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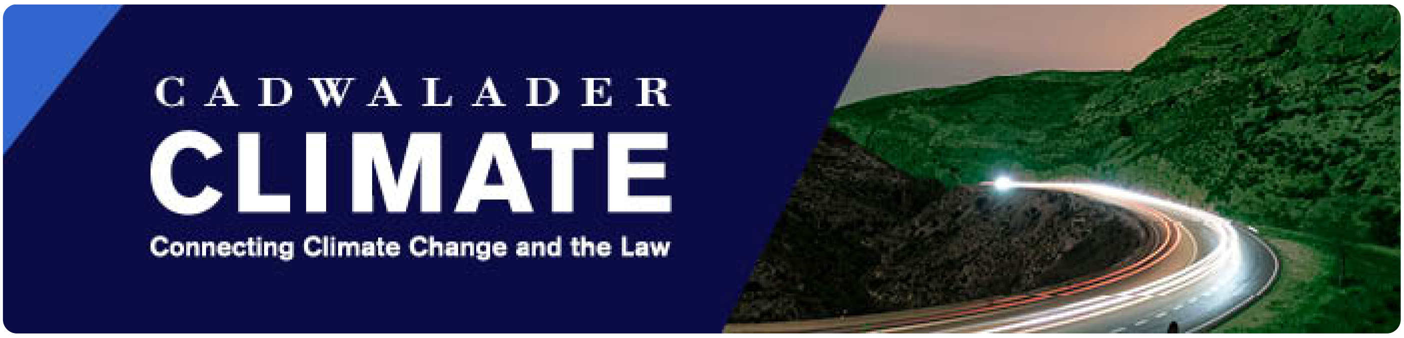
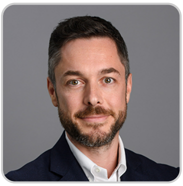


Climate Action Group Publishes First Net Zero Standard for Mining

October 31, 2023



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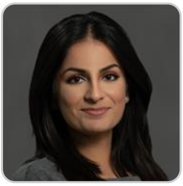

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On September 6, 2023, climate-focused investor engagement initiative Climate Action 100+ (CA100+) published the **Net Zero Standard for Diversified Mining (the Standard)**, allowing investors to assess the transition plans of companies in the mining sector. CA100+ acknowledged that while mining companies' exposure to coal, the most emissions-intensive fossil fuel, poses a transition risk, mining companies can play a crucial role in enabling the net zero transition by providing power to produce materials essential for clean energy technologies. The Standard is a first-of-its-kind for the sector, and has been designed to complement CA100+'s existing sector-agnostic **Net Zero Company Benchmark**.

Due to the diversity of commodities and their broad impact on a net zero transition, the Standard is designed to assess them separately. Materials deemed important to the transition will be further categorized into "key transition materials," such as commodities going into batteries (lithium copper and nickel), and "other transition materials" (aluminum, silicon and titanium). This is intended to provide investors with a more accurate understanding of a company's overall exposure to the risks and opportunities presented by a net zero transition. To further inform analysis, the transition materials are screened to determine whether their production is consistent with social and environmental criteria.

Demonstrating the potential importance of this approach, the Institutional Investors Group on Climate Change (IIGCC) cited the difference between metallurgical coal, used in the production of steel, and thermal coal, which is burned for power generation. Although reducing coal consumption levels is viewed as important to tackling climate change, thermal coal is easier to replace given the availability of alternatives for electricity production; in contrast, finding alternative, low-carbon ways to produce steel requires more time. The International Energy

Agency's Net Zero Emissions scenarios are based on a 50% thermal coal consumption reduction by 2030, compared to a 30% reduction for metallurgical coal consumption. The two types of coal therefore have separate net zero paths and the Standard recognizes and accounts for this.

The Standard will be piloted by assessing selected miners. Among the companies to be assessed are Anglo American, ANTAM, BHP, Glencore, Grupo México, Rio Tinto, South32, Teck Resources, Vale, and Vedanta. Feedback gathered from the pilots will then be used to refine the Standard and with that, public assessments will be made.

Taking the Temperature: According to some reports, the mining sector is responsible for 4-7% of greenhouse gas emissions globally. Like other emissions-intensive sectors, it is under considerable pressure to focus on decarbonization. But decarbonization efforts need significant investment. Producing a standard that better informs investors of companies' net zero transition plans may, to an extent, help alleviate criticism of continued investment and encourage more capital to be directed toward the sector. Additionally, any such standard, provided that it is robust, could reduce instances of greenwashing, requiring companies to back up their net zero claims. Investors and other stakeholders have for some time encouraged companies to be more transparent about their transition plans, with some exerting significant pressure on shareholders of multinational companies. One such example is a shareholder resolution filed by a group of institutional investors and NGO ShareAction at Glencore PLC's AGM. The groups sought details of the "specific plan" the company had "to align thermal coal production with emissions reductions commitments." At Glencore's 2022 AGM, concern over its coal production led to shareholders voting against its climate action plan. The importance of transparency and disclosure in the mining sector is underscored by the fact that investors are not only exposed to the mining sector but to other sectors enabled by mining, such as automotive, property, steel and manufacturing, given their dependence on commodities produced by miners.

Although the Standard is the first-of-its-kind for the mining sector, it will not be the only one for long. The European Financial Reporting Advisory Group (EFRAG) approved the European Sustainability Reporting Standards (ESRS). While the ESRS are sector-agnostic, EFRAG subsequently announced that it had been working on sector-specific standards for a number of sectors including mining.