
   i. They have public disclosure of the environmental impact of their operations.
   ii. Have clear and measurable targets for reduction of emission of greenhouse gases aligned to the Group's Net Zero ambitions.
   iii. Revenues from thermal coal related businesses do not contribute to more than 30 percent of their revenues.
   iv. They have a credible plan in place to phase out coal.

[1] IEA, Coal 2023 Analysis and Forecast to 2026 (International Energy Agency, 2023).

[2] Thermal coal for power generation where electricity is primarily for general purposes feeding to national or regional grids.

[3] Facilitation activities include, for instance advising issuers on structure, pricing, and process; preparing materials for, and engaging with, investors; and arranging and guiding clients on roadshows.

[4] CCUS with capacity greater than 100,000 tons of CO_2 per year.

[5] In cases where end use of coal can be reasonably determined.