

## Financing Extractives in Southern Africa: Questions on Human Rights Due Diligence

The [UN Guiding Principles on Business and Human Rights](#) make clear that all companies have a responsibility to respect human rights. This includes avoiding negative impacts on people affected by their operations and business relationships, including throughout their supply chains, and addressing negative impacts when they do occur.

Financial institutions play a critical role in determining which projects and companies receive access to capital. This survey aims to better understand the current approach banks and investment firms take to assessing their clients with respect to human rights issues in the extractive industries. Human rights issues in the sector include the rights to land, access to clean water, livelihood, fair and safe working conditions, and consultation about the use of land and other natural resources. They also include respect for indigenous land rights and adherence to the process of securing free, prior and informed consent.

It is our hope that you will view this invitation as an opportunity share your institution's best practices with the investor community and a chance to exchange knowledge. Thank you for your time.

**Name of company:** [Investec](#)

1. What policies and procedures does your institution have to undertake human rights due diligence regarding the companies and projects it finances, beyond what is publicly available on your website?

[Investec has a deeply-rooted tradition of active corporate citizenship and we are mindful of our responsibility to live in society and not off it. As a distinctive financial institution with specialist skills in lending and investing, we play a critical role in funding a stable and sustainable economy that contributes to our communities and is cognisant of the world's limited natural resources.](#)

[Investec supports international best practices regarding the responsibilities of the financial sector in financing and investing transactions. Social and environmental risk considerations are implicit in our values, culture and code of conduct and are applied as part of our environmental and social risk framework. In particular, the following factors are taken into account when a transaction is evaluated and approved or declined based on sustainability considerations:](#)

- [Environmental \(including animal welfare and climate-related impacts\)](#)
- [Social considerations \(including human rights\)](#)
- [Macro-economic considerations.](#)

[In the past year, we became a full participant \(previously only a signatory\) to the \*\*UN Global Compact\*\*, increasing our commitment to the ten principles with respect to business and human rights, labour, environment and anti-corruption. We continue to advance the ten principles within our sphere of influence by entrenching them into our strategy, culture and day-to-day operations.](#)

We have embedded ESG considerations into our daily business operations and processes through the following:

- An established group ESG policy
- Incorporated ESG considerations in to the credit and investment decision-making process
- Established an ESG guidebook to assist consultants
- Provide ESG training for consultants.

In addition to our lending and investing policy, we have formalised a group **policy on financing projects that include coal mining or coal-fired power generation**. Investec supports international good practices regarding the responsibilities of the financial sector in financing the extractive industries and energy production. We engage with our clients on sustainability issues in order to minimise the risks and impacts of the extractive industries and energy sectors, and require clients to meet appropriate technical, governance, transparency, social and environmental standards. Social considerations in coal-fired projects include the following:

- Health and safety policies
- Impact on local communities
- Transparency and human rights

2. Do you require new clients or new projects in the extractives sector to have undertaken human rights due diligence prior to providing financing?

Yes

The environmental and social standards for clients in these sectors consist of minimum requirements and benchmark criteria. Investec will only engage with clients who comply with all applicable minimum requirements within their jurisdictions, or have an improvement plan in place to do so within two years.

Investec seeks to ensure that all clients act with ethical integrity and meet all the group's minimum requirements. Investec performs due diligence of all actual and prospective clients and transactions.

Investec reviews existing and prospective clients at various moments to determine their compliance with the bank's policies:

- When the client is first accepted, in accordance with our Lending or Investment Policy
- If and when the client applies for a loan, in accordance with our Lending or Investment Policy
- In the event of incidents or if important new information becomes known based on which the client's risk level might change.

Our relationships are with large listed corporates who would be subject to rigorous environmental and social requirements and obligations. The evaluation and management of environmental and social risks is based on the following approach:

- We employ qualified technical professionals to assess all material risks of proposed transactions to the resources sector, which includes the professional assessment of environmental and social risks relating to these developments

- Prior to any new transaction, and annually thereafter, Investec completes site visits as part of its due diligence process
- Internal business guidelines stipulate that resource project developments with environmental and/or social risks in excess of industry norms should be avoided as a matter of responsible business practice
- Independent experts are engaged where an internal review has identified concerns around environmental and/or social risks of a new or existing development
- Legal documentation specifically requires clients to comply with environmental laws and standards
- Our target clients are generally (but not always) listed companies with stated environmental and social policies
- Regular reporting from our clients is required to comment on environmental health and safety, environmental and community-related incidents.

3. Which human rights issues are included in your risk assessment process for extractive projects?

We support the 10 principles of the UN Global compact, which includes the following **Human Rights**

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;
- Principle 2: make sure that they are not complicit in human rights abuses.

**Labour**

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour;
- Principle 6: the elimination of discrimination in respect of employment and occupation.

**Environment**

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility;
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

**Anti-Corruption**

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

4. Does your institution adapt its human rights policies and procedures for the specific sector of investment in order to account for the varied risks across sectors? If so, do you have specific policies on the mining sector?

We have identified certain controversial activities we will not engage in, or will only participate under stringent criteria. As part of this process we engage with client and suppliers to further understand their processes and policies and to explore how any environmental and social risks may be mitigated. We expect our counterparties to operate and behave in a socially and

environmentally appropriate and responsible manner with the same high standards as ourselves.

We have a sector specific policy for financing projects that include Coal Mining or Coal-Fired Power Generation. Our current internal framework is robust and, on a project-by-project basis, in accordance with World Bank standards as well as the standards of the legal and environmental frameworks of the countries in which the projects are undertaken. Furthermore, we have enhanced procedures to evaluate and actively avoid, manage and mitigate the potential social and environmental impacts of the projects we support.

5. Does your institution adapt its human rights policies and procedures for the specific country of investment in order to account for the varied risks across nations? If so, do you have specific policies for any countries or areas in Southern Africa?

We do not have country specific policies for any countries or areas in Southern Africa, however, projects in Organisation for Economic Cooperation and Development (OECD) countries have to comply with a high level of environment, planning, labour and procurement law and as such they would have less potential adverse social or environmental impacts as a result of careful assessment and mitigation applied to the projects. For coal/ gas-fired power plants in OECD countries, these may be classified as high or medium depending on a number of factors such as the country of operation and the sophistication of the applicable laws in the host country, the size and the experience of the sponsors, and the technology involved. In addition to this our current internal framework is robust and, on a project-by-project basis, in accordance with World Bank standards as well as the standards of the legal and environmental frameworks of the countries in which the projects are undertaken.

Investec will only engage with clients who comply with all applicable minimum requirements within their jurisdictions.

6. Who assesses human rights risks at your bank (departments, positions, internal/external, etc.)?

The social and ethics committee (SEC) is responsible for monitoring the non-profit elements of sustainability. Our commitment to corporate responsibility means integrating social, ethical and environmental considerations. For Investec, being a good corporate citizen is about building our businesses to ensure we have a positive impact on the economy and social progress of communities and on the environment, while growing and preserving clients' and stakeholders wealth based on strong relationships and trust. The SEC is an essential part of the group's governance framework to which the board has delegated the monitoring of the group's activities in relation to:

- social and economic development (including human rights)
- good corporate citizenship
- the Employment Equity Act and the Broad-Based Black Economic Empowerment Act ethical business practices
- Improving our environmental social governance (ESG) policies and practices.

7. Do you require companies to have grievance mechanisms in place for each extractive project and if so, what do you see as essential in an effective grievance mechanism?

In South Africa before mining rights are granted, a company needs to submit and comply to "A Social and Labour Plan" before the Department of Mineral Resources (DMR) will grant a mining right. The DMR regularly audit these. We regularly receive updates from our clients on their adherence to compliance and will act if non-compliance is suspected .

8. Have you ever taken any steps to require or support a client in remediating a human rights impact?

No

9. Have you ever withheld loans or other financial services as a result of a human rights assessment or allegation?

No

10. Do you undertake any form of on the ground assessment of conditions at project sites?

We require that projects comply with the applicable environmental, planning, labour and procurement laws. Where there is a potential significant/limited adverse social or environmental impact, we will expect the projects to undergo the suitable risk and impact assessment and to comply with a mitigation/action plan. For potential social, health and safety and land acquisition and involuntary settlement issues, loan documentation/due diligence to ensure borrower complies with applicable planning/social/procurement laws in host country and environmental and social reporting needs to be included in the loan covenants. Loan documentation/due diligence to ensure borrower complies with applicable social laws in host country should also be included.

We would expect that the project would comply with the applicable environmental, planning, labour and procurement law. Where there is a potential significant/limited adverse social or environmental impact, we will expect the projects to undergo the suitable risk and impact assessment and to comply with a mitigation plan. To this end, we follow stringent internal processes in assessing and mitigating such risk, including but not limited to the following:

- As a core strategy, we target low to medium risk projects and avoid projects that have a high risk in terms of social and environmental impacts
- Our internal due diligence not only includes technical mining aspects but also a full diligence on the environmental and social impacts and, if necessary, will include additional independent expert review. These internal reviews are further ratified by the executive through a robust credit process
- All compliance with local and applicable international legislation is covered through the loan documentation as a minimum requirement. Further, loan covenants monitor ongoing compliance and reporting of adherence to required standards
- In addition to the above, ongoing compliance and internal review is conducted by our teams by way of annual site visits to the operations.

**Further information and guidance:**

[UN Guiding Principles on Business and Human Rights](#)

[OECD Guidelines for Multinational Enterprises](#)

[Mapping of Sustainable Development Goals to human rights instruments and issues](#)

[OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#)

[EU Regulation on Due Diligence in Mineral Supply Chains - Civil Society Guidance for Companies](#)