FirstRand

climate change

strategies

2023

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ABOUT THIS REPORT

FirstRand provides disclosures in line with the recommendations and requirements of the Task Force on Climate-related Financial Disclosures (TCFD). To enable the user to easily access a complex set of information, the current year climate-related disclosures are not contained in a single report but have been covered, where most relevant, across a suite of reports housed on the FirstRand Climate hub at https://www.firstrand.co.za/investors/integrated-reporting-hub/climate/.

This report covers FirstRand's overall climate approach, including how the group's core business activities are responding to climate matters. Other TCFD aligned topics can be found in the reports listed in the table below.

TCFD disclosure recommendations	Disclosure reference
Governance	• Basel Pillar 3 • Corporate governance report • Remuneration report
Strategy	This report
Risk management	Basel Pillar 3
Metrics and targets	• Basel Pillar 3 • This report

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investor.relations@firstrand.co.za

introduction:

firstrand and climate change

Message from the group CEO

Alan Pullinger
FirstRand CEO

As a systemic bank and allocator of financial resources to the economy and broader society, FirstRand has a responsibility to use resources at its disposal to provide solutions for climate resilience and a just transition. Economic sectors and customer segments within the group's portfolio are already and will further be impacted by climate change. Also, 90% of FirstRand's earnings emanate from the African continent, which is already economically and socially vulnerable, and expected to be severely impacted by climate change. Therefore the group's objective is to respond rapidly and innovatively, in South Africa and beyond.

Within this broader context of climate change, FirstRand's largest market, South Africa, currently faces a severe energy deficit, requiring energy "addition" to support economic recovery. The improved economics and rate of deployment of green energy means that addition and transition can be tackled simultaneously. The funding of climate solutions for the country should ensure that the bulk of the electricity deficit is replaced with renewables. This will, in turn, accelerate the country's journey to a lower-carbon economy.

The group has a well-developed, dynamic climate programme that can be tracked through three years of TCFD reporting.

Recognising that climate change presents both risks and opportunities, the group has built strong foundational risk and governance frameworks with business focused on scaling its strategic response, particularly client solutions. This report seeks to demonstrate these responses.

The group also recognises the need to hold itself accountable to delivering on its stated commitments, and drive the right business response for optimal outcomes. As such, this year climate was elevated to the strategic section of senior leadership's remuneration score cards, and has the same weighting as the other material growth strategies FirstRand is pursuing.

Responding to climate change aligns to FirstRand's purpose to build a future of shared prosperity, requiring the group to intentionally execute on strategies that deliver both financial value and positive societal outcomes.

Overview

The group established foundational climate risk management in 2020, which is well entrenched and outlined in detail in the 2023 Basel Pillar 3 report, available at https://www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

In addition, the group believes its response to climate change represents a key strategic imperative for growth, encompassing a variety of commercial opportunities. FirstRand is therefore focused on building appropriate capabilities and integrating climate change considerations into existing business plans and processes. This will ensure that the group can actively participate in the financing of the green economy, pursuing significant opportunities for innovation as well as new technologies and markets to help society adapt to climate change.

Climate change considerations are built into capital allocation, origination strategies and portfolio diversification.

Over the past four years the group has taken meaningful steps to enable its climate response, of which some high-level examples include:

- The group's financial resource management framework (FRM) formally adopted pricing and funding strategies to support appropriate balance sheet evolution. This is a key enabler and is explained in more detail on page 12.
- There are dedicated governance structures embedded in the operating businesses with climate change as a standing agenda item. Full disclosures of these structures and processes are included in the 2023 Basel Pillar 3 and corporate governance reports, however key committees attended by senior executives responsible for strategy execution would include:
  - the group sustainability and governance exco (a subcommittee of the strategic executive committee (Stratco), the most senior executive committee in the group);
  - the retail and commercial segment sustainability and governance executive committee; and
  - RMB's sustainability executive committee.
- Dedicated sustainable finance teams established across the operating businesses focused on financing green solutions.
- Climate considerations are included in remuneration practices.
  - Climate is captured in executive scorecards relating to strategy, with weightings aligned to other material growth initiatives. These scorecards can be found in FirstRand's remuneration report.
  - Lack of progress on the group's climate roadmap can result in a downward adjustment of the long-term incentive vesting outcome.
- FirstRand adopted the TCFD recommendations in 2020 and published its first TCFD report in 2021.
- FirstRand published a five-year climate roadmap and commitments in 2021. Excellent progress continues to be made against the roadmap with most phase 3 milestones met. During the year new priorities were included, extending the roadmap's deliverables to FY2026 – FY2027. These new priorities include the development of science-based emissions reduction targets and associated alignment pathways. The complete climate roadmap is included in the appendix.

FirstRand group profile

The group has a multi-brand strategy, with a number of leading customer-facing businesses in the portfolio.

FNB

Retail and commercial bank

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and on the broader African continent. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products.

RMB

Corporate and investment bank

RMB represents the group's activities in the corporate and investment banking segments in South Africa and on the broader African continent. Its strategy leverages a strong origination franchise, a leading market-making and distribution offering, a strong private equity track record and a growing transactional platform.

WesBank

Instalment and finance provider

WesBank represents the group's activities in vehicle asset finance, fleet management and related services in the retail, commercial and corporate segments of South Africa. WesBank has a unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups, which gives it a market-leading point-of-sale presence.

Aldermore

UK specialist lender

Aldermore represents the group's activities in the UK. It has a clear strategy of offering simple financial products and solutions to meet the needs of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords, vehicle owners and savers.

Ashburton Investments

Asset management

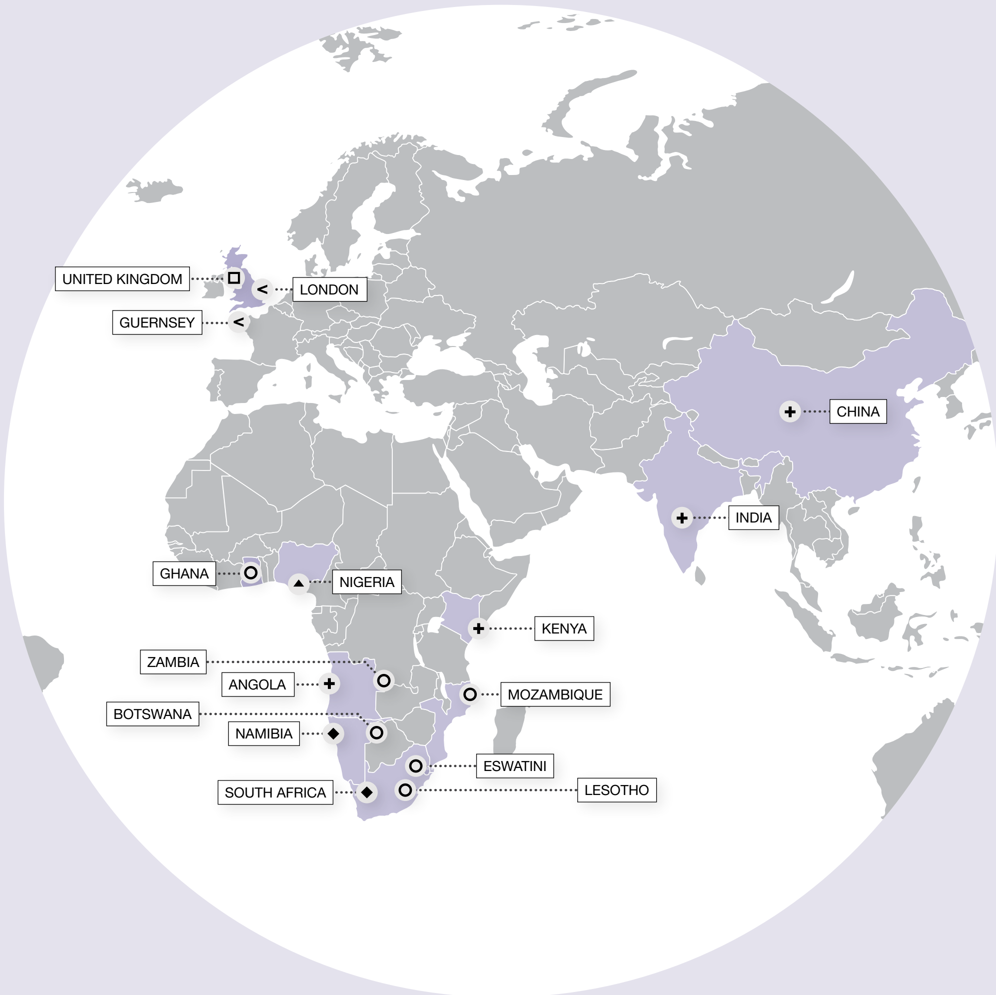
Ashburton Investments represents FirstRand's asset management activities. Ashburton aims to provide superior risk-adjusted returns by combining active fund management expertise with alternative investment solutions and unique portfolio construction strategies to deliver bespoke client solutions.

FirstRand's operating footprint

50 493
Total employees

41 406
SA employees

- Full-service banking
- Investment banking
- Full-service banking, insurance and asset management
- Specialist banking
- Branch
- Representative office



Financial snapshot

for the year ended 30 June 2023

	Rand (billion)	USD (billion)
Normalised total assets	2 294.8	121.8
Loans and advances (net of credit impairment)	1 539.4	81.7
Normalised net asset value	180.7	9.6
Normalised earnings	36.7	2.1
Normalised ROE	21.2%	

Operational statistics

as at 30 June 2023

Number of active customers	
FNB	11.49 million
• Retail	8.25 million
• Commercial	1.21 million
• Broader Africa	2.03 million

Conversion rates

Balance sheet

$1 = R18.84

Income statement

$1 = R17.73

FirstRand's response to climate change

Introduction

The manner in which FirstRand is responding to the risks and opportunities presented by climate change remains consistent and is underpinned by the following principles:

1 *Foundational belief*

FirstRand believes climate change is a significant challenge to the:

> well-being of people;
> social and economic fabric of communities; and
> sustainability of the planet and biodiversity.

Therefore, the group must deliver solutions for climate resilience and a just transition to a low-carbon world.

2 *Grounded in science*

FirstRand's climate change strategy is guided by science and well-researched transition pathways, defined by international bodies and tailored to country context, captured in the Nationally Determined Contributions (NDCs) submitted to the United Nations.

3 *Climate change impacts*

A key focus for FirstRand is reducing emissions whilst managing the impact of climate risk on the group's portfolios.

4 *Key sectors*

The group is committed to facilitating financial flows in support of the transition, with its focus on eight key sectors.

5 *Just transition*

FirstRand believes the transition to a low-carbon economy will result in a net overall gain, however, the transition needs to be approached in a measured manner to ensure sustainable livelihoods.

6 *FirstRand's strategic mechanisms*

> Balance sheet deployment in sustainable and transition financing.
> Appropriate capital allocation to climate initiatives through FRM.
> Effective climate risk management, including credit origination.
> Resilience of own operations.

FirstRand aims to manage its impact on the climate in a manner that is aligned with the Intergovernmental Panel on Climate Change (IPCC) aspirations of limiting global warming to 1.5°C above pre-industrial levels at most. This requires the group to commit to a reduction of its own emissions (scope 1 and 2), as well as the reduction of attributable emissions of the activities that it finances (scope 3). The group also aims to manage its balance sheet evolution and underlying portfolio construction in such a way that it does not incur outsized physical, transition, legal or reputational risks on a single exposure or groupings of exposures.

Country context

FirstRand's stated commitment is to be net zero by 2050. Given that the group operates across a number of different jurisdictions, it considers country context in its approach. This takes into account the following:

- NDCs and transition pathways;
- long-term strategies; and
- adaptation strategies.

The group incorporates global guidance such as the World Bank Group's Paris Alignment approach, the Science Based Targets initiative (SBTi) guidance and International Energy Agency (IEA) guidance.

Materiality of climate risks and opportunities

The group considers financial materiality (based on the impact of climate change on the group) and impact materiality (its impact on climate change). This double materiality approach is consistent with the JSE's Sustainability and Climate Disclosure Guidance. Climate risks and opportunities that have a material impact on broader society are likely to also impact FirstRand.

The group considers both quantitative and qualitative factors when assessing climate change materiality. The process for determination of materiality includes assessment by appropriately skilled and experienced financiers, environmental specialists and executives. In addition, it is informed by regular engagement with the board, investors, clients and industry associations.

Key considerations in materiality determination

Financial materiality		*Impact materiality*	
Climate risk impact on:	**Climate opportunities for:**	**Climate risk impacts are:**	**Climate opportunities offered by:**
> risk appetite relative to FirstRand's overall earnings volatility limits as well as risk type earnings volatility limits, prudential limits and internal triggers; > FirstRand's reputation; > capital adequacy and solvency outcomes in business-as-usual and stress scenarios; > access to and cost of funding; > business origination and retention; and > regulatory sanction.	> balance sheet and income growth; > business origination and retention; > access to new client markets and customer types; > mitigation of climate-related credit, market or operational risks; and > access to alternative funding pools.	> adverse impacts on people – quality of life and livelihoods; > contribution to greenhouse gas (GHG) emissions; > adverse impacts on the environment, including nature and biodiversity; and > negative implications for economic stability and sustainability.	> decarbonisation; > technology adoption; > adaptation initiatives; > climate change awareness; and > transparency and policy.

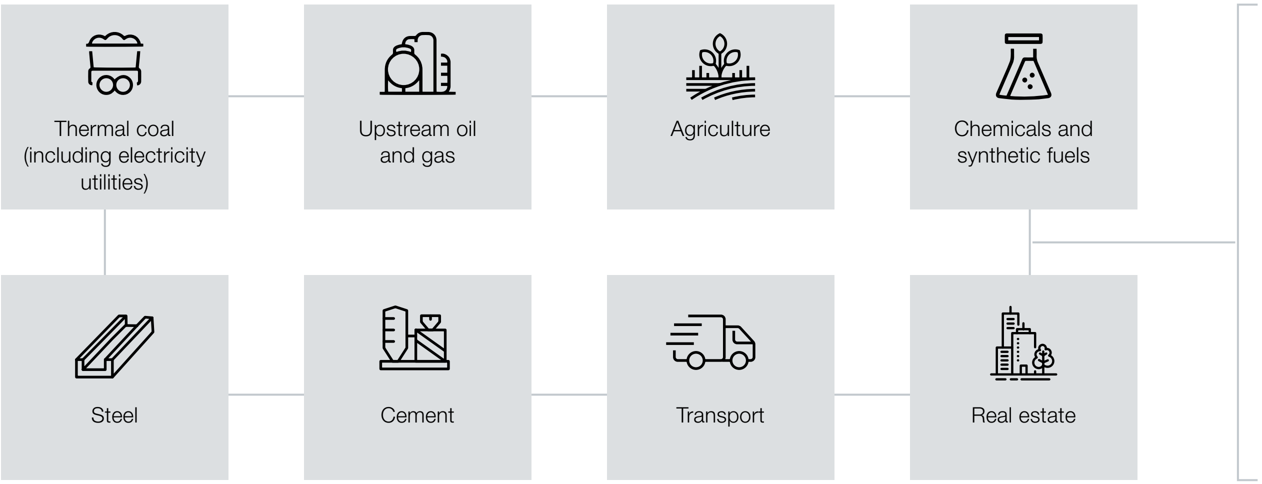
Dual focus

FirstRand is developing solutions to help clients mitigate climate change through lowering their GHG emissions (transition) and adapting to climate change by improving their climate resilience.

South Africa is experiencing an energy deficit. The country requires additional energy sources as well as an energy mix transition away from fossil fuels over time. Due to the improved economics of renewable energy and the speed at which renewable energy infrastructure can be installed, the electricity deficit in South Africa is being filled by renewables. This is accelerating the transition to a lower-carbon economy.

Key sectors

The group has prioritised eight key sectors which are carbon-intensive and hard-to-abate (high emissions). They include:



The group's approach to these sectors focuses on:

- accelerating renewable energy deployment at corporate, SME and consumer level;
- supporting companies with transition finance in hard-to-abate sectors to reduce their carbon footprint; and
- following a cautious approach to fossil fuels within strict limits and ensuring financing is not inconsistent with each country's commitments.

FirstRand’s climate ambitions and commitments

	Ambition/commitment	Within limit/ on track	**2023**	2022
Thermal coal funding	No financing for new coal-fired power stations	✓	**N/A**	N/A
	No direct project finance provided to new coal mines from 2026	✓	**N/A**	N/A
	2% of group advances and limited to 1.5% in 2026 and 1% in 2030	✓	**0.3%**	0.5%
Oil and gas lending	2.5% of group advances limit on upstream oil and gas	✓	**0.5%**	0.2%
Sustainable and transition finance*	R200 billion by 2026	✓	**N/A**	N/A
	R25 billion in FY2022	✓	**–**	R27.2 billion
	R35 billion in FY2023	✓	**R37.6 billion**	–
	R140 billion in FY2024 – FY2026	N/A	**N/A**	N/A
Customer engagement	Top 100 corporate clients in 2022	✓	**–**	100
	Top 200 corporate clients in 2023	✓	**300**	–
	3 million retail clients by 2025**	✓	**–**	–
Financed emissions#	Net zero by 2050	✓	**14 $mtCO_2e$**	13 $mtCO_2e$
Own emissions†	Net zero by 2030 for South African operations	✓	**173 268 tCO_2e**	163 409 tCO_2e

✓ *Within limit or on track.*

* *Transaction underwriting, arranging, lending or advisory.*

** *Retail carbon calculator launched in August 2023.*

Refer to page 31 for financed emissions context and movement.

† *Increase from 2022 emissions (SA) is due to use of diesel generators as a result of increased loadshedding and refined data capturing. The group has accelerated its operational strategy and is on track to meet the 2030 target. The group has a five-step strategy to reduce own emissions. Refer to pages 141 to 143 of the group’s 2023 Basel Pillar III disclosure.*

How FRM enables the group's climate change response

Execution on all the group's strategies is underpinned by the disciplined allocation of financial resources. One of the core aims of the Paris Agreement is to align financial flows with a pathway towards lower emissions and, ultimately, climate-resilient development. A significant contribution FirstRand can make to addressing climate change is through a considered approach to its role as an allocator of capital in the economy. As such the group's FRM framework has incorporated principles and practices that enable the business in its climate mitigation and adaptation efforts.

The group's FRM framework incorporates the following enablers:

Enablers		
Sustainability bond issuances as part of the overall funding strategy	The FirstRand sustainability bond framework identifies sectors and activities that will assist with climate adaptation and mitigation, including renewable energy, energy efficiency, green buildings, clean and sustainable transportation, and climate-smart agriculture.	FirstRand issued one sustainability bond and one green bond in 2022. The proceeds have been fully allocated to green buildings, renewable energy projects and affordable housing. FirstRand issued a green bond in October 2023. The proceeds will be allocated to green buildings and renewable energy projects across the retail, commercial and corporate segments. For more information refer to pages 13 to 15.
Transmitting the price of financial resources, taking account of positive outcomes and negative externalities	• Pricing of externalities. • Ability to categorise activities and capital depending on their externalities (impact on the environment and society).	**Pricing:** Differentiated funding rates are provided to deals that meet pre-defined impact thresholds, for example: **Positive impacts (pricing benefit):** • generating renewable energy for private or public use; • contributing to materially improved energy or water efficiency relative to benchmarks; • contributing to a reduction in GHG emissions; and • utilising hybrid or green vehicles, or contributing to material reductions in fuel usage. **Negative impacts (pricing penalty):** • During the year, the group developed a framework to price the carbon intensity embedded in financed emissions. See framework considerations on page 13. **Asset categorisation** The group has developed an internal taxonomy to guide business on the origination of climate and social assets. It aligns with the FirstRand sustainability bond framework, the FirstRand climate balance sheet framework, development finance institution (DFI) agreements and relevant local legislation. This taxonomy enables: • standardisation in eligibility criteria for activities across the group; • consistent asset tagging (i.e. use of proceeds or loan purpose) to build a credible asset register; • pricing of externalities for appropriate financial resource allocation; and • consistent reporting metrics.
Partnering with DFIs where appropriate	Credible asset register and pipeline of climate and social assets.	**Asset categorisation** as described above.

Considerations for carbon intensity pricing

The following considerations were used to develop the group's framework to price carbon intensity in its portfolio:

1

Carbon-intensive assets warrant an increased liquidity premium because they have less secondary market value, marketability and value in structuring, i.e.:

- Limits on availability of financial resources to fund carbon-intensive companies and industries through funding caps, e.g. FirstRand fossil fuel and energy policy.
- Carbon-intensive industries are faced with business model challenges, increased variability and increased cost of capital.

2

Financed emissions is a new attribute the group needs to price for to support FirstRand's 2050 net-zero commitment.

3

The group considers and supports clients' mitigation efforts, such as counterparty transition strategies, ringfenced use-of-proceeds activities and carbon offset structuring.

FirstRand sustainability bond framework

In December 2021, the group published its sustainability bond framework under which its subsidiaries can issue thematic debt instruments, such as green, social and/or sustainability bonds. The framework is:

- aligned to international best practice and guidance as issued by the International Capital Market Association (ICMA); and
- independently assessed by Sustainalytics.

The framework and second-party opinion is available on FirstRand's website at https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/.

Issuance under framework during the year

FirstRand issued a R3.5 billion green bond in October 2023 with use-of-proceeds to green assets, specifically green buildings and renewable energy projects across the retail, commercial and corporate segments. Renewable energy is critical in enabling a transition to a low-carbon economy and addressing the current energy challenges in South Africa.

2023 green bond characteristics:

Instrument status	Green senior unsecured, listed on the Sustainability Segment of the JSE interest rate market.
Uptake	The issuance was well supported, with over R5.5 billion in bids and priced inside of guidance, which already allowed for a green benefit.
Use of proceeds	To drive origination of new assets: • 50% of total bond issuance will be allocated to existing green assets. • 50% of total bond issuance will be allocated to future green assets.
Use-of-proceeds penalty	To the extent that FirstRand cannot fully allocate the proceeds within the 24-month allocation period, a penalty of 15 bps will be added to the margin stipulated in the final applicable pricing supplement.
Monitoring and reporting	FirstRand will publish an annual allocation and impact report on its website. It will be supported by a limited assurance report on the allocation provided by external auditors on an annual basis (until full allocation).

The following schematics unpack:

- Corporate eligible assets
- Retail and commercial eligible assets

Corporate eligible assets

Indicative portfolio view of qualifying eligible new green assets for RMB – originated within 12 months prior to this green bond issuance

- Renewable energy assets in the Northern Cape and Eastern Cape provinces of South Africa
- Approximately 158 MW of installed capacity
- Expected GHG emissions reduction of ~470ktCO_2e

Indicative pipeline view of qualifying eligible new green assets – likely to be originated (and for which funds will be disbursed) within 24 months post this green bond issuance

- Wind and solar renewable energy assets in South Africa
- Potential installed capacity of ~300 MW
- Potential GHG emissions reduction of ~680ktCO_2e

Indicative impact reporting

> Total installed capacity MW
> Annual generated renewable power (MWh/year)
> Estimated annual tonnes of CO_2 equivalent emission avoided (tCO_2e/year)
> Number of people with access to clean energy
> Estimated number of jobs created

Commercial and retail eligible assets

Indicative portfolio of green assets for FNB	
Retail	**Commercial**
EcoEnergy home loans > IFC EDGE-certified residential buildings	**Asset-based finance – solar** > Financing for solar photovoltaic plants paid directly to vetted suppliers

Indicative impact reporting	
Retail	**Commercial**
> Number of mortgages provided to green-certified houses > Total m² of green buildings funded > Estimated annual CO_2 equivalent emissions reduction/ avoidance (tonnes CO_2e/year)	> Total installed capacity MW > Annual estimated generated renewable power (MWh/year) > Estimated annual CO_2 equivalent emission reduction (tonnes CO_2e/year)

climate lending *strategy*

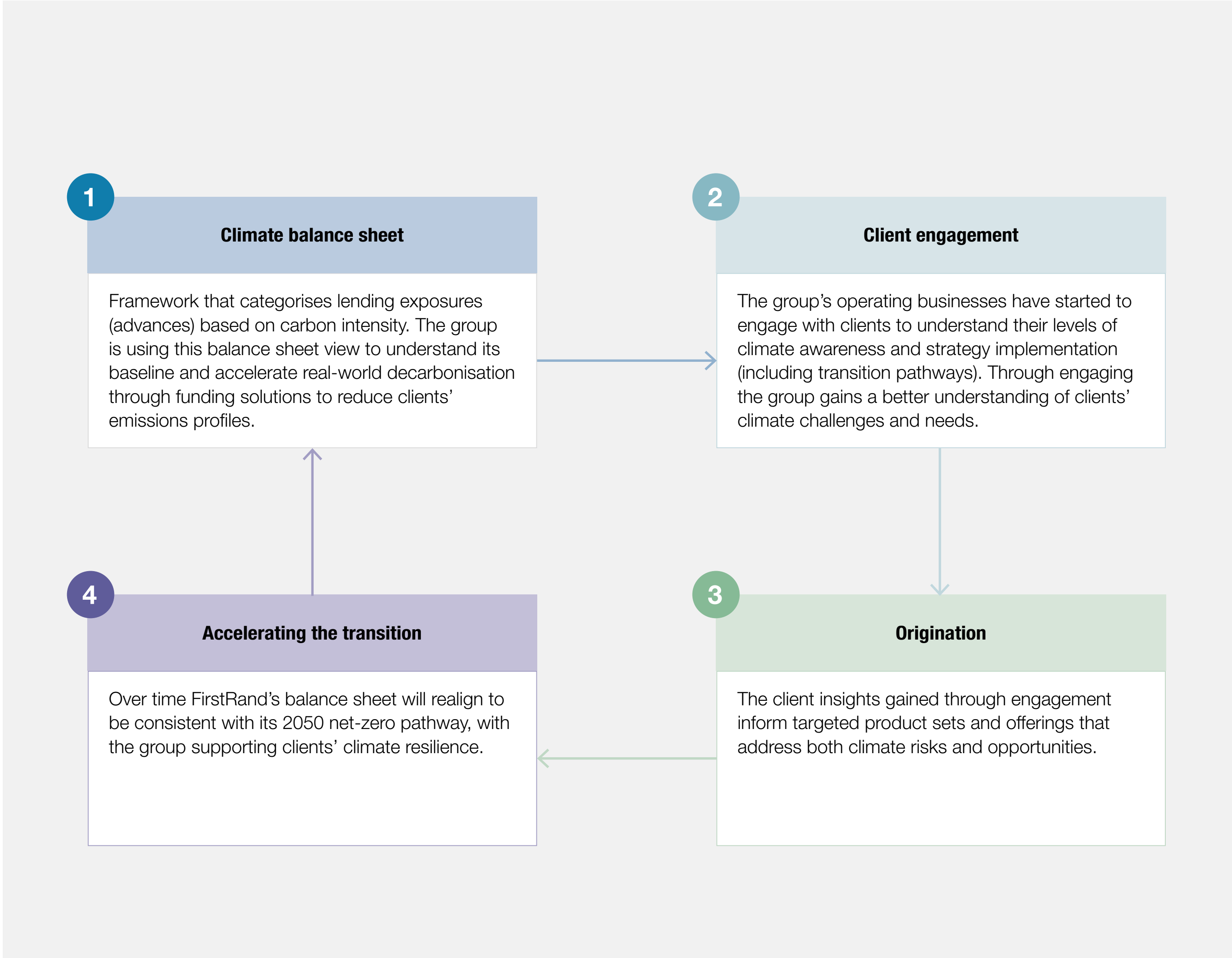
Climate lending strategy

For the past three years the main mechanism used by the group to respond to climate change has been to deploy the balance sheet to achieve positive climate outcomes for its clients.

The group has built a climate view of its balance sheet with origination strategies and client engagement programmes anchored to reshaping that balance sheet over time. This is captured in the diagram opposite.

In support of this are policies, risk appetite limits and specific interventions such as:

- restricting the financing of certain sectors and activities;
- placing limits on the size of brown asset portfolios (thermal coal and upstream oil and gas);
- targeting an increase in the origination of green and olive assets; and
- ensuring appropriate pricing for positive and negative climate-related externalities.



The climate balance sheet splits the lending book into four main categories, each with differing emissions intensity levels and growth trajectories. Both client and transaction (use of proceeds) characteristics determine if a loan is classified as green, olive, grey or brown. On average, FirstRand's South African lending book has an emissions intensity of 14 metric tonnes of CO_2e per million rand advanced.

The diagram below depicts the climate balance sheet categories.

Climate balance sheet	
Green	Green assets and clients aligned with international definitions
Olive	Accelerated transition
Grey	Natural growth – with emissions intensity reducing in line with country NDCs
Brown	Outsized emissions (transition risk) or inability to transition existing business

- **Green assets** conform to established local and international sustainable finance standards or taxonomies, including the South African green taxonomy, European Union (EU) green taxonomy and ICMA green bond principles, and also to FirstRand's sustainability bond framework. These assets have very low emissions. They consist of corporate advances to green clients, use-of-proceeds loans, green home loans and electric vehicle financing. Moderate growth is expected from this category due to the limited availability of these assets in the market and pricing constraints due to low margins.
- **Olive (accelerated transition) assets** enable an accelerated reduction in emissions for companies, assets and individuals. They primarily consist of performance-linked sustainable financing transactions, solar energy home loans and hybrid vehicles. In line with the group's objective of working with clients towards "real world" decarbonisation, this category of assets is expected to grow strongly. Origination of olive assets also benefits from higher margin pricing and a larger addressable client set.
- **Grey assets** (passive decarbonisation – mostly linked to the electricity grid) make up the majority of the group's loans and advances portfolio. This category consists of loans to clients in non-carbon-intensive industries that operate in line with the country's NDCs. It will naturally (passively) transition over time, aligned with country pathways. The group's real estate (retail, commercial and corporate) and vehicle and asset finance portfolios contribute materially to its grey assets.
- **Brown assets** (high-emission assets which are often sensitive to economic and production cycles) are expected to decline as a portion of the balance sheet in the medium to long term. They are made up of loans to clients in carbon-intensive industries with no clear transition pathway (e.g. thermal coal, oil and gas, synthetic fuels, cement and steel production). Balance sheet limits have been placed on the highest-emitting categories (thermal coal and upstream oil and gas) and each transaction is individually assessed to limit outlier emissions assets which may cause elevated stranded asset risks.

The table below provides a breakdown of the group's South African loans and advances into the climate balance sheet categories as at 30 June 2023. This provides a baseline to steer portfolio decarbonisation. The group believes the categories will show different growth trajectories between 2023 and 2050.

South Africa represents 64% of the group's total advances. Over time the climate balance sheet approach will be rolled out to the group's broader Africa subsidiaries and UK operations.

Description	Green assets	Olive assets	Grey assets	Brown assets
Current range	2%	7%	84%	7%
2030 ambition	Measured growth	Strong growth	Natural growth – with emissions intensity reducing in line with country NDCs	Measured reduction
2040 ambition	Strong growth	Strong growth		Sharp reduction
2050 ambition	Strong growth	Measured growth		Near zero

The opportunity for the group to accelerate transition lies in shifting clients that represent brown assets and transactions into the olive category. The current percentage of brown assets is to be expected as the group has exposure limits only on subsets of brown assets, namely thermal coal and upstream oil and gas. The group's aim, where possible, is to transition these to olive.

Green assets are important, but the structurally lower margins mean that it is not always advantageous to finance them on balance sheet. The biggest shorter-term opportunity for the green category is funding private power.

The group's origination focus will have a somewhat limited direct impact on grey assets, however decarbonisation will take place over time.

The climate balance sheet is supported by dedicated business strategies as described on pages 21 to 30. Business is developing and launching products to enable customers to better understand their climate impact, reduce their emissions profile, and enhance their energy and water security.

FirstRand climate alignment pathways project

Going forward, the group will build on the climate balance sheet through the FirstRand climate alignment pathways (CAPs) project which aims to align more closely to DFI frameworks such as the World Bank Group's Paris Alignment framework.

The FirstRand climate alignment pathways will constitute a set of qualitative and quantitative criteria against which clients and transactions will be assessed relative to the NDCs and emissions strategies of the jurisdictions in which they operate. This will determine whether they are aligned to the pathway specified by FirstRand. The assessment will bucket activities into the following categories:

- **FirstRand climate pathway aligned:** This will consist of inputs such as the World Bank Group's universally aligned activities (i.e. green climate balance sheet assets expanded to include additional sectors highlighted in the World Bank framework) and other relevant low-carbon reference points.
- **Transition towards alignment:** This will be made up of olive assets as per the climate balance sheet.
- **Passively aligned:** These will be grey climate balance sheet assets that decarbonise as a result of a reduction in country emissions levels (such as home loans) and which are not outsized from an emissions perspective relative to industry or activity benchmarks.
- **Potentially non-aligned:** This will consist of brown climate balance sheet assets, including assets that are universally non-aligned (as per FirstRand commitments and consistent with the World Bank approach, e.g. coal-fired power stations or exposures outside of the FirstRand committed limits for thermal coal and upstream oil and gas), and assets that are assessed as non-aligned based on detailed sector-specific criteria such as emissions intensity relative to peers and client climate maturity.

The diagram below depicts the overlay of FirstRand CAP definitions with the climate balance sheet.

FirstRand CAPs definitions	*Climate balance sheet*
FirstRand climate pathway aligned	**Green**
Transition towards alignment	**Olive**
Passively aligned	**Grey**
Potentially non-aligned	**Brown**

FirstRand climate pathway aligned assets (i.e. assets bucketed as climate pathway aligned, transitioning towards alignment and passively aligned) would be assets that are consistent with the goal of limiting global warming to between 1.5°C and 2°C, and with FirstRand's net-zero by 2050 commitment (either through active or passive decarbonisation).

The group's aim will be to grow the proportion of aligned assets that business originates whilst reducing the proportion of non-aligned assets. The FirstRand climate pathways will provide an important top-down overlay that allows for:

- streamlined communication with stakeholders based on a commonly understood taxonomy;
- a simplified approach to climate target setting in the short and medium term, based on an analysis of clients and transactions; and
- a more direct link with explicit external guidance on the classification of non-Paris-aligned activities (currently classified internally as brown assets).

In the long term, the intention is to use the FirstRand climate pathways as an integral part of the climate strategy and climate risk management process. For example, it will be utilised in:

- setting targets for balance sheet growth that reference the percentage of new origination which needs to be FirstRand climate pathway aligned;
- screening transactions so that the percentage of new conforming businesses can be measured and outliers can be clearly identified; and
- where feasible, the development of short- and medium-term decarbonisation targets in line with more granular sector-level pathways.

The existing limits on thermal coal (maximum 2% of group loans and advances) and oil and gas (maximum of 2.5% of group loans and advances) will continue to provide appropriate rails for the group's exposure to non-aligned assets. In addition, transition pathways and financed emissions ranges will be developed for oil and gas and other sensitive sectors, and allocated to businesses to operate within, to ensure that the emissions from these portfolios reduce over time in a manner that is consistent with the group's commitments. These ranges will inform 2030 interim emissions targets for sensitive sectors.

Update on business strategies in support of the group's climate response

RMB

RMB is actively responding to climate change opportunities aligned to the group's roadmap and has built significant capacity to execute. This capacity includes a dedicated sustainable finance team, risk professionals and programme managers.

RMB is partnering with clients across all of the jurisdictions where it operates, to understand and advise on their sustainability strategies and support them in their transition to a more climate-resilient, lower-carbon and socially inclusive economy. Lending for climate mitigation and adaptation solutions is a key focus for the sustainable finance team, particularly green, social and sustainability assets originated through use-of-proceeds loans, bonds and equity; and sustainability performance-linked bonds and loans.

RMB green finance solutions

1 Financial solutions

- Green loans
- Green bond facilitation
- Performance-linked instruments to incentivise positive climate outcomes
- Transition and renewable energy finance
- Green deposits

2 Advisory/stakeholder engagement

- Working with corporates to understand their climate risks, opportunities and transition pathways
- Developing sustainable finance frameworks

On-balance sheet advances

During the year, RMB originated R11.8 billion of new advances that address climate mitigation and adaptation (green and olive asset classification per the group climate balance sheet framework). The amounts disclosed in the following table reflect the on-balance sheet loans and advances, and exclude the amounts that RMB facilitated (i.e. transaction underwriting, arranging or advisory).

RMB green and olive advances

	As at 30 June 2023
R billion	**Drawn exposure on advances originated during FY23**
Green use of proceeds	**4.7**
Green loans	4.7
Performance-linked (with decarbonisation objectives)	**7.1**
Sustainability-linked bonds	0.1
Sustainability-linked loans	7.0
Total	**11.8**

A portion of RMB's climate-related origination relates to providing renewable energy senior debt and equity financing, with RMB supporting projects across South Africa and Namibia that generate more than 1.5 GW.

During the year, RMB originated R3.2 billion of renewable energy infrastructure advances (excluding refinances). The table below unpacks the associated emissions avoided of the infrastructure funded.

Total capacity of renewable energy plant(s) financed	158 MW
Annual renewable energy generation	465 051 MWh
Annual GHG emissions prevented	479 002 tCO_2e

The table below reflects RMB's total exposure to renewable energy financing. The renewable energy portfolio is long dated, with an average maturity of seven years.

Renewable energy exposures at year end

	Drawn exposures as at 30 June	
R million	**2023**	2022
Renewable energy	**15 628**	16 079
Solar	**10 681**	10 791
Wind	**3 441**	4 199
Hydro	**151**	157
Diversified portfolios and operations	**1 355**	932

The table below reflects RMB's total exposure to green and olive assets at 30 June 2023. This view includes both green and olive transactions and advances to clients classified as green and olive per the climate balance sheet framework.

RMB green and olive exposures at year end

	Drawn exposure as at 30 June 2023	
Climate classification	**R billion**	**% of RMB core lending advances**
Green	22.9	5.45%
Olive	67.5	16.06%
Total	**90.4**	**21.51%**

Client engagement

RMB has continued to engage with its clients on climate risk awareness and climate strategy implementation, including their transition pathways.

RMB ranks companies according to their climate strategy implementation, taking into account the presence of a climate change strategy, the ability to measure their climate impact from emissions, the presence of and timeframe for any commitments to reduce emissions, the alignment of those commitments to net-zero pathways, their reporting of climate risks and their alignment to global standards (e.g. TCFD).

- Climate-naïve clients do not consider the potential impact of climate change on their businesses and have not taken any strategic action to address it.
- Climate-aware clients are aware of the potential impacts of climate change, but are either very early in the planning stage or do not believe that they require it, or do not have the resources to manage climate risks.
- Climate-progressed clients are on a transition journey to net zero. They measure and report on their GHG emissions and climate risk management programmes.
- Climate-mature clients are well progressed on their transition journey with science-based targets, measurable outcomes and a net-zero target date of 2050.

In the prior year, client engagements were focused on the top 100 exposures to South African clients operating in high-transition-risk sectors, i.e. carbon-intensive and hard-to-abate (top 100 clients). During the current financial year, RMB expanded these engagements to include the broader Africa portfolio for its top 300 clients, across all sectors.

In addition, RMB implemented the following during the year:

- A more detailed assessment of clients' climate risk awareness, with a climate tag assigned to each client (with advances exposure), enabling classification according to the group's climate balance sheet.
- An enhanced climate risk management and governance process, including the constitution of the ESG Desirability Forum (EDF), which oversees transactions and clients with elevated climate risk.
  - Climate-naïve clients with high emissions are subjected to an enhanced assessment by the EDF. If the client shows an unwillingness to proactively address their transition risk after engagement with RMB, the EDF will reassess the transition risk related to the exposure. This risk will be incorporated into the client's credit rating, which may result in limited funding appetite.

The following section provides an update on insights derived from client engagement covering progress of the top 100 clients relative to the prior year, as well as climate risk awareness of RMB's top 300 clients.

Top 100 client engagement

The climate risk awareness of the top 100 clients has improved, as demonstrated in the table below, and is mainly due to:

- improved TCFD disclosures by the clients themselves;
- more widespread and granular emissions reporting;
- improved emissions reduction commitments; and
- a general improvement in climate risk awareness, driven by external developments such as carbon tax, and ongoing proactive engagement by RMB.

Climate maturity of top 100 clients

	Top 100	
Climate strategy implementation	**2023**	**2022**
Climate mature	**44%**	27%
Climate progressed	**33%**	28%
Climate aware*	**23%**	31%
Climate-naïve**	**0%**	14%

* *This trend reflects migration from climate aware to climate progressed.*

** *This trend reflects migration from climate naïve to climate aware.*

The analysis indicates that South African clients in hard-to-abate sectors are maturing in the active management of their decarbonisation journeys.

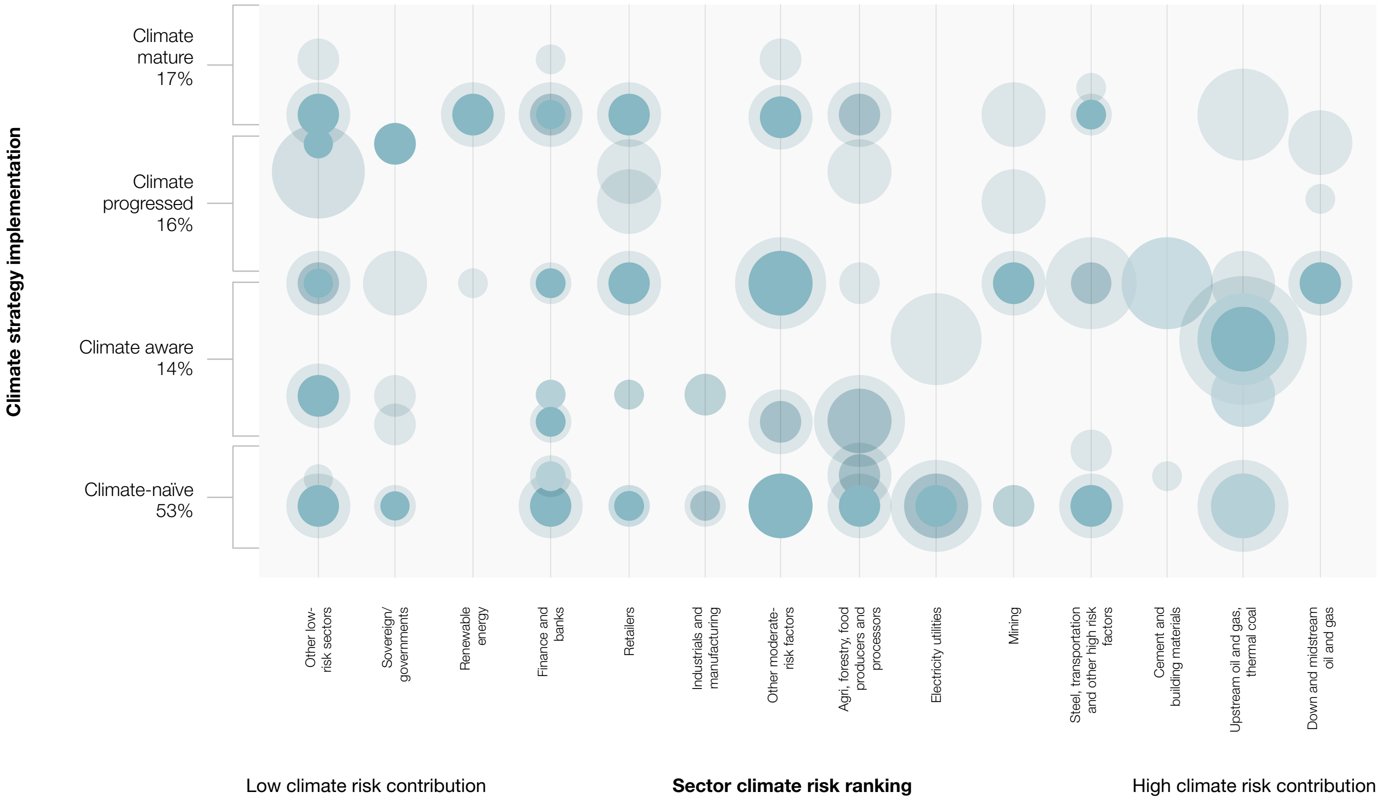
Top 300 client engagement

RMB's engagement with its top 300 clients revealed a lower level of climate risk awareness. This was observed across both high-emitting (i.e. fossil fuels and electricity utilities) and lower-risk sectors when compared to the top 100 clients.

- The lack of climate risk awareness in the lower-risk sectors is expected, given that the more immediate impacts of climate change are more evident for higher-risk sectors.
- The lower rate of awareness in the higher-risk sectors (specifically fossil fuels and electricity utilities) primarily reflects expanded engagement efforts within the broader Africa portfolio, where climate awareness is less advanced than in South Africa.

This analysis highlights the importance of RMB's role in engaging clients operating in higher-risk industries across broader Africa, supporting them in managing climate risk through improved reporting and setting ambitious science-based targets for emissions reduction.

Top 300 client engagements



Bubble size = financed emissions (standardised on a four-point scale).

Graph insights:

- Clients that track as high-risk and climate-naïve compromise three clients in the upstream oil and gas portfolio. However, these clients contribute only 2% of the overall RMB financed emissions. The oil, gas and thermal coal portfolio exposures are well within policy funding limits.
- The largest contributors to the climate-naïve classification are clients in broader Africa. These countries are still maturing in their approaches.
- The 151 clients identified as climate-naïve contribute only 20% of RMB's overall financed emissions, with the bulk in low-carbon-intensive sectors, e.g. real estate and financial services. The top ten highest-emitting clients within the climate-naïve category are concentrated in the regulated electricity and gas utilities with generation sectors (three) and the protein-producing and agriculture (four) sectors, and one each in the manufacturing, oil and gas, and real estate sectors.
- Mining companies show heightened climate awareness and progression due to regulation and stakeholder pressure on the sector.
- The cement industry is generally climate progressed, driven by science-based commitments across the largest counterparties within the cement sector.

Capacity building

RMB continues to build out capacity and expertise to execute on its climate lending strategy. Key initiatives undertaken during 2023 include:

- The rollout of a detailed environmental, social and governance (ESG) training programme across RMB (with a key focus on climate change). The training programme rollout was completed in the third quarter of 2023 across three levels:
  - Basic training for a broad audience.
  - Intermediate training for a more focused group of client-facing credit and risk teams, elaborating on key risks and opportunities to consider during the credit process (including physical climate and transition risk).
  - Advanced training for individuals who require a deep knowledge on sector-specific risks and opportunities.
- RMB participated in key sustainable finance industry bodies, events and working groups, including the Banking Association of SA positive impact project, the National Treasury sustainable finance technical working group and the African regional climate lab advisory board. RMB contributed to the drafting of the JSE Debt Listings Requirements for the Sustainability Segment.

FNB commercial

FNB has a dedicated sustainability team that is focused on providing a suite of competitive products for commercial customers, including:

- sustainable finance solutions for eligible activities across multiple sectors, enabled by enhanced credit appetite and pricing; and
- advisory services, which include an ecosystem of suppliers, to assist customers in transitioning to a lower-carbon economy.

FNB commercial green finance solutions

	Commercial
Financial solutions	Innovative sustainable finance solutions
	Asset-based sustainable finance solutions
Advisory/stakeholder engagement	Partnering with clients to understand their approach to climate change, water security and sustainability

The energy crisis in South Africa and the improving affordability of solar technology have resulted in growing demand from commercial customers for alternative energy. This has been further boosted through government incentives such as the energy bounce-back loan guarantee scheme and the renewable energy tax allowance (section 12B of the Income Tax Act), which grants businesses a 125% tax allowance in year one.

Given this context, the origination strategy for FNB commercial has focused on solar energy installations, predominantly funded through asset finance with a tenure that matches the underlying renewable energy asset. Since 2019, FNB has funded 76 MWp of solar energy solutions to assist SMEs, agricultural businesses and larger manufacturers.

While the focus has been on funding solar installations to reduce the impact of loadshedding, FNB also supports its customers with financing solutions for:

Green buildings	**Electric vehicles**
Climate adaptation in the agriculture sector, e.g. shade netting and drip irrigation	**Energy-efficient infrastructure**

During the year, FNB engaged with its top 150 high-transition-risk commercial customers on climate awareness and their transition strategies. The programme covered sectors such as automotive suppliers, chemicals, transportation and logistics, steel and manufacturing. The aim of the engagement was to understand how FNB can assist customers in responding to their main climate risks and opportunities. Key insights from this engagement include:

- Most customers indicated that they are affected by supply chain pressures around sustainability practices, such as emissions reduction, and water and energy efficiency. Early insights indicate this pressure is mainly felt by customers:
  - supplying into the local automotive sector;
  - supplying into the listed retail supply chain;
  - supplying to companies that have made significant net-zero commitments; and
  - exporting into the EU, which has various regulations such as the EU green taxonomy, the Corporate Sustainability Reporting Directive, and the gradual phase-in of a carbon border tax on embedded GHG emissions of carbon-intensive products imported into the EU.
  - Customers are also facing increased environmental pressures, such as
    - Energy availability and energy efficiency
    - Emissions reduction
    - Water management
    - Waste management
- Other feedback indicates that most customers:
  - are using renewable energy in their business activities;
  - have not yet instituted water management practices or calculated their carbon footprint; and
  - do not currently have policies or plans in place to address the impact of transition risk.

During the year, FNB commercial originated R662 million of new advances that address climate mitigation and adaptation (green and olive asset classification per the group climate balance sheet framework). The table below unpacks various metrics related to FNB commercial's sustainable finance portfolio.

	Year ended 30 June		
Metric	**2023**	2022	2021
Rand value of sustainable finance payouts*	**R662 million**	R352 million	R335 million
Number of sustainable finance loans provided	**622**	165	69
Rand value of renewable energy payouts**	**R662 million**	R188 million	R164 million
Number of renewable energy loans provided	**622**	159	65
Total installed renewable energy capacity	**41 MW**	13 MW	13 MW
Number of EDGE-certified developments funded#	**–**	1	–
Number of sustainable housing units constructed and handed over	**–**	238	–
Rand value of loans to EDGE-certified developers†	**–**	R450 million	–
Annual renewable energy generation in MWh (electricity)†	**60 003 MWh**	18 966 MWh	20 494 MWh
Annual GHG emissions reduced/avoided (tonnes of CO_2e)†	**62 403 tonnes**	20 483 tonnes	22 133 tonnes
Rand value of reduced utility costs (implied total savings for the year)†	**R84 million**	R26.6 million	R28.7 million

* *For the purpose of acquiring renewable energy and energy-efficiency infrastructure. Include funding of solar energy, electric forklifts and green buildings.*

** *Consist of funding for solar energy infrastructure.*

\# *Edge definition explained on page 29.*

† *Assumptions used:*

(1) Average cost of solar plant per kW: R16 000 per kW (internal data based on large plants financed by FNB).

(2) Average tariff paid to Eskom by commercial customers: R1.40 per kW (internal data based on actual customer utility bills).

(3) Average irradiation kWp: 1 450 kWp (internal data).

(4) Eskom emissions factor (Factor I).

FNB retail

The South African energy crisis has resulted in an increase in retail customers purchasing renewable energy solutions. Whilst this has resulted in greener energy transition momentum for customers in the higher-income market segment, affordability pressures created by inflation and higher interest rates continue to be a barrier to providing financing of these technologies to FNB's middle- and lower-income customers.

FNB retail green finance solutions

	Retail
Financial solutions	Residential mortgage solutions to facilitate energy-efficient homes
	Solar asset-based finance product
Advisory/stakeholder engagement	Development and implementation of a carbon footprint calculator on platform to assist with climate awareness

FNB offers the following residential mortgage solutions to improve household energy efficiency and security:

FNB ecoEnergy home loan

In 2020, FNB launched a green home loan to encourage customers to buy EDGE-certified homes whereby FNB leverages the benefits of EDGE certification by lowering the cost of finance. This not only benefits customers in terms of a lower interest rate (up to 50 bps), but results in a home that is resource-efficient, providing long-term utility cost savings and a higher potential resale value.

Since December 2020, R1.5 billion has been committed to green home loans (R431 million in the 2023 financial year).

FNB has historically partnered only with Balwin, the market leader in EDGE-certified housing developments in SA. During the year, FNB added two further partnerships.

Developer	EDGE-certified developments
Leogem Properties	14 units, EDGE level 2, with expected delivery in November 2023 133 units, EDGE level 1, with expected delivery in May 2024
Cosmopolitan Projects	256 units, EDGE level 1, with expected delivery November 2023

EcoEnergy home loan

During the year, FNB retail originated R638 million of EcoEnergy home loans (green asset classification per the group climate balance sheet framework). The table below unpacks various metrics related to FNB's EcoEnergy home loan portfolio.

Metric	Year ended 30 June			Cumulative
	2023	2022	2021	
Rate concession (basis points) provided to ecoEnergy home loans – EDGE-certified*	**25 bps per customer**	25 bps per customer	25 bps per customer	N/A
Rand value of ecoEnergy home loans committed in FY – EDGE-certified	**R431.3 million**	R785 million	R316 million	R1.53 billion
Of which are affordable housing**	**R39.3 million**	R66.2 million	R41.2 million	R146.8 million
Rand value of ecoEnergy home loans advanced (payout) in FY – EDGE-certified	**R638.1 million**	R432.6 million	R59.1 million	R1.13 billion
Of which are affordable housing	**R64.8 million**	R40.7 million	R7.0 million	R112.5 million
Number of ecoEnergy home loans provided in FY – EDGE-certified	**530**	407	51	988
Of which to females#	**242**	184	16	442
Number of ecoEnergy home loans provided according to location – EDGE-certified	**Gauteng: 263 KwaZulu-Natal: 55 Western Cape: 212**	Gauteng: 232 KwaZulu-Natal: 23 Western Cape: 152	Gauteng: 24 KwaZulu-Natal: 6 Western Cape: 21	Gauteng: 519 KwaZulu-Natal: 84 Western Cape: 385

* *The rate concession is dependent on the EDGE level of the development (level 1 = 25 bps, level 2 = 35 bps and level 3 = 50 bps). To date only level 1 developments have been constructed.*

** *Low-income households or affordable housing is defined as households earning less than R29 600 gross monthly.*

An account is recorded as being provided to a female if 1. The primary applicant is female (the higher income earner is female) 2. Where it is a single applicant deal and the applicant is female.

EDGE certification

EDGE certification is an innovation of the International Finance Corporation, a member of the World Bank Group. EDGE is a green building certification system and aims to help developers reduce their buildings' energy and water consumption as well as embodied energy in materials by 20%, while lowering greenhouse gas emissions. There are three EDGE-certified levels:

- Level 1 (EDGE certified): 20% or more savings in energy, water and embodied energy in materials.
- Level 2 (EDGE advanced): EDGE-certified with 40% or more on-site energy savings.
- Level 3 (zero carbon): EDGE advanced with 100% renewables on-site or off-site, or purchased carbon offsets to top off at 100%. All energy must be accounted for, including diesel and liquefied petroleum gas.

FNB solar energy loan

In December 2022, FNB launched a solar energy loan for retail customers. The loan can be added to a new or existing home loan to finance a solar energy system.

Features that differentiate this solution:

- FNB assists with the end-to-end process by vetting the supplier and making the payments directly to the supplier, ensuring the customer is not out of pocket unless they purchase a solution exceeding the loan amount approved.
- FNB increases the valuation of the property to cater for the future installation of the solar system.

WesBank solar energy loan

In June 2023, a pilot for a standalone solar finance product (asset-based finance) was launched on the WesBank platform.

Customer education: nav» Earth

In August 2023, FNB launched nav» Earth on the FNB app to drive customer climate awareness and behavioural change. The applet focuses on reducing retail customer carbon emissions through:

- a carbon coach education module that focuses on energy conservation, efficiency and renewable energy;
- a carbon calculator that translates a customer's transactional spend into GHG emissions per kilogram; and
- practical ways to reduce emissions, including an option for customers to offset their emissions by donating to a programme that plants trees on their behalf.

nav» Energy is linked to the applet so that customers can access renewable energy solutions and finance products to reduce their carbon footprint.

Employee education

FNB continues to focus on employee education. To date, more than 5 700 employees have attended educational sessions on climate change, emissions reduction and the benefits of alternative energy solutions.

Aldermore

Aldermore represents the group's activities in the UK. It has a strategy of offering simple financial products and solutions to meet the needs of underserved SMEs, as well as homeowners, professional landlords, vehicle owners and savers.

Aldermore supports the UK's transition to net zero through its commitment to decarbonise its operational and financed emissions by 2030 and 2050, respectively.

In 2023, Aldermore published an enhanced climate-related financial disclosure in line with UK government requirements. This disclosure covers Aldermore's approach to climate governance, risk management, strategy, and metrics and targets. For more information refer to https://www.investors.aldermore.co.uk/news-and-results/results-reports-presentations.

Financed emissions

Aligned with the group's approach, Aldermore has established a 2023 emission baseline and is developing decarbonisation pathways across its business lines.

Energy efficiency linked mortgage

Residential property accounts for a material portion of UK carbon emissions.

In February 2023, Aldermore launched a new range of buy-to-let mortgage products for landlords buying or re-financing more energy-efficient properties – i.e. those with a current energy efficiency rating of A, B or C per their energy performance certificate (EPC). These products provide a discounted rate compared to equivalent products for less energy-efficient properties.

	Year ended 30 June 2023 Advances (£ million)
Buy-to-let EPC-related mortgage	14

Financed emissions

As part of the group's efforts to manage climate-related risks and impacts, FirstRand has committed to assessing financed carbon emissions in its portfolio. The group uses the total absolute financed emissions metric (financed emissions) to track whether its emissions are aligned with its intended contribution to the achievement of NDCs in the jurisdictions in which it operates.

The group also uses financed emissions intensity metrics to assess whether, on average over a long-term horizon, financed emissions are trending in line with FirstRand's net-zero commitment. In addition, for certain sensitive sectors such as oil and gas, activity emissions intensity is utilised internally to monitor emissions relative to benchmarks.

The methodologies used to quantify financed emissions are continually refined to incorporate more granular data. During the 2023 financial year, as part of RMB's engagement with large corporate clients, the financed emissions approach was refined through directly sourcing client emissions as opposed to estimating them, using sectoral economic-based emissions factors.

The revised approach includes RMB's carbon accounting specialists creating key financed emissions accounting principles. The principles prioritise GHG emissions data from publicly available client information over proxy data such as Partnership for Carbon Accounting Financials (PCAF) emissions factors. Where clients' disclosed emissions are unavailable, PCAF emissions factors were used to calculate absolute financed emissions as at 30 June 2023. Refer to the group's Basel Pillar III disclosure for the year ended 30 June 2023 for an overview of the PCAF methodology applied at https://www.firstrand.co.za/media/investors/basel/firstrand-basel-pillar-3-disclosure-june-2023.pdf.

The group discloses financed emissions in tonnes of carbon dioxide equivalent (tCO_2e) for main asset classes in its portfolio. FirstRand also discloses financed emissions intensity for each portfolio in tonnes of carbon dioxide per million rand financed (tCO_2e/Rm). The table below provides a view of financed emissions (i.e. underlying scope 1 and 2 emissions of financed entities) attributable to the group's South African advances portfolio, based on the proportional amount of funding provided by the group relative to the total asset or company value. Financed emissions have been determined for core lending advances, excluding UK operations and broader Africa.

Financed emissions

	As at 30 June 2023				As at 30 June 2022			
	Advances		Financed emissions		Advances		Financed emissions	
	30 June 2023 (R million)	% of total SA core advances	Financed emissions tCO_2e	Emissions intensity (tCO_2e/ Rm)	30 June 2022 (R milion)	% of total SA core advances	Financed emissions tCO_2e	Emissions intensity (tCO_2e/Rm)
SA retail	**463 041**	**44.7%**	**6 166 214**	**13.3**	429 462	46.8%	4 628 049	10.8
Residential mortgages[1]	**259 635**	**25.1%**	**5 022 442**	**19.3**	242 757	26.5%	3 446 548	14.2
WesBank VAF[2]	**108 779**	**10.5%**	**1 143 772**	**10.5**	99 354	10.8%	1 181 501	11.9
Retail unsecured	**94 627**	**9.1%**	**–**		87 351	9.5%	–	
FNB Commercial	**116 448**	**11.2%**	**3 980 154**	**34.2**	107 823	11.7%	2 191 092	20.3
Agriculture[3]	**41 584**	**4.0%**	**2 534 823**	**61.0**	38 612	4.2%	524 065	13.6
Commercial property finance[4]	**33 016**	**3.2%**	**1 253 456**	**38.0**	30 241	3.3%	1 401 672	46.4
Other commercial exposures[5]	**41 848**	**4.0%**	**191 875**	**4.6**	38 970	4.2%	265 355	6.8
WesBank corporate[6,7]	**54 212**	**5.3%**	**565 074**	**10.4**	45 128	4.9%	390 412	8.7
SA retail and commercial	**633 701**	**61.2%**	**10 711 443**	**16.9**	582 413	63.4%	7 209 553	12.4
Corporate and investment banking[8]								
Upstream oil and gas[9]	**7 756**	**0.7%**	**247 598**	**31.9**	2 902	0.3%	220 919	76.1
Thermal coal – coal mining and thermal coal power	**4 658**	**0.4%**	**938 945**	**201.6**	7 173	0.8%	1 661 819	231.7
Coal mining[10]	**1 269**	**0.1%**	**62 329**	**49.1**	1 422	0.2%	58 506	41.2
Thermal coal power[11]	**3 389**	**0.3%**	**876 616**	**258.7**	5 751	0.6%	1 603 313	278.8
Other high- and elevated transition risk sectors[12]	**27 937**	**2.7%**	**733 613**	**26.3**	28 421	3.1%	1 459 010	51.3
Real estate investment banking[13]	**82 445**	**8.0%**	**62 802**	**0.8**	70 070	7.6%	59 140	0.8
Other corporates[14]	**279 712**	**27.0%**	**1 819 168**	**6.5**	227 280	24.8%	2 640 766	11.6
Corporate and investment banking	**402 508**	**38.8%**	**3 802 126**	**9.4**	335 846	36.6%	6 041 654	18.0
Total core lending advances (excluding UK operations and broader Africa)	**1 036 209**	**100.0%**	**14 513 568**	**14.0**	918 259	100%	13 251 207	14.4
Undrawn committed facilities – upstream oil and gas and thermal coal (coal mining and thermal coal power)[15]	**6 709**		**429 830**		2 655		37 828	

1 The increase in residential mortgages financed emissions and emissions intensity was driven by the increase in data coverage from 65% to 100%, as reported in the group's 2022 TCFD report.
2 Financed emissions have remained relatively constant year on year. This reflects stability in the number of vehicles financed. The change in emissions intensity was mainly driven by inflationary growth in the cost of vehicles.
3 The increase in agriculture financed emissions and emissions intensity is driven by the improved data quality and delineation of scope 1, 2 and 3 emissions.
4 The reduction in emissions intensity was attributable to a reduction in the Eskom emissions factor applied as well as refinements to the methodology.
5 The reduction in financed emissions and emissions intensity was driven by exchange rate fluctuations.
6 WesBank corporate includes asset-based finance (ABF) and fleet management leasing (FML).
7 The increase in financed emissions and emissions intensity was driven by the increase in exposures.
8 Includes South African and cross-border corporate, Group Treasury and high-quality liquid asset advances, but excludes advances originated in broader Africa subsidiaries.
9 New exposures to existing clients. The increase in financed emissions was driven by increased exposures and the reduction in emissions intensity was driven by refinements to data and methodology applied, as well as a change in the underlying portfolio mix.
10 The increase in coal mining financed emissions and emissions intensity was driven by refinements to the methodology.
11 The reductions in financed emissions and emissions intensity were largely driven by the improvement of data, refinements to the methodology and reduction in exposures.
12 The reduction in financed emissions and emissions intensity was largely driven by the increase in the direct sourcing of data from clients instead of estimates and refinements to the methodology.
13 The increase in real estate investment banking financed emissions was driven by increased exposures. The emissions intensity has remained flat.
14 The reduction in other corporates' financed emissions and emissions intensity was largely driven by data improvement and refinements to the methodology.
15 The increase is mainly attributable to a single counter in the thermal coal mining sector.

Portfolio insights

The refinement of RMB's financed emissions calculation methodology resulted in enhanced input data used to calculate financed emissions. The GHG emissions data sourcing hierarchy was also refined to include emissions based on client physical activity data and expanded to incorporate a greater proportion of client-reported emissions. As a result, 68% (approximately 40% in 2022) of the portfolio's financed emissions reference individually sourced GHG emissions, with 32% of financed emissions estimated using PCAF proxies. The development of this methodology is aligned with the group's commitment to improve data quality for financed emissions.

For other portfolios a detailed comparative analysis of calculated emissions is included in the group's Basel Pillar 3 disclosure for the year ended 30 June 2023. The disclosure indicates the methodology and calculation enhancements applied as well as assumptions made, and provides commentary on the financed emissions output, as well as data coverage and data quality.

Future disclosure

The group is conducting work to better understand scope 3 emissions for the upstream oil and gas and thermal coal (coal mining and thermal power) portfolio. Definition and measurement complexities have been brought about by inconsistent disclosures by the private and public sector. The methodologies applied by industry to estimate scope 3 emissions are continually evolving to account for product value chains and life cycle assessments. Indicative industry scope 3 emissions are estimated to be at more than 100 times for thermal coal and more than 10 times for upstream oil and gas compared to scope 1 and 2 emissions.

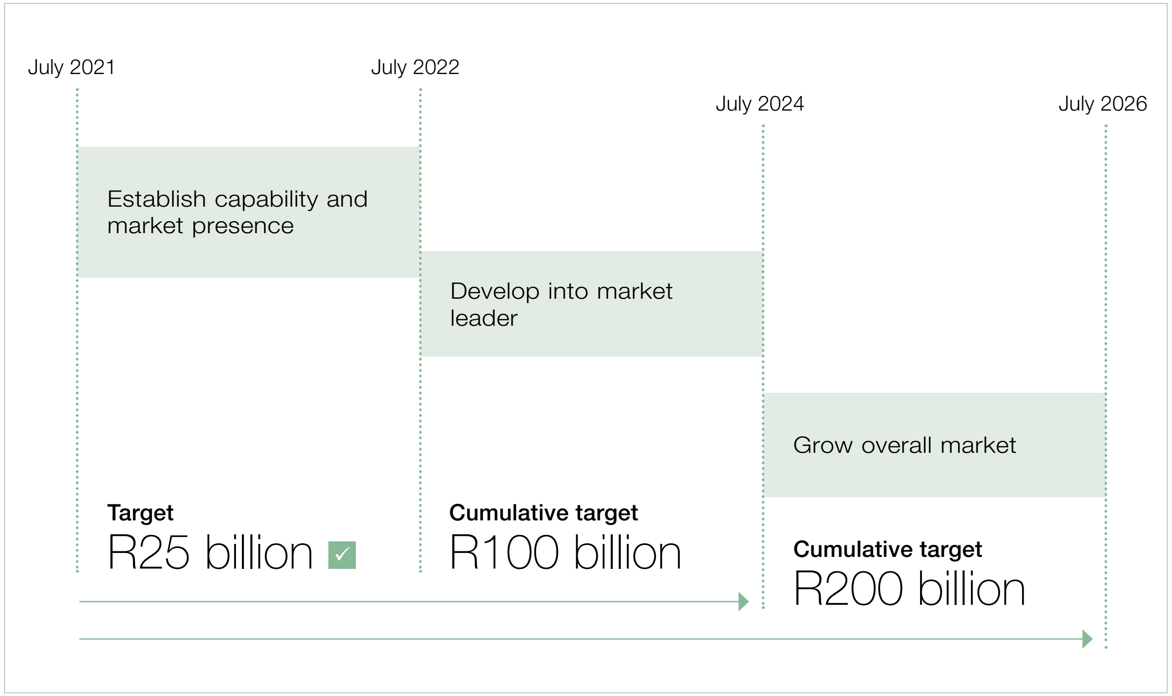
The group is also conducting work on refining underlying activity emissions intensities for the thermal coal and upstream oil and gas portfolios. Indicative industry ranges are estimated to be 0.014 – 0.022 tCO_2e/tonne run of mine coal for thermal coal and 20 – 40 tCO_2e/kilo barrels of oil for upstream oil and gas.

Going forward, scope 1 and 2 financed emissions will be disclosed for selected broader Africa and Aldermore portfolios.

sustainable and transition finance *facilitation*

Progress against group sustainable and transition finance commitment

FirstRand made a commitment to cumulatively facilitate R200 billion to address climate change and social development needs over the period 2021 to 2026. The commitment is deployed in three stages as depicted below. Facilitation to meet this commitment includes transaction underwriting and arranging, lending and advisory activities. It includes both green and social assets.



Commitment fulfilled

To date the group has facilitated R64.8 billion in sustainable and transition finance, meeting its 2022 and 2023 targets as depicted in the table below.

R billion	Cumulative	Facilitation during the year ended 30 June 2023	2022
Commitment	60.0	**35.0**	25.0
Actual	64.8	**37.6**	27.2*
RMB	62.7	**36.3**	26.4
FNB	2.1	**1.3**	0.8

* *The 2022 facilitated amount has been restated. The FNB contribution of R785 million was omitted in prior year reporting.*

The current year actual facilitated amount was delivered through:

- RMB: Performance-linked and use-of-proceeds structures with 82% of the R36.3 billion incorporating green objectives.
- FNB: Commercial sustainable finance and ecoEnergy home loans paid out in the current year contributed R1.3 billion towards meeting the commitment.

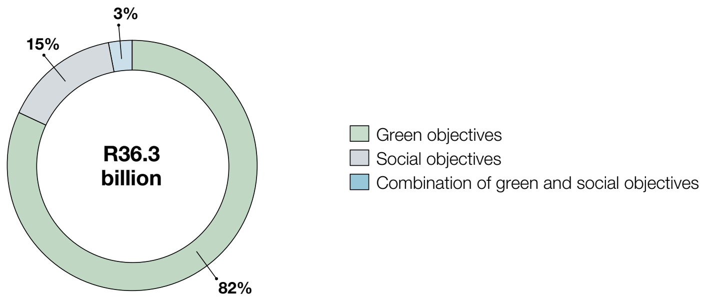
FNB facilitation

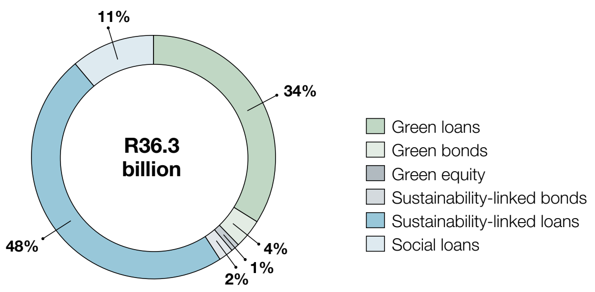
R million	Facilitation during the year ended 30 June 2023	2022
Commercial sustainable finance loans (payout)*	662	352
Retail ecoEnergy home loans (payout)	638	433
Total	**1 300**	**785**

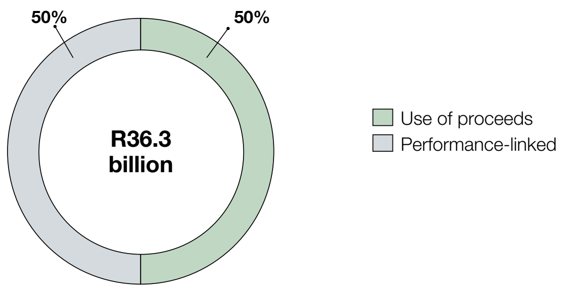
* *For the purpose of acquiring renewable energy and energy-efficiency infrastructure. Includes funding of solar energy, electric forklifts and green buildings.*

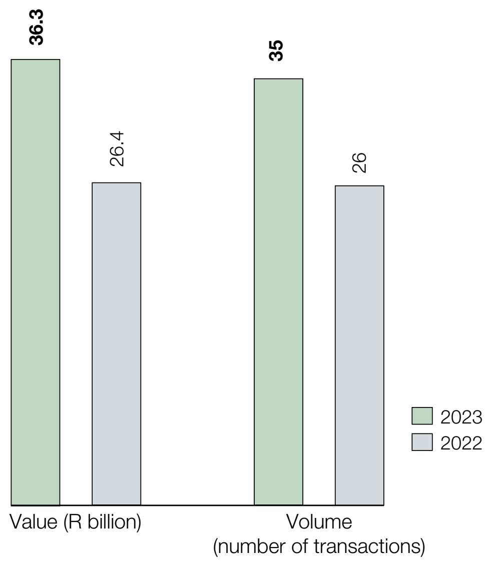
RMB facilitation

	Facilitation during the year ended 30 June			
	2023		2022	
	R billion	**% split**	R billion	% split
Climate	**29.6**	**82%**	**23.8**	**90%**
Green use of proceeds	**14.1**	**39%**	**5.4**	**20%**
Green loans	12.3	34%	5.0	19%
Green bonds	1.5	4%	0.4	2%
Green equity	0.3	1%	0	0%
Performance-linked (with decarbonisation objectives)	**15.5**	**43%**	**18.4**	**70%**
Sustainability-linked bonds	0.8	2%	3.7	14%
Sustainability-linked loans	14.7	41%	14.7	56%
Social	**5.6**	**15%**	**0.6**	**2%**
Social loans	4.1	11%	0	0%
Sustainability-linked loans	1.5	4%	0.6	2%
Integrated sustainability, social and environmental	**1.1**	**3%**	**2.0**	**8%**
Sustainability-linked loans	1.1	3%	0	0%
Sustainability bonds	–	–	2.0	8%
Total	**36.3**	**100%**	**26.4**	**100%**









Environmental impact of sustainable and transition finance deals

Impact of the facilitation of deals across a variety of sectors

Environment

Key metric	Cumulative	FY23	FY22	FY21	Cumulative real-life equivalence
Scope 1 and 2 emissions abated	3 002 $ktCO_2e$	1 775 $ktCO_2e$	1 226 $ktCO_2e$	–	**785 788** light-duty vehicles driven for one year
Renewable energy installed capacity	376 MW	180 MW	186 MW	10 MW	Sufficient electricity to supply about **34%** of Northern Cape province's peak power demand
Reduction in water consumption	19 818 Mℓ	17 872 Mℓ	1 946 Mℓ	–	Drinking water for **233 029** people in South Africa for one year
Waste recycled or diverted from landfills	71 620 tonnes	66 068 tonnes	5 552 tonnes	–	**8 772** garbage trucks (waste compactors)
Cardboard recycled	582 tonnes	–	582 tonnes	–	**9 888** trees saved
Land rehabilitation	311 ha	311 ha	–	–	Area covering the equivalent of Walter Sisulu National Botanical Garden in Johannesburg, Gauteng

Key metric	FY23	FY22	FY21	Cumulative real-life equivalence
Green buildings	19 4-star green-rated 7 5-star green-rated 2 6-star green-rated 1 green star net zero 2 level A EP-rated 9 level B EP-rated 5 level C EP-rated 6 EDGE-certified	3 EDGE-certified	–	Each of the buildings reached a minimum of **20%** improvement in energy, water and embodied energy

invest

activities

Invest activities

Climate-related investment products

There are three ESG- and climate-related exchange-traded notes (ETNs) tracking water and clean energy indices. The ETNs support shifts in market behaviour towards investment that yields both financial returns and positive societal impacts. These ETNs give investors access to a basket of global organisations that are leaders in the sustainable development fields of clean energy, water supply and security and low-carbon emissions, from a minimum investment of just R10.

The targeted assets under management (AUM) are progressing slower than hoped but broadly in line with the current market.

Ashburton asset management

Ashburton Investments (Ashburton) represents FirstRand's asset management activities. Ashburton aims to invest clients' long-term savings to deliver risk-adjusted returns in line with client mandates. In deploying its clients' capital, Ashburton considers the impact that their investee companies have on the environment and society at large, while ensuring that governance processes are in place.

Ashburton's investment approach requires an analysis of a company's business model, strategy and business sustainability, especially for long-duration assets.

During the year, Ashburton measured the scope 1 and 2 carbon emissions of its investee companies to:

- understand its portfolio emissions baseline;
- identify high-emitting companies; and
- engage the board and executives of the highest-emitting companies on their transition plans.

Assessment insights

The assessment included Ashburton's material holdings (defined as positions which are over 0.5% of assets) within Ashburton South Africa, which constitutes approximately 80% of total AUM. The scope included 73 investee companies.

By virtue of client mandates, Ashburton has some exposure to companies in the fossil fuel sector. However, the assessment showed that this exposure is only 3% of total material holdings, representing approximately 90% of scope 1 and 2 emissions of the whole portfolio. This has led to Ashburton's decision to focus its investee engagement on the top 3% of high-emitting companies.

The financed emissions methodology used was informed by PCAF, with differentiated approaches for listed equity and credit. An attribution factor was applied for scope 1 and 2 emissions:

- Attribution factor for listed equity: Market value of Ashburton's investment/enterprise value.
- Attribution factor for credit: Amount outstanding/equity + debt.

Assessment of investee companies' transition pathways

As part of Ashburton's investment process, it assesses the climate risk of high-emitting companies by independently evaluating the net-zero transition pathways outlined by investee companies.

The transition to greener business models requires certain metals and minerals. For example, copper is a key metal used in transmission grids and electric vehicles. Ashburton analysts conduct global macro demand and supply exercises on critical transition metals and minerals to independently assess whether transition pathways of investee companies are feasible, based on projects announced by major mining companies.

Shadow carbon price

Ashburton is using a shadow carbon price to internalise the cost of emissions into its discounted cash flow valuations. This includes the potential cost that may be imposed on emissions by regulators or prevailing market prices in comparable markets. This allows Ashburton to:

- evaluate companies, not only based on known financial returns, but also by pricing potential negative impacts on the environment; and
- engage management regarding future capital allocation plans and remedial actions.

The remaining challenge is that pricing of carbon emissions may not provide sufficient incentives for management teams with short-term outlooks. Therefore, it is crucial for Ashburton to engage boards and management teams to ensure that long-term factors are considered when allocating capital.

Continued engagement

Where an investee company's net-zero transition pathway is not feasible or the company is not making progress against communicated plans, Ashburton will continue to engage management to find a workable solution. Ashburton believes constructive engagement will deliver better transition outcomes than divestment.

future *focus*

Future focus

Ecosystem mobilisation

FirstRand is looking to use its platforms and networks to scale its response to climate change. Some examples are outlined below:

Commercial and retail

- Innovative grant, equity, partnership and funding structures for end-to-end green agriculture.
- Create a marketplace, on platform, in renewable products and technology that connects clients across the group's ecosystem.

Corporate

- Development of hedging instruments with a thematic focus on climate, water and energy.
- Development of carbon solutions.

2030 interim targets for financed emissions

As outlined in the FirstRand CAP section (page 19), FirstRand is in the process of developing transition pathways and 2030 interim targets for high-emissions sectors, starting with the oil and gas sector. The group has committed to disclosing its oil and gas transition pathway next year. This is in addition to the funding limits placed on thermal coal and oil and gas advances.

Nature and biodiversity

The loss of nature and biodiversity can reverse progress made through prior economic development, and exacerbate climate change and its impacts. The climate-nature nexus underscores the need for holistic approaches that integrate climate action and nature conservation into policies, planning and decision-making.

Conserving and restoring natural spaces, both on land and in the water, is essential for limiting carbon emissions and adapting to an already changing climate environment. These ecosystems – and the biodiversity they contain – are natural carbon sinks, providing nature-based solutions to climate change. About one-third of the GHG emissions reductions needed in the next decade could be achieved by improving nature's ability to absorb emissions.

FirstRand is particularly focused on the integration of climate and biodiversity considerations for sectors such as agriculture, forestry, construction and urban planning. Frontline teams across the corporate, institutional and commercial segments are developing advisory and finance solutions to address natural capital risks and opportunities (or deliver nature-positive outcomes). Examples of the structures that are being piloted include impact bonds, debt-for-nature swaps, blended finance and biodiversity credits.

The Enterprise Risk Management teams have begun incorporating nature and biodiversity risk management in their processes. For more information refer to the 2023 Basel Pillar 3 disclosures available at https://www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

appendix

FirstRand's climate roadmap

FirstRand's climate change programme

	FY2020 (Phase 1)	FY2021 (Phase 2)	FY2022 – FY2023 (Phase 3)	FY2024 – FY2025 (Phase 4)	FY2026 – FY2027 (Phase 5)
	Analysis and design	*Analysis of portfolio exposure and risk priority*	*Ongoing scenario analysis, measurement and incremental analysis of all portfolio exposure*	*Ongoing reinforcement and long-term strategy development*	*Business-as-usual monitoring and reporting, continual improvement of climate capabilities and implementation of emerging regulatory requirements and recommendations*
Governance	Establish climate change specialist committees. Integration of climate risk into existing board governance structures. Ongoing board training on relevant climate-related risks and opportunities.	Cascade climate change considerations (risk and opportunity management) into segment committees. Develop strategies for climate change adaptation and mitigation specific to segments. Define roles, responsibilities and mandates. Ongoing policy development.	Measure progress. Internal audit of climate change management processes. Ongoing board and management oversight.	External assurance of climate-related financial disclosures in the annual financial statements. Assess international developments in climate reporting. Develop capabilities to embed BCBS239 requirements for climate risk.	Extend external assurance of both operational and financed carbon emissions to key subsidiaries in broader Africa. Enhance capabilities to ensure BCBS239 embedment on climate risk.

Completed | In progress | New priorities added but not yet in progress | New priorities added and in progress

Strategy	FY2020 (Phase 1)	FY2021 (Phase 2)	FY2022 – FY2023 (Phase 3)	FY2024 – FY2025 (Phase 4)	FY2026 – FY2027 (Phase 5)
	Completed: Elevate climate change as a strategic risk and opportunity, and a long-term driver of financial and non-financial risk. Completed: Stakeholder engagement and establishment of the relevant technical partnerships, e.g. UNEP-FI* and PCAF. Completed: Benchmarking – global and local peer gap analysis, emerging green taxonomies from different regulators, climate disclosure and sustainable finance. Completed: The group's strategy includes supporting climate resilience and transition to a lower-carbon economy.	Completed: Define strategic climate objectives and risk appetite. Completed: Develop climate change policy. Completed: Assess climate risk within agriculture and commercial property portfolios. Completed: Further embed climate change considerations – incorporating externalities – into the pricing of financial resources and performance measurement. Completed: Build capacity and train risk professionals on climate change. In progress: Integrate group climate change strategy into investment and insurance activities.	Completed: Define climate metrics and targets. In progress: Align origination strategies with the group's understanding of climate change considerations. Completed: Ensure that performance measurement and remuneration promote and reward sustainable value creation. Integrate climate targets and/or goals into remuneration models. Completed: Build capacity and train risk professionals on climate change. Completed: Board-level agreement through the strategic executive committee (Stratco) that the level of climate-related disclosure is proportionate to the materiality of climate-related risks and opportunities and complies with mandatory reporting requirements. In progress: Consideration of climate-related reporting in other jurisdictions in which FirstRand operates.	In progress: Assessment of the group's climate strategy and alignment with desired climate outcomes. New priorities added but not yet in progress: Disclose high-level climate alignment pathway strategy for FirstRand and 2030 interim pathway for oil and gas.	New priorities added but not yet in progress: Commence disclosure of pathways for other high-emission sectors. Track progress for own emissions against 2030 net-zero strategy.

Completed | In progress | New priorities added but not yet in progress | New priorities added and in progress

* *The United Nations Environment Programme Finance Initiative.*

Risk management

FY2020 (Phase 1)	FY2021 (Phase 2)	FY2022 – FY2023 (Phase 3)	FY2024 – FY2025 (Phase 4)	FY2026 – FY2027 (Phase 5)
[Completed] Clarify climate terminology and incorporate climate change with other enterprise risk types. [Completed] Identify processes to determine which climate risks and opportunities could have a material financial impact on the group. [Completed] Identify climate scenarios to inform the group's assessment of climate change materiality. [Completed] Start development of transition and physical risk impact measurement methodology.	[Completed] Describe relevant short-, medium- and long-term time horizons, considering the useful life of the group's assets and infrastructure. [Completed] Define and embed the process for identifying, prioritising and managing climate-related risks. [Completed] Incorporate climate risk into the group's environmental and social risk assessment (ESRA) due diligence process, materiality assessment and credit modelling. [Completed] Risk prioritisation and heat mapping (geographical location, sector-specific vulnerability assessment).	[Completed] Continue to improve data systems to inform reporting. [Completed] Understand and prepare for future prudential or regulatory reporting requirements. [Completed] Review and improve climate assessment within the ESRA due diligence process. [Completed] Develop integrated assessment models, portfolio carbon accounting, stress testing, sector analysis and internal capital adequacy assessment processes to model the impact of the transition to a low-carbon economy on the group's lending portfolio. [In progress] Develop integrated assessment models, portfolio carbon accounting, stress testing, sector analysis and internal capital adequacy assessment processes to model the impact of the transition to a low-carbon economy on the group's investment and insurance portfolios.	[In progress] Continue to improve data systems and reporting. [In progress] Effectively embed climate considerations into relevant business processes, including risk management, monitoring and reporting. [In progress] Ongoing awareness and capacity building. [New priorities added and in progress] Continue to enhance data quality of financed emissions and obtain external assurance.	[New priorities added but not yet in progress] Digitise climate risk reporting and data consolidation processes. [New priorities added but not yet in progress] Enhance dynamic stress testing capability with internal data.

Completed | In progress | New priorities added but not yet in progress | New priorities added and in progress

	FY2020 (Phase 1)	FY2021 (Phase 2)	FY2022 – FY2023 (Phase 3)	FY2024 – FY2025 (Phase 4)	FY2026 – FY2027 (Phase 5)
Risk metrics and targets	[Completed] Publication of a thermal coal financing policy. [Completed] Set a science-based emissions reduction target for group's own operations scope (1 and 2). [Completed] Disclose group's operational carbon footprint.	[Completed] Publication of energy financing policy. [Completed] Initial assessment of carbon emissions in the group's portfolio. [Completed] Define metrics to assess the impact of (transition and physical) climate-related risks on the group's lending and other financial intermediary business activities in the short, medium and long term.	[Completed] Ongoing policy review. [Completed] Ongoing assessment of carbon emissions in the group's portfolio.	[In progress] Sectoral metrics and targets. [In progress] Set a science-based emissions reduction target for the group's financed emissions. [In progress] Consider appropriate decarbonisation targets. [New priorities added and in progress] Set science-based emissions reduction targets and associated alignment pathways for the group's financed emissions. Commence with 2030 oil and gas target. [New priorities added and in progress] Commence the embedment of climate risk metrics in credit assessment and profiling. [New priorities added but not yet in progress] Complete rollout of the climate balance sheet measurement approach to broader Africa subsidiaries and the UK operations.	[New priorities added but not yet in progress] Set appropriate 2030 interim decarbonisation targets for other hard-to-abate sectors. [New priorities added but not yet in progress] Complete embedment of climate risk metrics in credit risk assessment and profiling. [New priorities added but not yet in progress] Track and disclose conformance of new business exposures to decarbonisation targets. [New priorities added but not yet in progress] Refine baseline metrics and maintain comparative data to allow for trend analysis. Provide, where possible, forward-looking metrics. [New priorities added but not yet in progress] Refine analysis of asset location, activities, and upstream and downstream finance in high-risk areas. [New priorities added but not yet in progress] Improve reporting metrics on climate balance sheet and alignment approach for internal and external disclosure.

Completed | In progress | New priorities added but not yet in progress | New priorities added and in progress

Climate finance/innovation

FY2020 (Phase 1)	FY2021 (Phase 2)	FY2022 – FY2023 (Phase 3)	FY2024 – FY2025 (Phase 4)	FY2026 – FY2027 (Phase 5)
Raise awareness about sustainable development opportunities (including climate mitigation and adaptation). (Completed) Work with investors and funding partners to develop and support sustainable finance. (Completed)	Develop a group climate change taxonomy (including green, brown and blue asset definitions) for incorporation into ESRA and the origination process. (Completed) Develop a sustainability bond framework, with a focus on innovation for climate adaptation and mitigation. (Completed) Consumer engagement. (Completed)	Measure social and environmental impact of climate financing activities. (In progress) Identify investors with climate finance objectives and align to opportunities. (Completed) Refine assessment, approval and data management processes for climate finance. (Completed)	Define climate finance targets. (Completed) Ongoing measurement of success. (New priorities added and in progress) Ongoing stakeholder engagement. (New priorities added and in progress)	Continue shifting the balance sheet to green assets. (New priorities added but not yet in progress) Integrate nature-based and climate finance initiatives to provide holistic finance solutions. (New priorities added but not yet in progress) Expand green bond and loan markets and other innovative financing instruments, including sustainability-linked loans and green mortgages. (New priorities added but not yet in progress)

Completed | In progress | New priorities added but not yet in progress | New priorities added and in progress

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