

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD FRAMEWORK

The TCFD was created by the Financial Stability Board in 2015 to develop guidance for consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders. One of the Financial Stability Board’s key aims was to enable stakeholders to better understand the “concentrations of carbon-related assets in the financial sector and the financial system’s exposure to climate-related risks”¹.

Ultimately, increasing the amount of reliable information on exposure to climate-related risks and opportunities will strengthen the stability of the global financial system, contribute to a greater understanding of climate risks, and facilitate financing the transition to a more stable and sustainable economy.

Accordingly, the TCFD developed a set of recommendations in 2017 to assist companies in identifying and disclosing the financial impacts of climate change risks and opportunities on their business in their mainstream reports, including their annual reports and financial filings. The latest TCFD guidance on implementing the recommendations was published in 2021, which includes supplemental guidance for insurance companies and asset owners.

The TCFD recommendations are categorised according to four thematic areas that represent core elements of how organisations operate: Governance, Strategy, Risk Management and Metrics and Targets. These elements are outlined in Figure 1 below.

Governance	Strategy	Risk management	Metrics and targets
Disclose the Group’s governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the Group’s businesses, strategy and financial planning where such information is material.	Disclose how the Group identifies, assesses and manages climate-related risks.	Disclose the metric and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Figure 1: TCFD framework.

¹ FSB Proposal for a Disclosure Task Force on Climate-Related Risks, 2015.

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT

The following table provides a summary of Rainbow's first climate disclosures aligned with the TCFD recommendations associated with the four thematic areas: Governance, Strategy, Risk Management and Metrics and Targets.

GOVERNANCE

Recommendation	Response	Compliance
<p>a. Describe the board's oversight of climate-related risks and opportunities</p>	<p>Rainbow's Board comprises the Chairman, one executive director, and five independent non-executive directors. The Board is responsible for regularly assessing and reviewing key business risks in the Group's operations and met eight times in the last financial year.</p> <p>Notably, in the last year the Board has overseen and approved the development of the Group's Sustainability Policy, which can be found on our website here: https://www.rainbowrareearths.com/about/corporate-governance/company-policies/. The policy states our commitment to sound environmental management and minimising the impacts of our operations on the environment, including those relating to climate change, water usage, waste management and biodiversity.</p>	Partially compliant
<p>b. Describe management's role in assessing and managing climate-related risks and opportunities</p>	<p>The Board delegates sustainability-related responsibilities to management. Accordingly, the Directors and management regularly assess and discuss the principal risks facing the Group. In addition, senior management regularly discuss material developments (normally weekly) and consider the financial and reporting implications of any matters arising.</p> <p>A key element of risk within Rainbow's operations is environmental management, which is overseen by the Board and Audit Committee, in liaison with the Sustainability Committee (formerly the Safety, Health, and Environment Committee).</p> <p>The Sustainability Committee has oversight of the Group's compliance with applicable environmental laws and regulations. Rainbow is currently working with WSP to carry out an ESIA at Phalaborwa. The Sustainability Committee met once during the 2023 financial year to discuss the development of the Group's ESG strategy, both over the short- and longer-term and regulatory developments.</p>	Partially compliant

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT CONTINUED

STRATEGY

Recommendation	Response	Compliance
<p>a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p>	<p>Rainbow’s strategy is to develop a responsible supply of rare earth minerals to meet the escalating demand for these critical minerals needed for global decarbonisation.</p> <p>Phalaborwa is still in the preliminary stages of development; however, in order to build strong foundations at the earliest stage, the following key workstreams have been initiated to assess and help inform a robust view of the physical and transitional climate-related risks and opportunities that may impact our operations and the environment.</p> <ul style="list-style-type: none"> • We are in the process of quantifying and assessing expected operation emissions based on the PEA at Phalaborwa. This is the starting point from which Rainbow will measure the actual performance of the Group’s Greenhouse Gas (“GHG”) emitting activities once in production. • We are commencing work with external consultants to develop a LCA for Phalaborwa to assess the GHG emissions associated with producing and using rare earth metals. This will enable Rainbow to identify emission hotspots and opportunities for reduction, supporting the development of the Group’s decarbonisation strategy. • We have embarked on developing scenario analyses to evaluate future climate change-related risks and opportunities for the business over the short, medium and long term. 	<p>Partially compliant</p>
<p>b. Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.</p>	<p>Climate-related opportunities are some of the material drivers behind our business model and growth strategy. Rainbow is contributing to the green energy transition with the responsible production of rare earths, with a specific focus on neodymium (Nd), praseodymium (Pr), dysprosium (Dy), and terbium (Tb). These metals are fundamental in the production of permanent magnets used in wind turbines and EVs, with their demand projected to escalate with the transition to renewable energy – read more in Market Review on pages 14 to 15.</p> <p>The financial impacts of the climate risks and opportunities facing the business will be further explored and articulated following results from the LCA and scenario analysis testing (as described above). These measures will inform Rainbow’s business, strategy, and financial planning in relation to climate-related risks and opportunities.</p> <p>Rainbow is committed to integrating environmental considerations into strategic decision-making and sound environmental management, with a focus on environmental protection and the responsible use of natural resources. This includes a focus on energy efficiency and the investigation of the commercial viability of using renewable energy sources.</p>	<p>Partially compliant</p>

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT CONTINUED

STRATEGY CONTINUED

Recommendation	Response	Compliance
<p>c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>Rainbow's focus on processing separated rare earth oxides from historical waste gypsum contributes to the underlying strength and resilience of our business model, as many of the costly, energy-intensive steps, associated with traditional rare earths mining projects, are removed. Further, Rainbow has the opportunity to reduce its negative environmental impact by utilising reclaimed acid water from the phosphogypsum stacks in a closed circuit.</p> <p>Leveraging our proprietary technology, we continue to explore opportunities to deliver separated rare earth oxides from secondary phosphogypsum sources around the world, which will remove significant time, risk and cost from the overall project timeline. Rainbow announced a Memorandum of Understanding with Mosaic shortly after Year-end to jointly develop a process flowsheet to extract rare earth elements from the Uberaba stack in Brazil - read more on page 20.</p> <p>In addition, Rainbow intends to use climate change scenario analyses to fully investigate the resilience of the Group's strategy to climate change risks and opportunities. The outcomes of these assessments will be published once available.</p> <p>The setting of a baseline carbon footprint in the future will assist us in managing the performance of meeting emission reduction targets and other related sustainability metrics.</p>	<p>Partially compliant</p>

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT CONTINUED

RISK MANAGEMENT

Recommendation	Response	Compliance
<p>a. Describe the organisation's processes for identifying and assessing climate-related risks;</p>	<p>Rainbow is in the process of estimating and assessing expected emissions from planned operations at Phalaborwa based on projections in the PEA, as a first-pass carbon footprint assessment. Alongside the LCA and proposed scenario analysis workstreams, the first-pass carbon footprint will be critical in identifying and assessing climate-related risks and identifying carbon reduction opportunities. The emissions calculations will assist Rainbow in informing, understanding, and optimising project development and subsequent operations.</p>	<p>Partially compliant</p>
<p>b. Describe the organisation's processes for managing climate-related risks, and</p>	<p>The relatively small size of Rainbow's management and finance team allows the team to retain tight control over the identification and management of risks, and related financial impacts, currently facing the business. The Board therefore does not currently consider it appropriate to have a separate internal audit function. Accordingly, the Board and the Audit Committee are responsible for ensuring that the risks inherent to operating the Group, across numerous jurisdictions, are identified, assessed, and managed. Rainbow's Sustainability Committee is also responsible for liaising with the Audit Committee, as appropriate, on matters relevant to the Group's management of sustainability-related risks and opportunities. In addition to formal Audit Committee meetings, the Chief Financial Officer has regular interaction with the Chairman of the Audit Committee to discuss control and reporting matters in more detail. The Audit Committee and Chief Financial Officer are supported by senior management, who regularly discuss material developments (normally weekly) and consider financial and reporting implications of any matters arising.</p>	
<p>c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<p>As the Group matures, Rainbow may consider formalising the processes for identifying, assessing, and managing climate-specific risks, which may be integrated into the organisation's overall risk management.</p> <p>Using the outcomes of the ESIA, which is currently being undertaken for Phalaborwa, Rainbow will introduce a robust environmental and social management system to the project.</p>	

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT CONTINUED

METRICS AND TARGETS

Recommendation	Response	Compliance										
<p>a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>The first-pass carbon footprint will assist in selecting appropriate metrics for monitoring our operation's emissions. Importantly, the first-pass carbon footprint will be critical in identifying carbon reduction opportunities and will assist Rainbow in informing and optimising project development and subsequent operations.</p> <p>As a first step in our emissions accounting and disclosure, we have calculated Scope 1 and 2 emissions for office-related activities – demonstrating a step forward in transparency and setting the Group on the right path for future disclosure of more material operations emissions going forward.</p>	Partially compliant										
<p>b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.</p>	<p>Rainbow's carbon footprint for our head office emissions is shown below. This represents Rainbow's actual emissions and first phase of annual carbon disclosure.</p> <table border="1"> <thead> <tr> <th colspan="2">Emissions¹ from office-related activity</th> </tr> <tr> <th>Scope</th> <th>Emissions in tCO₂e</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>0.15</td> </tr> <tr> <td>Scope 2</td> <td>5.85</td> </tr> <tr> <td>Scopes 1 & 2</td> <td>6.01</td> </tr> </tbody> </table> <p>The office activity-related carbon footprint does not serve as a baseline for benchmarking against operation-related emissions in future, as the Group's material carbon emissions will be associated with its processing activities when production commences. Rainbow will establish a baseline emissions profile once the operations are in progress.</p>	Emissions ¹ from office-related activity		Scope	Emissions in tCO ₂ e	Scope 1	0.15	Scope 2	5.85	Scopes 1 & 2	6.01	Partially compliant
Emissions ¹ from office-related activity												
Scope	Emissions in tCO ₂ e											
Scope 1	0.15											
Scope 2	5.85											
Scopes 1 & 2	6.01											
<p>c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>	<p>As the Group matures, Rainbow will consider setting targets to manage climate-related risks and opportunities. These targets will be informed by the culmination of ongoing climate-related scenario analyses and the setting of a baseline carbon footprint once the business is fully operating.</p>	Partially compliant										

¹ Emissions were calculated by multiplying the activity data by the appropriate emission factor to get the tonnes (t) of carbon dioxide (CO₂) equivalent (e). The activity emissions are reported in line with the GHG Protocol Corporate Standard (GHG Protocol).