FirstRand

CLIMATE CHANGE STRATEGIES 2024

contents

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 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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INTRODUCTION: FIRSTRAND AND CLIMATE CHANGE

Message from the group CEO

As a systemic bank and allocator of financial resources to the economy and broader society, FirstRand has a responsibility to use the resources at its disposal to provide solutions for climate resilience and a just transition. This is a key imperative given that the majority 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.

Strong foundational risk and governance frameworks have enabled the business to capitalise on the growth opportunities presented by climate change. The business is very focused on delivering innovative and appropriate client solutions. This report seeks to demonstrate the good progress the group has made.

FirstRand also recognises the need to hold itself accountable to delivering on its stated climate commitments. Climate is a standalone deliverable in senior leadership's performance scorecards, and has the same weighting as the other material growth strategies the group is pursuing. Lack of progress against the climate roadmap can result in a downward adjustment of the long-term incentive vesting outcome.

Tackling climate change within the context of a just transition aligns to FirstRand's stated purpose to execute on strategies that deliver both financial value and positive societal outcomes.

Overview

The group established climate risk management in 2020, which is now fully embedded across the business and outlined in detail in the 2024 Basel Pillar 3 disclosure, available at https://www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

This report demonstrates how the group is responding to climate change as a growth strategy encompassing a variety of commercial opportunities across its portfolio. FirstRand is therefore building appropriate enablement capabilities and integrating climate change considerations into existing business plans and processes. This will ensure the group is able to effectively participate in the financing of the green economy, including its ability to innovate and develop new technologies and markets to help society adapt to climate change. The group's house view on energy transition in South Africa and the commercial potential it represents is detailed on page 19.

South Africa and the other African markets in which the group operates remain heavily dependent on fossil fuels, requiring a transition that also protects local economies and livelihoods. As such, the group is focused on supporting those clients looking to accelerate their emissions reduction through its allocation and pricing of funding, and facilitation of financial flows.

Climate change responses have been incorporated into the group's strategy setting, capital allocation, loan origination strategies and portfolio diversification. Some high-level actions taken by the group to enable these responses include:

- FirstRand has adopted a range of climate commitments which include long-term targets for 2050, as well as short- and medium-term targets up to 2030. In the past year, more detailed sector-level commitments to 2030 have been adopted for upstream oil and gas, thermal coal and mining, and power generation. Further detail on these commitments is set out on pages 20 to 22.
- The group's financial resource management (FRM) framework formally adopted a climate balance sheet taxonomy. This ensures that the climate attributes of asset classes and products are properly understood, which in turn allows for pricing and funding strategies to support appropriate balance sheet evolution. This is a key enabler and is explained in more detail on pages 13 to 14.
- 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 2024 Basel Pillar 3 disclosure and corporate governance reports. Key committees attended by senior executives responsible for strategy execution would include:
  - the group sustainability and governance executive committee (exco) (a subcommittee of the strategic executive committee, the most senior exco in the group);
  - the group climate risk committee;
  - the newly established shared prosperity FRM committee, a subcommittee of the group FRM committee, which provides enablement for climate and social solutions;
  - the retail and commercial sustainability and governance exco (covering FNB and WesBank); and
  - RMB's sustainability exco.
- Dedicated sustainable finance teams established across the operating businesses focused on financing transition solutions.
- The management of climate change risk and execution on climate-related strategies are captured in remuneration practices.
  - Climate is a standalone item in executive scorecards under the strategy category, with the same weighting as other material growth initiatives. These scorecards are disclosed in FirstRand's remuneration report available at https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/.
  - Lack of progress on the group's climate roadmap can result in a downward adjustment of the long-term incentive vesting outcome.
- FirstRand adopted a five-year climate roadmap (including certain commitments) in 2021. Good progress continues against the roadmap, with most phase 4 activities currently under way. Last year new priorities were included, extending the roadmap's deliverables to FY26 – FY27, including the development of science-based emissions reduction targets. The full climate roadmap is published in the Appendix.

FirstRand's climate ambitions and commitments

	Ambition/commitment	Within limit/ on track	**2024**	2023	2022
Thermal coal	No financing for new coal-fired power stations	✓	**–**	–	–
	No direct project finance provided to new coal mines from 2026	✓	**–**	–	–
	2% of group advances and limited to 1.5% in 2026 and 1% in 2030	✓	**0.2%**	0.3%	0.5%
	Target a 29% reduction in absolute GHG emissions (tCO_2e) by 2030*	**N/A**	**N/A**	N/A	N/A
Upstream oil and gas	2.5% of group advances and limited to 2.25% in 2027 and 2% in 2030*	✓	**0.6%**	0.5%	0.2%
	Target a 35% reduction in GHG emissions intensity (tCO_2e/Rm) by 2030*	**N/A**	**N/A**	N/A	N/A
Power generation	Minimum threshold of 80% renewable energy mix by 2030*	**N/A**	**N/A**	N/A	N/A
Sustainable and transition finance**	R200 billion by 2026	✓	**R157.1 billion**	R64.8 billion	R27.2 billion
	R25 billion in FY2022	✓	**–**	–	R27.2 billion
	R35 billion in FY2023	✓	**–**	R37.6 billion	–
	R40 billion in FY2024 (R100 billion in FY22 – FY24)	✓	**R92.3 billion**		
	R100 billion in FY25 – FY26	N/A	**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	✓	**2.5 million**	–	–
Financed emissions[#]	Net zero by 2050	✓	**15 $MtCO_2e$**	14 $MtCO_2e$	13 $MtCO_2e$
Own emissions[†]	Net zero by 2030 for South African operations	✓	**166 907 tCO_2e**	173 268 tCO_2e	163 409 tCO_2e

✓ *Within limit or on track.*

* *New ambition added during FY24 refer to pages 20 to 22 for further details on baseline reference year and methodology.*

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

[#] *Refer to pages 35 to 37 for financed emissions context and movement. Financed emissions are expected to fluctuate annually but overall will trend downwards in the long-term.*

[†] *A 4% decrease in emissions from 2023 to 2024 driven by decrease in use of diesel generators as result of decrease in loadshedding, decrease in emissions from the use of electricity in buildings due to ongoing energy efficiency initiatives, a reduction in the Eskom grid emissions factor, and a reduction in the group's real estate management portfolio. The group has a strategy to reduce own emissions. Refer to pages 140 to 143 of the group's 2024 Basel Pillar 3 disclosure.*

FirstRand group profile

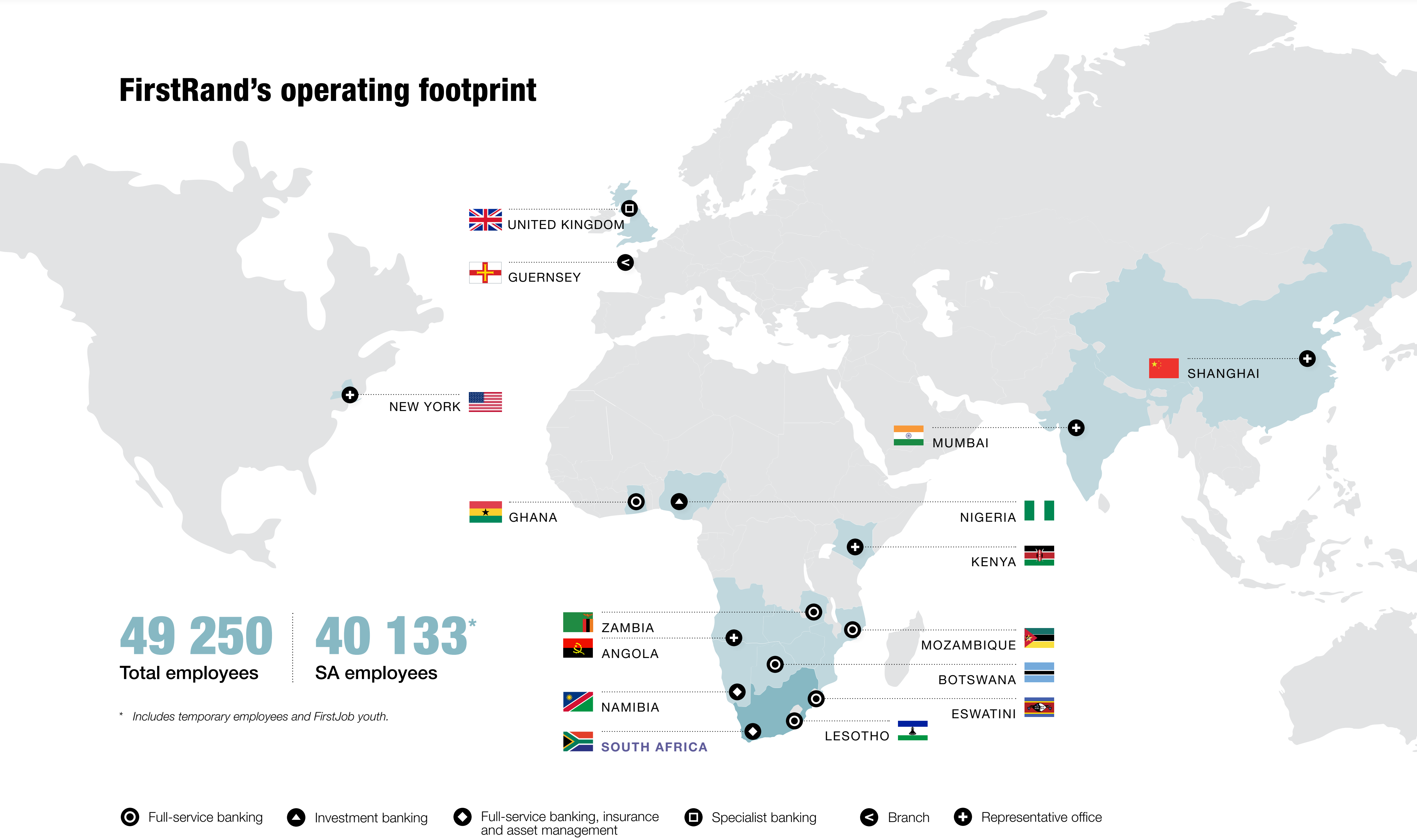
The group has a multi-brand strategy, with a number of leading customer-facing businesses in the portfolio.

FNB	Retail and commercial bank	**FNB** represents FirstRand's activities in the retail and commercial segments in South Africa and broader Africa. 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 broader Africa. 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. It 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.

For a detailed review of the operations refer to the 2024 analysis of financial results https://www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting/.

* *Aldermore publishes its own climate disclosures, which are included in its annual report at https://www.aldermore.co.uk/media/qs3pofcx/aldermore-group-annual-report-2024.pdf*

FirstRand's operating footprint



49 250 Total employees

40 133* SA employees

* *Includes temporary employees and FirstJob youth.*

Financial snapshot

FOR THE YEAR ENDED 30 JUNE 2024

Normalised total assets

R2 336.8bn
$128.3bn

Normalised net asset value

R195.7bn
$10.7bn

Normalised ROE

20.1%

Loans and advances (net of credit impairment)

R1 611.5bn
$88.4bn

Normalised earnings

R38.0bn
$2.0bn

Conversion rates

Balance sheet

$1 = R18.22

Income statement

$1 = R18.71

Operational statistics

AS AT 30 JUNE 2024

Number of active customers

FNB
12.07m

Retail (SA)
8.60m

Commercial (SA)
1.27m

Broader Africa
2.20m

FirstRand's response to climate change

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:

- **wellbeing 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 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 a reduction in financed emissions (scope 3) in a way that takes note of country-specific contexts and NDCs as committed to the United Nations.

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 2030 for own emissions (SA operations) and net-zero by 2050 for financed emissions. Given that the group operates across a number of different jurisdictions, it considers country context in framing its approach. This takes into account the following:

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

The group incorporates guidance issued by a variety of industry, national and international expert groupings when considering specific industry and jurisdictional responses.

Materiality of climate risks and opportunities

The group considers financial materiality (the impact of climate change on the performance of the group) and impact materiality (the impact of its activities and operations on climate change). This double materiality approach is consistent with the JSE Limited's sustainability and climate disclosure guidances. Climate risks and opportunities that have a material impact on broader society will 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 and environmental specialists. 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 in terms of:**	**Climate opportunities are 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; • capital adequacy and solvency outcomes in business-as-usual and stress scenarios; • access to and cost of funding; • new business origination and client retention; and • regulatory sanction.	• balance sheet and income growth; • new business origination and client 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 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.

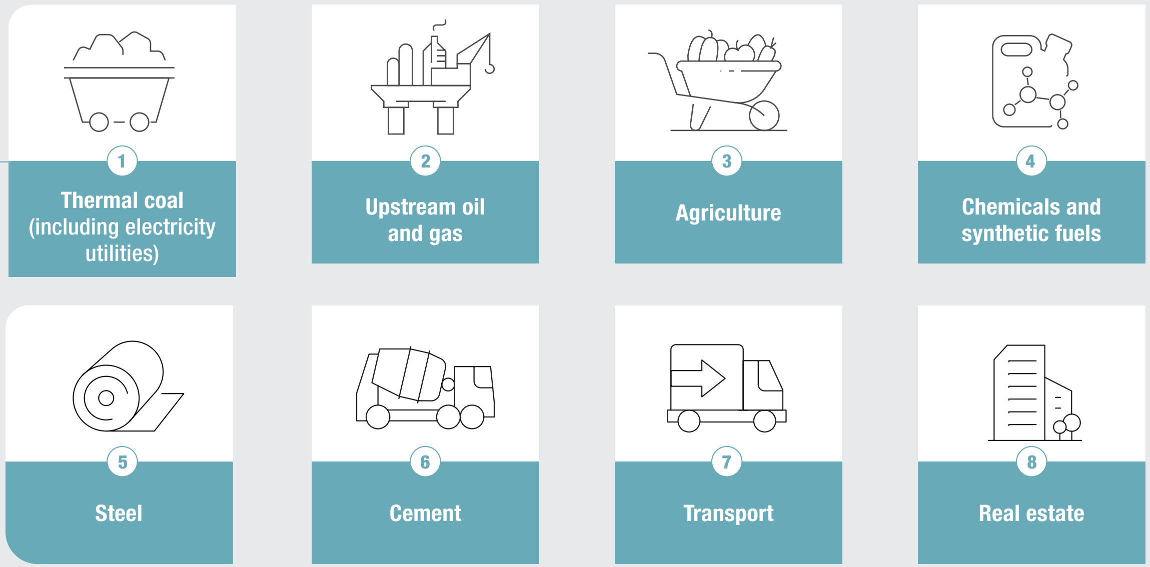
Dual focus

FirstRand is developing solutions to assist clients mitigate climate change through lowering their greenhouse gas (GHG) emissions (transition) and adapt to climate change by improving their climate resilience.

Whilst South Africa's energy supply has become more stable, the country requires additional energy sources to ensure greater access to a safe and reliable energy supply, as well as an energy mix transition away from fossil fuels. Due to the improved economics of renewable energy and the speed at which renewable energy infrastructure can be installed, South Africa's energy mix is increasingly shifting towards renewables and a transition to a lower-carbon economy.

Key sectors

The group's climate risk management focus is on eight key sectors which are carbon intensive and/or hard to abate. There is heightened engagement with clients in these sectors to understand their specific transition objectives and approaches. Enhanced analysis is performed where credit is extended into these sectors. Where possible, specific climate performance goals are included in financing agreements. In addition, where the aggregate sector is material in terms of overall portfolio size and number of underlying clients, sector-specific transition targets are established, as was formally done in 2024 for upstream oil and gas and thermal coal mining and power. The prioritised carbon-intensive sectors identified 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 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 response to climate change *continued*

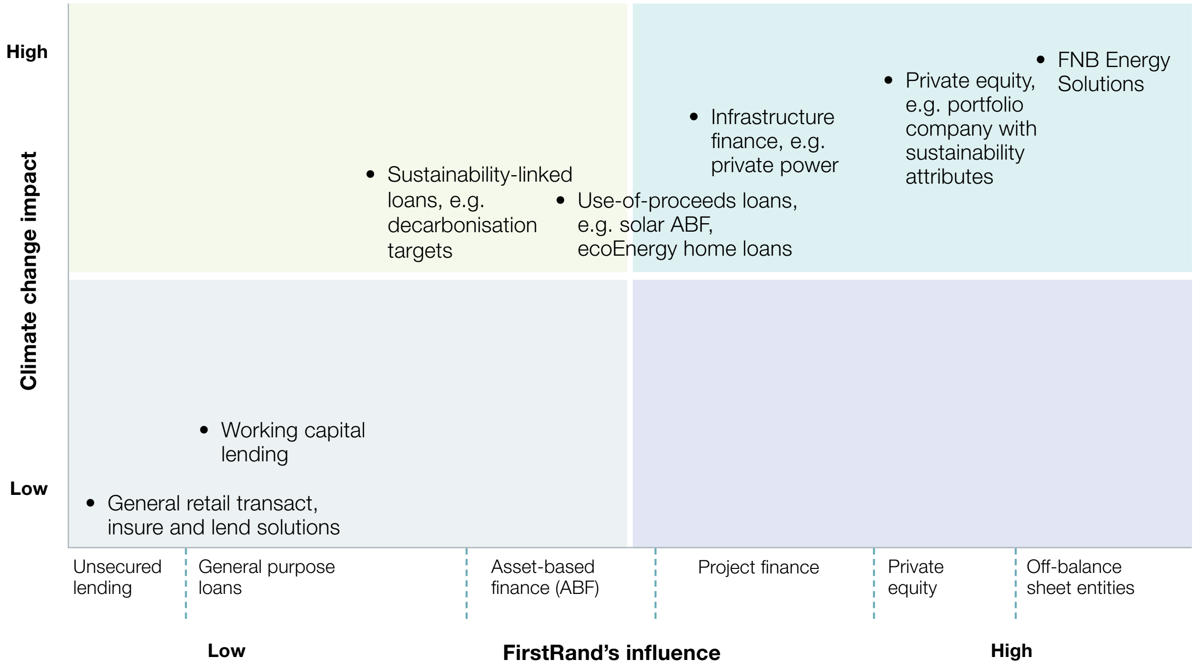
Spectrum of influence

As a systemic financial institution offering a universal set of transactional, lending, investment and insurance products and services, FirstRand can play a meaningful role in the energy transition. However, financial institutions cannot be fully effective without broader institutional support and enabling laws and regulations.

Whilst South Africa's Climate Change Bill was recently signed into law by President Cyril Ramaphosa and marks a significant step towards addressing climate change in the country, it is anticipated that there will be implementation challenges including the lack of targets and penalties for non-compliance. FirstRand also cannot control macro externalities, including national/institutional priorities (e.g. Eskom grid replacement or the decommissioning schedule of coal power stations).

FirstRand has varying degrees of influence based on its client proximity, its relationships and its products and services. For instance, RMB Ventures (private equity) can directly influence the sectors and strategies of investments as owner and board member. In the corporate and institutional business, RMB can directly engage with clients and potentially unlock project finance transactions. However, on the retail side, direct engagement with FNB's 8.6 million customers is challenging, limiting interactions to general awareness raising.

FirstRand's spectrum of climate change influence



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, ensuring that all business cases are aligned to the group's commitment to economic profit growth and superior returns.

One of the core aims of the Paris Agreement is to align financial flows with pathways to lower emissions and, ultimately, climate-resilient economic and social 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 includes principles and practices that enable Group Treasury to support business in executing transactions for clients' climate mitigation and adaptation efforts.

The group's FRM framework incorporates the following enablers:

Sustainability bond and loan issuances as part of the overall funding strategy

In December 2021, the group published its first 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 are available on FirstRand's website at: https://www.firstrand.co.za/investors/debt-investor-centre/sustainable-finance/.

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. The framework also identifies social activities such as supporting SMEs, women-owned businesses and social infrastructure development.

Issuance under bond framework during the year

During the year, FirstRand Bank South Africa issued two green bonds, in October 2023 (R3.5 billion) and March 2024 (R3.3 billion). The proceeds will be allocated to green buildings and renewable energy financing across the retail, commercial and corporate segments.

Green bond characteristics:

Instrument status	Listed on the Sustainability Segment of the JSE's interest rate market
Uptake	Both issuances were well supported by investors, with over R12 billion in bids. Both were priced within guidance, which already allowed for a green benefit.
Use of proceeds	Facilitate origination of new assets: – 50% of funding will be allocated to existing green assets. – 50% 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. This will be supported by a limited assurance report on the allocation, provided by external auditors on an annual basis (until full allocation). The first allocation report for the above bonds was published on 11 October 2024, available at https://www.firstrand.co.za/investors/debt-investor-centre/sustainable-finance/.

FirstRand sustainable finance framework

Post year-end (October 2024), the sustainability bond framework was updated to a sustainable finance framework (SFF), which broadens the remit of the framework. The SFF will be used to issue thematic instruments such as green, social and/or sustainability financial instruments (primarily bonds, loans and derivatives). The framework has been independently reviewed by S&P Global and is aligned to:

- ICMA;
- the Loan Market Association;
- the Loan Syndications and Trading Association; and
- the Asia Pacific Loan Market Association.

The framework and second-party opinion are available on FirstRand's website at https://www.firstrand.co.za/investors/debt-investor-centre/sustainable-finance/.

How FRM enables the group's climate change response *continued*

Transmitting the price of financial resources, taking account of positive outcomes and negative externalities

Changing investor expectations and needs are significantly influencing asset allocation and the types of assets that can attract financing. This evolving demand exerts an important price tension.

Therefore, the group must be able to categorise activities and associated demand for capital based on externalities (such as the impact on the environment and society at large) to ensure appropriate allocation that balances commercial sustainability while addressing customer needs.

FirstRand considers externalities when pricing resources, and provides differentiated funding rates to transactions that meet pre-defined impact thresholds, for example:

Positive impacts (pricing benefit):

- **Environmental**
  - generating renewable energy for private or public use;
  - contributing to improved energy or water efficiency relative to baselines and recognised certifications;
  - contributing to a reduction in GHG emissions; and
  - utilising hybrid or green vehicles that result in reductions in fuel usage.
- **Social**
  - contributing towards
    - improving financial inclusion;
    - programmes, projects or financing that enable access to education;
    - job creation and poverty alleviation; and
    - overall economic development.

Negative impacts (pricing penalty)

The group has developed a framework to price the carbon intensity embedded in financed emissions. The following considerations were used to develop the group's framework to price carbon intensity in its portfolio:

- **Carbon-intensive assets warrant an increased liquidity premium** because they have less secondary market value, marketability and value in structuring, such as:
  - Limits on availability of financial resources to fund carbon-intensive companies and industries through funding caps, e.g. FirstRand energy and fossil fuels financing policy.
  - Carbon-intensive industries are faced with business model challenges and increased cost of capital.
- **Financed emissions is a new attribute the group needs to price for** to support FirstRand's 2050 net-zero commitment. Pricing for financed emissions considers science-based targets and NDCs.
- **The group considers and supports clients' mitigation efforts**, such as counterparty transition strategies, ring-fenced use-of-proceeds activities and carbon offset structuring.

Asset categorisation

The group has an internal taxonomy to guide business on the origination of climate and social assets. It aligns with the FirstRand sustainable finance framework, the FirstRand climate balance sheet framework, development finance institution (DFI) agreements and relevant local legislation. This taxonomy enables:

- standardised eligibility criteria for activities across the group;
- standardised asset tagging (i.e. use of proceeds or loan purpose) to build a credible asset register and pipeline of climate and social assets;
- pricing of externalities for appropriate financial resource allocation; and
- consistent reporting metrics.

Partnering with development finance institutions where appropriate

- The group has a strategy to build partnerships with DFIs to tackle social development at scale.
- During 2024, FirstRand Bank raised $650 million of new developmental funding to be allocated to climate transition and financial inclusion strategies.

Enablement through platforms and structures

FirstRand has created a new holding company, FirstRand Social Impact Holdings (Pty) Ltd, with the objective to facilitate climate and social projects and unlock funding for the group, both on-and off-balance sheet. The newly launched FNB Energy Solutions is an example of an innovative structure designed by the group to assist clients in adapting to climate change. Refer to page 29 for further details.

CLIMATE LENDING STRATEGY

Climate lending strategy

For the past four years the group has deliberately responded to climate change through the tactical deployment of its balance sheet to achieve positive climate outcomes for its clients.

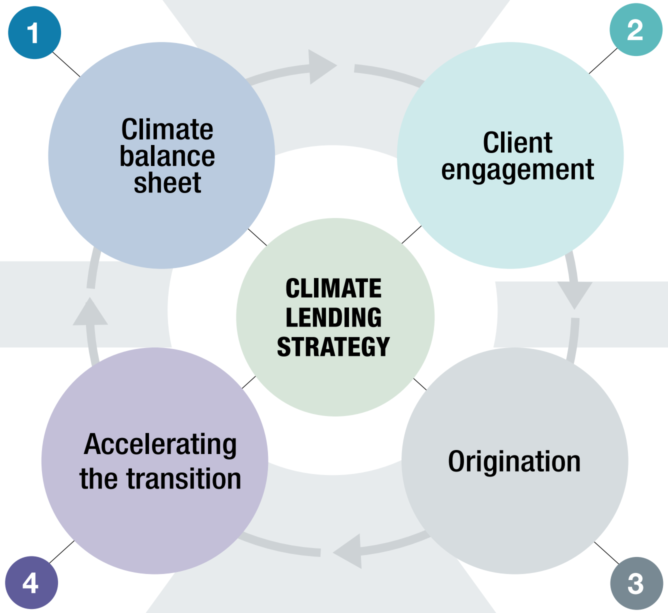
The group has built a climate view of its balance sheet with origination strategies and client engagement programmes anchored to reshaping that balance sheet over time. This is captured in the diagram opposite.

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.

Framework that categorises lending exposures (advances) based on carbon intensity. The group is using this balance sheet view to understand its baseline and accelerate real-world decarbonisation through funding solutions to reduce clients' emissions profiles.

The group's operating businesses are engaging with clients to understand their levels of climate awareness and strategy implementation (including transition pathways). Through this engagement the group gains a better understanding of clients' climate challenges and needs.



Over time FirstRand's balance sheet will realign to be consistent with its 2050 net-zero pathway, with the group supporting clients' climate resilience.

The client insights gained through engagement inform targeted product sets and offerings that address both climate risks and opportunities.

Climate balance sheet

The climate balance sheet separates 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. For example:

- A company producing solar panels would be classified as a green client.
- A loan used by a client to install renewable energy is classified as a green loan (use-of-proceeds loan).

FirstRand's South African lending book has an emissions intensity of 13.4 tonnes of carbon dioxide equivalent per R1 million advanced (tCO_2e/Rm) compared to 14 tCO_2e/Rm in 2023. The diagram below depicts the climate balance sheet categories.

CLIMATE BALANCE SHEET

Green	Olive	Grey	Brown
Green assets and clients aligned with international definitions	**Accelerated transition**	**Natural growth – with emissions intensity reducing in line with country NDCs**	**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 to FirstRand's sustainable finance 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** relate to lending anchored to deliberate and accelerated emissions reductions 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 and 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 2024. This provides a reference to steer portfolio decarbonisation. The group believes the categories will show different growth trajectories between 2024 and 2050.

South Africa represents 69% (2023: 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	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	4%	2%	**8%**	7%	**84%**	84%	**4%**	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	

There is a steady shift from brown classifications to green and olive from the prior year. This was driven by increased origination of green use-of-proceeds transactions and sustainability-linked (i.e. performance-linked) transactions with decarbonisation objectives, further supported by methodology refinements and data quality improvements. This annual trend aligns with the group's house view on South Africa's energy transition and its commercial opportunities, as detailed on page 19.

The opportunity for the group to accelerate transition lies in higher levels of new origination in the olive and green categories. The current percentage of brown assets remains in line with expectations 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 key to the overall transition to a low carbon economy, however the structurally lower margins generated by these assets mean that it is not always commercially appropriate to finance them on the bank's balance sheet. The most significant 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, as decarbonisation will take place over time.

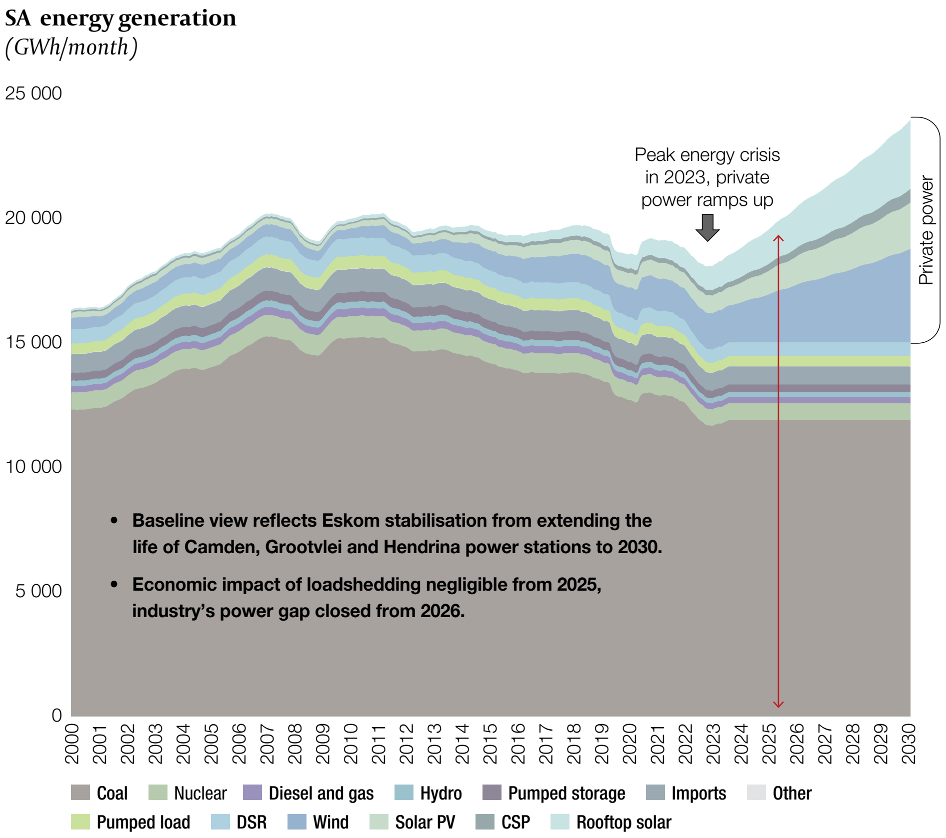
The climate balance sheet is supported by dedicated business strategies as described on pages 23 to 34. Business is developing and launching products to enable customers to better understand their climate impact, reduce their emissions profiles, and enhance both their energy and water security.

FirstRand continues to refine the internal classification, governance, tracking and tagging of assets. During the year, this included a more granular sub-segmentation of grey and brown assets based on their climate change mitigation and adaptation characteristics.

FirstRand's house view on energy transition in South Africa

The ongoing liberalisation of the energy sector continues to provide growth opportunities and reduce risks for existing portfolios, e.g. grey assets that will passively transition with the grid. Investment in renewable private power is expected to increase and play an important role in grid stabilisation and emissions reduction.

Energy supply outlook chart



This chart shows FirstRand's baseline projections for South Africa's expected monthly energy production and supply mix relative to historical trends. These projections show energy supply stabilising from 2024 due to a combination of improved Eskom fleet performance and increased private sector investment into renewable energy. An increasingly stable energy supply is expected to incrementally insulate the country's key industries from energy shortages.

This outlook shows renewable energy rising to 40% of total production by 2030, which should support a meaningful reduction in the carbon intensity of the country's energy supply. While the rise in renewable energy supply is expected to lower carbon emissions, it is still unlikely to be sufficient for the country to meet its NDCs under the Paris Agreement, unless considerable additional efforts are made to transition the country's energy mix towards renewables.

* *each year represents 12 months of data*

Accelerating the transition – interim decarbonisation targets

Over and above the previously disclosed excluded activities and portfolio limits, the group has established additional interim decarbonisation targets for the upstream oil and gas, thermal coal and power generation portfolios. This is in line with its climate roadmap.

These sectors were prioritised due to their exposure materiality, share of the group's financed emissions and their potential to positively impact the broader shift to a low-carbon economy as they transition.

These interim decarbonisation targets include further reducing funding limits, intensity targets, absolute emission reduction targets and client selection criteria. These criteria require emission reduction and reporting commitments from clients.

Approach to determining interim decarbonisation targets for upstream oil and gas, thermal coal and power generation portfolios

Emissions scope

The interim decarbonisation targets for the thermal coal value chain (thermal coal mining and coal-fired power generation) and upstream oil and gas focus on clients' scope 1 and 2 GHG emissions. The objective of this approach is to capture the direct and indirect GHG emissions within the control of clients.

Scope 3, category 11 GHG emissions from the sold fossil fuel products are excluded from the targets because:

- The end use of the product cannot be considered within the control of the company supplying the primary fossil fuel product.
- The associated emissions are included in the end user's scope 1 GHG emissions, thus avoiding double counting of emissions.

The following explanation uses the thermal coal mining value chain to illustrate why only scope 1 and 2 GHG emissions were included when setting decarbonisation targets:

- **Scope 1** is direct GHG emissions from owned or controlled sources and include GHG emissions from the fuel used in equipment and vehicles, and fugitive emissions associated with mining activities.
- **Scope 2** includes GHG emissions associated with purchased electricity used during thermal coal mining activities.
- **Scope 3,** category 11 includes GHG emissions associated with the end use (combustion) of thermal coal by a power plant, which are included in the respective power plant's scope 1 GHG emissions.

This demonstrates that including scope 3 category 11 GHG emissions in decarbonisation targets would result in double counting when calculating the group's financed emissions baseline for the coal value chain.

Approach to selecting baseline years

The Net-Zero Banking Alliance guidelines for climate target setting for banks recommend that the target base year shall be no more than two full reporting years prior to the setting of the target.

The baseline years for the group's three targets reference both June 2022 and June 2023.

Target summary

Below is a summary of the decarbonisation targets and limits applicable across the group, with the 2024 additions highlighted.

FirstRand decarbonisation targets and limits

Sector	2024 portfolio limit	2026/27 portfolio limit	2030 portfolio limit	2030 GHG emissions target
Upstream oil and gas	2.50% of group advances	2.25% of group advances in 2027	2.00% of group advances	• 35% reduction in GHG emissions intensity, off a 2023 baseline • Pathway: International Energy Association Announced Pledges Scenario
Thermal coal (mining and power generation)	2.00% of group advances	1.50% of group advances in 2026	1.00% of group advances	• 29% reduction in absolute GHG emissions, off a 2022 baseline • Pathway: International Energy Association Announced Pledges Scenario
Power generation	No exposure limit	n/a	n/a	• A minimum of 80% renewable energy mix off a 2023 baseline • Pathway: Science Based Targets initiative (SBTi) well below the 2°C pathway

new target or limit introduced in 2024

Upstream oil and gas

Reducing portfolio limits

The current limit for upstream oil and gas is 2.5% of group advances. This limit has been revised as follows:

- reduction to 2.25% group advances by 2027; and
- limit of 2% by 2030.

Intensity target

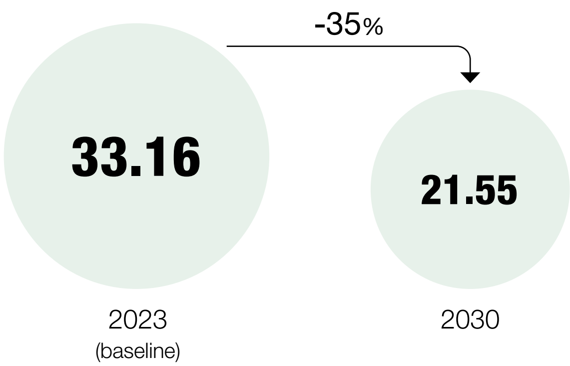
A portfolio intensity target has been established for upstream oil and gas, aiming to reduce the emissions intensity of the portfolio over time. This target is a 35% reduction in GHG emissions intensity by 2030, as measured in terms of tCO_2e/Rm referencing the International Energy Association (IEA) Announced Pledges Scenario (APS).

The IEA APS examines what would happen if all national energy and climate targets made by governments, including net-zero goals, are met in full and on time. The IEA APS implies an average temperature increase of 1.7°C by 2100. The reference pathway was selected based on several factors applicable to the jurisdictions where the group provides funding, including energy poverty, just transition and materiality of emissions. The intensity target will apply to loans to all clients primarily operating in the upstream oil and gas sector.

The 2030 portfolio intensity was calibrated using the 2023 financial year as a reference, where total emissions intensity on drawn exposures was 31.9 tCO_2e/Rm. Assuming full utilisation of all undrawn facilities and pipeline at the time, a reference emission intensity of 33.16 tCO2e/Rm was established. The IEA APS scenario was used to estimate the required improvement to 2030, resulting in a target set at 21.55 tCO_2e/Rm.

The diagram below outlines the GHG intensity-based target relative to the baseline at June 2023. The decline in portfolio intensity over time is unlikely to be linear, as some fluctuation will occur due to nominal growth in the portfolio during this period. However the combination of a reducing portfolio limit and improved underlying emissions (with lower emissions intensity) will ultimately lead to the targeted reduction in absolute emissions.

Financed emissions intensity – tCO_2e/Rm



In addition, the group has introduced selection criteria for upstream oil and gas clients which require appropriate mitigation and adaptation responses within reasonable timelines. This ensures that where FirstRand has appetite, it is with partners committed to improving emissions on those exposures:

Short-term – by 2027	Medium term – by 2030
• Establish a baseline for scope 1 and 2 emissions • Obtain external assurance for scope 1 and 2 emissions • Estimate a baseline for scope 3 emissions (categories 10/11) • Disclosure of decarbonisation strategies • Consideration of the Oil and Gas Decarbonisation Charter (if clients do not sign up, RMB will need to understand and assess the reasons) • Disclose plans to reduce routine flaring and methane emissions with clear timelines by which it intends to reduce these to near zero.	• Publish a decarbonisation plan for net-zero scope 1 and 2 emissions by 2050 • Measure and report on scope 3 emissions, focusing on categories 10 and/or 11 • Meet targets for methane emissions and routine flaring as per the Oil and Gas Decarbonisation Charter. **Oil and Gas Decarbonisation Charter requirements:** • Achieve net zero scope 1 and 2 emissions by 2050 • Eliminate routine flaring by 2030 • Minimise methane emissions to near zero by 2030.

Thermal coal

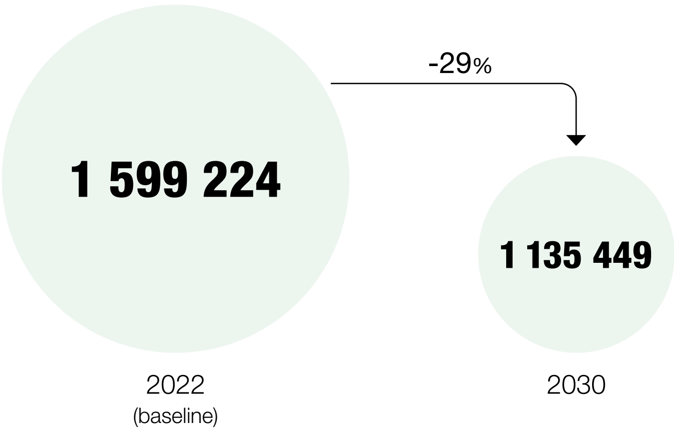
The group has introduced a targeted 29% reduction in absolute GHG emissions by 2030, off a 2022 baseline, referencing the IEA APS. The IEA APS examines what would happen if all national energy and climate targets made by governments, including net-zero goals, are met in full and on time. The IEA APS implies an average temperature increase of 1.7°C by 2100. The reference pathway was selected based on several factors applicable to the jurisdictions where the group advances funding, including energy poverty, just transition and materiality of emissions.

Financed emissions will fluctuate depending on point in time nominal exposure and emissions intensity but will trend down to the 2030 target.

The 2022 baseline used is 1 599 224 tCO_2e, which is slightly lower than the 1 661 819 tCO_2e disclosed in the group's 2022 Pillar 3 disclosure which reflects recent enhancements to methodologies and data capturing.

The actual exposure to thermal coal lending for 2024 is materially lower than the current limit of 1.5% of the lending portfolio, due to the repayment of a large working capital facility. However whilst some fluctuations point in time will occur the limit will not be breached as working capital facilities are ulilised.

Thermal coal portfolio financed emissions tCO_2e



Power generation

The group has also introduced a minimum threshold of 80% renewable energy mix by 2030, off a 2023 baseline of 72%. This encompasses the full value chain of power generation, including both renewable and fossil fuel (oil, gas, and thermal coal) energy sources. It reflects the commitment to progressively adjust the overall portfolio towards a greater share of renewable energy.

This minimum threshold references the Science Based Targets initiative (SBTi) well below the 2°C pathway, which provides minimum decarbonisation targets that are compatible with maintaining global warming well below 2°C. The reference pathway was selected based on several factors applicable to the jurisdictions where the group provides funding, including energy poverty, just transition and materiality of emissions.

Acknowledging the risks involved in exceeding 1.5°C global warming and the push for corporates to set targets aligned with maintaining global warming below 1.5°C, the group will continue to monitor updates to the NDCs of the jurisdictions where the group operates.

FirstRand regards this as an appropriate minimum threshold, considering the heavy reliance on fossil fuels in the markets where the group operates. This is particularly true for the African continent, where natural gas and coal together accounted for 68% of total electricity generation in 2022.

In 2024, the ratio rose above the 2030 minimum threshold to 87% due to the early settlement of a thermal power facility. Given this once off impact it is expected that the ratio will decrease over the next few years, however the group is committed to not breaching the minimum threshold.

The targets for thermal coal and power generation also consider the group's potential need to fund state-owned electricity companies in the countries where it provides funding, with the aim of maintaining energy security and the stability of national grids.

The contribution of renewable energy will fluctuate but overall will trend upwards. The rising share of green underlying advances, along with a decrease in coal advances due to funding restrictions, is anticipated to lead to an overall reduction in the portfolio's emissions and an improved emission intensity.

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 and environmental and social risk professionals.

RMB is partnering with clients across the jurisdictions where it operates to understand and advise on their sustainability strategies and support their transition strategies. Lending for climate mitigation and adaptation solutions is a key focus for the sustainable finance team, particularly green, social and sustainability (mix of social and green attributes) 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 bonds
- Performance-linked instruments to incentivise positive climate and social 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 for clients

On-balance sheet advances

At 30 June 2024, RMB reported R28.2 billion of drawn exposures (advances) on sustainable finance-related deals that address climate mitigation and adaptation, with 88% attributable to green use-of-proceeds loans and 12% attributable to sustainability-linked loans with decarbonisation objectives.

- 42% of green use-of-proceeds results from the real estate sector. Improving the environmental impact of buildings is pivotal to addressing climate change, as buildings contribute significantly to GHG emissions.
- 46% of green use-of-proceeds is attributable to the renewable energy sector. Details on the growth in this sector are included below.
- Sustainability-linked loans have been evident across a variety of sectors, including diversified industrials, chemicals, health care, retail, mining, automobile and parts, and agriculture.

RMB green and olive advances

	As at 30 June	
	Drawn exposure on advances originated during the financial year*	
R billion	**2024**	2023
Green use-of-proceeds	**24.7**	4.7
Performance-linked (with decarbonisation objectives)	**3.5**	7.1
Total	**28.2**	**11.8**

* *Includes transactions that are either green use-of-proceeds or sustainability-linked loans with decarbonisation objectives (olive assets). Excludes green and olive counters (clients).*

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

A portion of RMB's climate-related origination relates to providing renewable energy senior debt and equity financing, with RMB supporting projects across southern Africa that generate c. 2 GW.

During the year RMB committed R28.1 billion of renewable energy infrastructure advances (excluding refinances). The table below unpacks the estimated associated GHG emissions expected to be avoided from the renewable energy infrastructure funded.

	For the year ended 30 June	
Renewable energy infrastructure funded	**2024**	2023
Renewable energy infrastructure advances (excluding refinances) committed	**R28.1 billion**	R3.2 billion
Total nameplate capacity of renewable energy plant(s) financed*	**1 047 MW**	158 MW
Estimated annual renewable energy generation*	**2 624 083 MWh**	465 051 MWh
Estimated annual GHG emissions avoided*	**2 681 803 tCO_2e**	479 002 tCO_2e

* *Calculated based on 2023 Banking Association South Africa (BASA) Guidance Note: positive impact finance measurements.*

Renewable energy exposures at year end

The table below reflects RMB's total exposure to renewable energy financing.

	Drawn exposures as at 30 June		
R billion	**2024**	2023	2022
Solar	**15.8**	10.7	10.8
Wind	**9.6**	3.4	4.2
Hydro	**0.1**	0.2	0.2
Diversified portfolios and operations*	**4.8**	**1.3**	**0.9**
Renewable energy	**30.3**	**15.6**	**16.1**

* *Exposures where the underlying client operates in more than one form of renewable energy, e.g. solar and wind.*

The South African renewable energy sector is experiencing significant investment in generation capacity due to the liberalisation of private sector energy production after the easing of generation licence requirements for independent power producers. Consequently, RMB's renewable energy drawn exposures have grown substantially, up 94% year on year across solar, wind and diversified portfolios and operations.

Furthermore, as part of its methodology enhancements, RMB has added renewable energy input suppliers and service providers to the renewables classification for 2024 (e.g. companies selling solar panels or offering solar panel rental services), which were not included in 2023.

RMB green and olive exposures at year end

The table below reflects RMB's total exposure to green and olive assets at 30 June 2024. This view includes both green and olive transactions and advances to clients classified as green and olive per the climate balance sheet framework.

	Drawn exposures as at 30 June			
	2024		2023	
Climate classification	**R billion**	**% of RMB core lending advances**	**R billion**	**% of RMB core lending advances**
Green	**46.4**	**9.74%**	22.9	5.45%
Olive	**87.3**	**18.33%**	67.5	16.06%
Total	**133.7**	**28.07%**	**90.4**	**21.51%**

As described above, there has been strong growth in the renewable energy portfolio as well as other green and olive advances.

Client engagement

RMB remains dedicated to working with its clients to manage climate risk. Interventions include advising on reporting practices, establishing ambitious emissions reduction targets consistent with science-based transition pathways (whenever feasible), and offering suitable products.

RMB's initial climate engagements focused on its top 100 hard-to-abate clients in South Africa. In 2023, the engagements were expanded to RMB's top 300 clients, including the broader Africa portfolio and all sectors. The initial engagements aimed to both increase climate awareness among clients and assess their climate maturity. This has enabled RMB to customise assistance offered to clients. Going forward, client engagement will focus on identified opportunities and clients in carbon-intensive sectors that have an elevated climate risk profile relative to peers and benchmarks.

The classification of clients within the group's climate balance sheet framework is guided by client engagement and/or climate disclosures. Following a detailed assessment, each lending client is assigned a climate tag. This tag reflects the client's climate maturity and carbon intensity based on their sector. The client is then classified as green, olive, grey or brown.

RMB's implementation of the climate balance sheet framework has been extended to include broader Africa corporate and investment banking clients, allowing for a more comprehensive assessment of portfolio risk. RMB uses a sector-based approach to climate and does not adopt country-specific strategies. Consequently, the same method of client engagement and evaluation is applied in both South Africa and broader Africa.

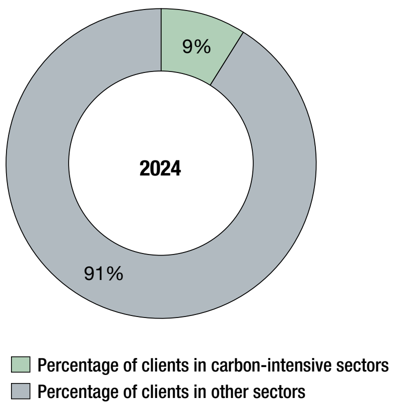
RMB assesses client climate maturity, considering:

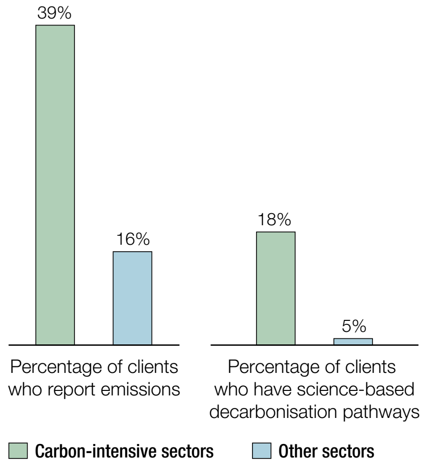
- presence of a climate change strategy;
- ability to measure and report own GHG emissions;
- clear commitments to reduce emissions and associated timeframe;
- alignment of those commitments to net-zero science-based pathways;
- reporting of climate risks and alignment to global standards (e.g. TCFD); and
- client's awareness of external developments such as carbon tax.

Insights from climate balance sheet implementation

As of June 2024, the majority (91%) of RMB's clients are from non-carbon intensive sectors and classified as grey, olive or green per the climate balance sheet framework. Meanwhile, 9% of clients are from carbon-intensive sectors (oil and gas, synthetic fuels, cement, fertilisers, power generation and cattle farming) and are classified as brown or olive.

Clients operating in carbon-intensive sectors, where the effects of climate change are more pronounced, generally demonstrate greater sophistication with regards to climate awareness and managing their decarbonisation journeys. This is evidenced by 39% of carbon-intensive clients consistently reporting carbon emissions, and 18% with defined decarbonisation targets aligned to science-based pathways. Only 16% of clients in non-carbon-intensive sectors report emissions and 5% have defined decarbonisation targets aligned to science-based pathways.





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

Regulatory developments

RMB has identified regulatory changes, such as Carbon Border Adjustment Mechanisms (CBAMs), which may impact clients. Currently, the European CBAM is the most advanced and will be fully implemented from 2026. There are several other regions and countries that are considering the implementation of CBAMs which will impact the ability of clients to export into these markets, e.g. the UK and the US.

RMB has identified the industries (iron and steel, fertiliser, aluminium and cement) and clients which are most likely to be affected by the European CBAM. RMB has commenced targeted client engagement to assess client awareness, potential impact and responses to the regulations. The sustainable finance team has participated in these client discussions to offer regulatory guidance and identify potential opportunities.

As the implementation of the European CBAM approaches and other regions introduce similar legislation, client engagement is likely to increase. Consequently, opportunities to provide advisory services to affected clients are expected to increase.

Climate governance

In addition, RMB implemented the following during the year:

- Further enhanced climate risk management and governance, undertaken by the environmental, social and governance risk committee which oversees transactions and clients with elevated climate risk. The committee's mandate was expanded to cover frameworks and standards.
- Established a surveillance list aimed at identifying clients with elevated environmental, social and governance-related risks (including climate risk) and conducting more frequent monitoring on these clients.
- Partnered with group risk teams to establish 2030 decarbonisation targets for upstream oil and gas, thermal coal and power generation portfolios.

Capacity building

RMB continues to build capacity and expertise to execute on its climate lending strategy. Key initiatives undertaken during 2024 include:

- Enrolling business and risk professionals in group climate risk awareness training, which covers the scientific basis of climate change, the Paris Agreement, NDCs, climate change risk management and reporting, as well as emerging regulations and green finance taxonomies.
- Ensuring credit analysts and business units received training on the group's approach to managing climate risk, setting decarbonisation targets and implementing the climate balance sheet.
- Participating in key sustainable finance industry bodies, events and working groups, including BASA's positive impact project, the National Treasury sustainable finance technical working group and the African regional climate lab advisory board.

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

FNB COMMERCIAL

FNB commercial has a dedicated sustainable finance team that is focused on providing competitive, sector-specific products that support economic growth while addressing environmental and social needs. The team aims to lead in sustainable energy solutions for commercial clients and offers the following products:

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

Sustainable finance solutions

Despite reduced loadshedding in South Africa, electricity availability and rising prices remain a concern for commercial customers. This has driven sustained interest in alternative energy sources. The decreasing costs of solar technology, combined with government incentives such as the energy bounce-back loan guarantee scheme and the renewable energy tax allowance (section 12B of the Income Tax Act) have made solar financially accessible.

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 financed 147MWp of solar energy to assist SMEs, agricultural businesses and larger manufacturers, and avoided 221 180 tCO_2e.

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

1. green buildings
2. electric vehicles
3. hybrid vehicles
4. energy-efficient infrastructure
5. climate adaptation in the agriculture sector, e.g. shade netting, biogas plants and drip irrigation.

FNB commercial green and olive asset advances

During the year, FNB commercial originated R1.226 billion 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	**2024**	2023	2022	2021
Rand value of sustainable finance payouts*	**R1.226 billion**	R662 million	R352 million	R335 million
Number of sustainable finance loans provided	**848**	622	165	69
Rand value of renewable energy payouts**	**R1.136 billion**	R662 million	R188 million	R164 million
Number of renewable energy loans provided	**759**	622	159	65
Total installed renewable energy capacity	**71MW**	41MW	13MW	13MW
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)#	**103 031 MWh**	60 003 MWh	18 966 MWh	20 494 MWh
Annual GHG emissions reduced/avoided (tCO_2e)#	**103 031 tonnes**	62 403 tonnes	20 483 tonnes	22 133 tonnes
Rand value of reduced utility costs (implied total savings for the year)#	**R144.2 million**	R84 million	R26.6 million	R28.7 million

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

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

Assumptions used:

(1) *Average cost of solar plant per kW: R16 000 (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).*

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 that aims to help developers reduce their buildings' energy and water consumption as well as embodied energy in materials by 20%, while lowering GHG 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.

Non-lending solutions

Other than lending activities, FNB has developed meaningful service solutions.

Renewable energy-as-a-service solution

Commercial customers increasingly do not want the capital expenditure and maintenance costs of owning solar infrastructure. FNB responded by offering customers solar energy either through a rental subscription model or via power purchase agreements (PPAs).

Rental subscription model

The operating lease enables customers to purchase solar energy from an FNB partner on a subscription basis.

FNB has created a multi-seller platform, which will ease funding constraints and associated costs. This platform will scale product origination and offer better pricing to FNB customers, thereby providing energy resilience to a wider population and reducing strain on the overburdened national electricity grid.

Power purchase agreements

In October 2024 FNB Energy Solutions was launched in collaboration with expert technical and asset management partners. Businesses can acquire a comprehensive energy-as-a-service solution via a PPA model, whereby FNB Energy Solutions retains ownership of the renewable energy infrastructure and sells the energy produced to the client. The solution primarily focuses on solar photovoltaic (PV) installations with or without battery back-up, but other renewable energy technologies can also be considered to meet specific client needs. It is ideal for businesses that have significant daytime electricity demands, typically spending upwards of R200 000 per month on electricity. The minimum generation capacity provided is 300kW, which suits high-demand users that have sufficient roof space at their premises for the solar panels required.

The foundation of the FNB Energy Solutions offering is its partnership approach. The model involves collaboration between FNB, as the funding provider for these projects, with partners that are established leaders in South Africa's renewable energy industry. On the technical side, development partners such as ACES Africa, Nuvo Energy, Rhino Energy Solutions and RenEnergy Africa bring expertise in solar PV, energy storage solutions and custom system design. For project facilitation and ongoing management, solar energy company SOLINK and consultancy firm Matriarch provide specialised advisory services and ensure optimal asset performance.

FNB Energy Solutions retains ownership of the renewable energy infrastructure which is installed at a client's premises by one of its development partners and managed by itself. Taking on the performance and operational risks allows clients to focus on running their businesses.

Customer benefits include:

- use of credible, vetted development partners;
- support in achieving emission reduction goals;
- energy security; and
- cost efficiency and flexibility brought about by:
  - the absence of upfront capital costs, operations or maintenance costs;
  - shorter PPA terms than competitors, providing businesses with greater flexibility, i.e. companies being allowed to adapt their energy strategies as technology and market conditions evolve;
  - providing competitive financing rates;
  - development partners mandated to design efficient and cost-effective solutions; and
  - long-term electricity cost savings and customer buy-out options, i.e. the option to purchase the entire renewable energy plant at a predetermined price after the fifth year.

Employee training

FNB aims to enhance the skills of employees to better assist commercial clients. In 2024:

- Two Solar 101 Masterclass webinars were held, each attracting over 500 participants.
- A workshop was facilitated by subject matter experts for commercial exco members on sustainability reporting to understand the impact on FNB and its customers.

During the previous financial year, 40 employees participated in the University of Pretoria's solar course.

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

Sustainable agriculture

The agriculture sector plays a crucial role in providing jobs, contributing to the country's GDP and exports, and ensuring food security. The sector accounts for approximately 12% of global GHG emissions, driven by methane from livestock, fertiliser use and fuel combustion. The sector is unique because it is relatively high-emitting, but it is also the most sensitive to the impacts of climate change.

Sustainable farming practices are not yet widespread in South Africa, but with the implementation of international cross-border carbon taxes and other climate regulations it will be essential for clients to implement these practices to stay globally competitive and climate resilient.

FNB's agriculture lending exposure is 4% of total SA advances and 19% of financed emissions, positioning FNB as a key player in promoting climate change initiatives and supporting clients in transitioning to a low-carbon economy.

In 2022, FirstRand issued a statement of intent on sustainable agriculture financing, which outlines:

- an approach to agricultural activities in alignment with the group's climate policy;
- a commitment to engage with clients on sustainable farming practices; and
- a commitment to develop appropriate solutions to finance climate-smart agricultural activities.

To implement this commitment, FNB commercial is engaging with clients and developing solutions to support the following sustainable agricultural practices:

Energy management	Water management	Carbon management	Regenerative agriculture
Tracking of energy use and investigation of energy efficiency practices and renewable energy options.	Better data-backed management and allocation of agricultural water supplies and improved irrigation system efficiency (drip irrigation, night-time irrigation and application of mulch and liners to retain soil moisture).	Measurement of carbon emissions and emission reduction plans.	A system of alternative farming principles that rehabilitate and enhance a farm ecosystem by focusing on soil health, water management, fertiliser use and sustainable grazing practices.
Livestock management	**Soil management**	**Cultivar development and selection**	**Biodiversity management**
Improved herd management including nutrition, appropriate stocking, herd ratios, breeding, vaccination programmes and pest control practices.	Soil nutrient and carbon measurement and management, erosion and run-off management, no-till cultivation, cover crops and crop rotation to keep carbon in the soil and produce carbon-rich organic matter.	Planting more resilient cultivars that are more heat, pest and drought resistant.	Invasive species clearing, endangered species protection and fire management.

Pest management	Circular economy	Waste management
Implementation of shade and pest netting, use of organic and integrated pesticides, and disease management.	The principle of a circular economy reduces GHG emissions across the value chain by reusing products and materials and regenerating natural systems to sequester carbon in soil and products.	Farm and agricultural industrial waste management systems.

Sustainable finance solutions for agriculture clients

In May 2024, FNB launched a sustainable agriculture term loan solution to empower farmers to adopt sustainable agricultural practices and reduce their environmental and climate impact. The loan finances a range of activities, such as:

- Renewable energy (solar, biogas, energy efficiencies).
- Water efficiency and adaptation (netting, irrigation, waste management, water recycling).
- Climate-smart agriculture (regenerative agriculture, biodiversity, alternative fertiliser use).
- Clean transport (electric forklifts).

The loan has flexible terms, such as interest-only periods and longer-term tenors. One of the standout features of the loan is its re-advance credit capabilities. Once a percentage of the loan is repaid borrowers can request the bank to redraw funds for further sustainable initiatives. These features make it suitable to a broad range of business entities across the entire agricultural value chain.

The loan also requires documentary evidence of the environmental impact and data tracking (e.g. invoices, solar certification and even site inspections before further payouts are made).

	For year ended June	
Sustainable agriculture lending	**2024**	2023
Rand value of sustainable finance payouts*	**R303 million**	R160 million
Number of sustainable finance loans provided	**63**	75

* *Subset of sustainable finance payouts on page 28.*

Awareness and integrated advisory services

FNB is collaborating with partners to provide advisory and technical assistance to its agriculture clients. FNB is piloting a project with a firm that specialises in advisory services within the agricultural value chain. This project assists clients to develop their decarbonisation plans, which include climate strategies and emission reduction targets, and helps them meet financial and carbon reporting requirements for future cross-border tax regulations like the CBAM for EU exports.

This pilot commenced in the current year with a limited cohort of clients. FNB plans to expand it to cover more agriculture clients, especially those involved in exports or international supply chains. The project will be supported by technical assistance grants from Proparco and the Green Climate Fund, under the Transforming Financial Systems for Climate (TFSC) programme.

Climate-smart agriculture research

FNB agriculture commissioned the International Finance Corporation (IFC) to conduct a study on climate-smart agriculture technologies, challenges and investment opportunities in the fruit, citrus and beef value chains in South Africa. The research will inform the design of FNB's products and services for these sectors.

Implementing climate-smart practices helps farmers boost or sustain yields, cut water usage, reduce agrichemicals and enhance soil health. This results in less environmental impact, fewer GHG emissions and better long-term profitability and resilience. Adopting these practices promotes a more sustainable and resilient agricultural sector in South Africa.

The results of this study revealed the following.

- Most producers have formal climate-smart activities in place without realising that the implemented initiatives qualify as such.
- Some producers indicated they were unsure how to implement climate-smart practices and that there is a need for educational material.
- A minority of producers noted that the implementation of climate-smart activities was not a current priority.

Carbon emission benchmarking

FNB engaged a company that specialises in carbon footprinting to measure and track the carbon emissions of some of its agriculture clients. The project concluded in November 2023 and the results will help FNB report on its financed emissions, and to adjust its credit and pricing models accordingly.

The exercise has enabled FNB to identify clients with the highest portfolio emissions and identify where in their supply chains these emissions arise, helping both FNB and the clients focus on emission reduction strategies in those areas.

Geo-mapping of portfolio

FNB has geo-mapped its agriculture portfolio and overlaid it with long-term climate data from the Agricultural Research Council. This allows FNB to assess the physical risks of climate change, such as fire, flood and drought, on its agriculture clients and their commodities. It also enables FNB to have more proactive and informed conversations with its clients about their climate adaptation and mitigation strategies.

Climate-smart agriculture taxonomy

FNB is refining its climate-smart agriculture taxonomy to more accurately identify and classify assets that comply with globally recognised green taxonomies. This initiative will enable FNB to better monitor its climate mitigation and adaptation strategies, as well as secure funding from DFIs and bond issuances to expand climate finance solutions for agriculture clients.

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 elevated 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

Financial solutions	• Residential mortgage solutions to facilitate energy-efficient homes. • Residential mortgage solar energy loans. • Solar asset-based finance products. • Energy bounce-back scheme in partnership with National Treasury.
Advisory and stakeholder engagement	• Development and implementation of a carbon footprint calculator on platform (the FNB app) to assist with climate awareness. • Development and implementation of a carbon coach to help consumers navigate the challenges of climate change.

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, R1.8 billion has been committed to green home loans (R250.5 million in 2024). FNB has historically partnered only with Balwin Properties, the market leader in EDGE-certified housing developments in South Africa. However, FNB increased its partnership footprint during the year. These EDGE-certified property portfolio partnerships represent a diverse range of developments set for delivery from November 2023 to June 2025. Approximately 3 500 units will be delivered, working with developers such as Central Developments, Cosmopolitan Projects, IHS Investments, Leogem Property Projects and Balwin. Less than 10% will be level 2 certification and the remaining units level 1 certification.

FNB retail *continued*

EcoEnergy home loan

During the year, FNB retail originated R478 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. The yearly decline in payouts is due to economic challenges and lower consumer demand.

	Year ended 30 June			
Metric	**2024**	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	25 bps per customer
Rand value of ecoEnergy home loans committed in FY – EDGE-certified	**R250.5 million**	R431.3 million	R785 million	R316 million
Of which are affordable housing**	**R21.1 million**	R39.3 million	R66.2 million	R41.2 million
Rand value of ecoEnergy home loans advanced (payout) in FY – EDGE-certified	**R478.2 million**	R638.1 million	R432.6 million	R59.1 million
Of which are affordable housing	**R43.5 million**	R64.8 million	R40.7 million	R7.0 million
Number of ecoEnergy home loans provided in FY – EDGE-certified	**426**	530	407	51
Of which to females#	**171**	242	184	16
Number of ecoEnergy home loans provided according to location – EDGE-certified	**Gauteng: 172** **KwaZulu-Natal: 18** **Western Cape: 236**	Gauteng: 263 KwaZulu-Natal: 55 Western Cape: 212	Gauteng: 232 KwaZulu-Natal: 23 Western Cape: 152	Gauteng: 24 KwaZulu-Natal: 6 Western Cape: 21

* *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 R32 000 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. It is a single-applicant deal and the applicant is female.*

FNB retail *continued*

Energy bounce-back loan guarantee scheme

In September 2023, FNB entered the energy bounce-back loan guarantee scheme, announced by National Treasury and administered by the South African Reserve Bank, to specifically help customers mitigate the impact of loadshedding through financial incentives to install rooftop solar-generated energy and energy storage assets. Between October 2023 and June 2024, 179 retail loans amounting to R24.4 million were disbursed.

WesBank electric and hybrid vehicle financing

Beyond solar financing, WesBank supports customers' transitions by financing hybrid and electric vehicles. The market has shown growth, albeit from a low base, with 689 loans disbursed in 2024, totalling R456 million.

Customer education: nav» Earth

To fulfil the group's commitment to educating and raising awareness among three million retail FNB customers by June 2025, FNB launched nav» Earth, a platform-based tool, in August 2023.

The nav» Earth tool is found on the banking app under the "nav-igate life" applet and educates customers about climate change, their carbon footprint, energy conservation, energy efficiency and renewable energy via the "Carbon coach" functionality. This coach aims to guide customers towards sustainable practices and ease the stress of South Africa's energy crisis.

The tool contains a carbon calculator that:

- translates a customer's transactional spend into carbon emissions;
- incorporates emissions from cradle to gate, i.e. from the inception of raw materials to the moment it is purchased;
- enables customers to compare their carbon emissions with people of the same demographics as themselves; and
- provides practical ways to reduce emissions, including an option for customers to offset their unavoidable emissions by donating to a programme that plants trees on their behalf.

By the end of June 2024, 122 903 unique users had interacted with nav» Earth.

Other climate awareness programmes

The following campaigns were conducted during the year across various platforms to create climate change awareness:

- An email campaign marked Earth Day, along with an in-app message celebrating World Environment Day. These communications emphasised causes, effects and positive actions that can be taken concerning climate change.
  - 2.4 million unique customers received these communications.
  - Overall, 2.5 million unique customers received climate change awareness communications through email, app communications or by interacting with nav» Earth on the banking app.
- FNB continues to run internal education for FNB employees. In September 2023, 1 760 employees tuned in to XTV, an internal weekly broadcast that included a message for Arbor Week. Additional training programmes aimed at engaging more employees and raising awareness on this subject are being developed.

Financed emissions

FirstRand has committed to assessing financed carbon emissions in its portfolio and applies the Partnership for Carbon Accounting Financials (PCAF) GHG accounting methodology. The group uses the total absolute financed emissions metric (financed emissions) to track whether its emissions are aligned with its intended role of contributing 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. The financed emissions intensity metric is useful because it corrects for loan growth in the portfolio over time. In addition, for certain sensitive sectors such as oil and gas, activity emissions intensity is utilised internally to monitor emissions relative to benchmarks.

The group's approach includes key financed emissions accounting principles relating to governance, methodology, emissions data hierarchy and data quality. The methodologies for calculating emissions related to advances and investments are continually improved to include more granular data. During the year, a fixed USD exchange rate was adopted to convert PCAF emission factors for both revenue and asset-to-turnover ratios, aiming to isolate underlying emission trends. These exchange rates are updated as and when these are revisions to PCAF. Refer to the group's Basel Pillar 3 disclosure for the year ended 30 June 2024 for an overview of the PCAF methodology applied at https://www.firstrand.co.za/media/investors/basel-pillar-3-disclosure/firstrand-basel-pillar-3-disclosure-june-2024.pdf.

The group discloses financed emissions in tCO_2e for main asset classes in its portfolio. FirstRand also discloses financed emissions intensity for each portfolio in 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 *continued*

Financed emissions

	As at 30 June 2024				As at 30 June 2023			
	Advances		**Financed emissions**		Advances		Financed emissions	
	30 June 2024 (R million)	**% of total SA core advances**	**Financed emissions tCO_2e**	**Emissions intensity (tCO_2e/Rm)**	30 June 2023 (R million)	% of total SA core advances	Financed emissions tCO_2e	Emissions intensity (tCO_2e/Rm)
SA retail	**487 381**	**43.3%**	**6 004 198**	**12.3**	463 041	44.7%	6 166 214	13.3
Residential mortgages[1]	**272 363**	**24.2%**	**4 873 854**	**17.9**	259 635	25.1%	5 022 442	19.3
WesBank VAF[2]	**113 044**	**10.0%**	**1 130 344**	**10.0**	108 779	10.5%	1 143 772	10.5
Retail unsecured	**101 974**	**9.1%**			94 627	9.1%	–	
FNB Commercial	**129 844**	**11.5%**	**4 605 364**	**35.5**	116 448	11.2%	3 980 154	34.2
Agriculture[3]	**42 877**	**3.8%**	**2 933 344**	**68.4**	41 584	4.0%	2 534 823	61.0
Commercial property finance[4]	**38 742**	**3.4%**	**1 440 289**	**37.2**	33 016	3.2%	1 253 456	38.0
Other commercial exposures[5]	**48 225**	**4.3%**	**231 731**	**4.8**	41 848	4.0%	191 875	4.6
WesBank corporate	**60 218**	**5.3%**	**543 669**	**9.0**	54 212	5.3%	565 074	10.4
SA retail and commercial	**677 443**	**60.1%**	**11 153 231**	**16.5**	633 701	61.2%	10 711 442	16.9
Corporate and investment banking								
Upstream oil and gas[6]	**9 464**	**0.9%**	**313 798**	**33.2**	7 756	0.7%	247 598	31.9
Thermal coal – coal mining and thermal coal power	**3 861**	**0.3%**	**441 654**	**114.4**	4 658	0.4%	938 945	201.6
Coal mining	**2 405**	**0.2%**	**101 311**	**42.1**	1 269	0.1%	62 329	49.1
Thermal coal power[7]	**1 456**	**0.1%**	**340 343**	**233.8**	3 389	0.3%	876 616	258.7
Other high- and elevated transition risk sectors[8]	**41 522**	**3.7%**	**1 476 573**	**35.6**	27 937	2.7%	733 613	26.3
Real estate investment banking	**75 352**	**6.7%**	**52 964**	**0.7**	82 445	8.0%	62 802	0.8
Other corporates[9]	**318 615**	**28.3%**	**1 706 598**	**5.4**	279 712	27.0%	1 819 168	6.5
Corporate and investment banking	**448 814**	**39.9%**	**3 991 587**	**8.9**	402 508	38.8%	3 802 126	9.4
Total core lending advances	**1 126 257**	**100.0%**	**15 144 818**	**13.4**	1 036 209	100.0%	14 513 568	14.0
Undrawn committed facilities – upstream oil and gas and thermal coal (coal mining and thermal coal power)	**7 801**		**205 289**		6 709		429 830	

1 *The reduction in financed emissions and emissions intensity for residential mortgages was due to a reduction in the Eskom emission factor applied and data enhancements.*

2 *Financed emissions for the WesBank VAF portfolio 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 commercial agriculture financed emissions and emissions intensity was due to the adoption of a fixed USD exchange rate.*

4 *The increase in commercial property financed emissions was driven by increased exposures, and the reduction in emissions intensity was driven by the reduction in the Eskom emission factor applied.*

5 *The increase in other commercial financed emissions and emissions intensity was due to the increase in exposures and the adoption of a fixed USD exchange rate.*

6 *The increase in upstream oil and gas financed emissions and emissions intensity was driven by the refinement of the methodology used to allocate counters to the appropriate value chain classification.*

7 *The reduction in thermal coal power financed emissions and emissions intensity was due to the early settlement of exposures as well as data enhancements.*

8 *Other high and elevated transition sectors consist of midstream and downstream oil and gas, electric utilities, chemicals and synthetic fuels, steel (primary manufacturer), cement, transport, aviation and agriculture. The increase in financed emissions and emissions intensity is largely driven by the refinements in the financed emissions methodology applied to the cement industry. On a like-for-like basis the 30 June 2023 financed emissions for other high and elevated transition sectors would have been 1 050 790 tCO_2e. The resultant comparative increase of 317 177 tCO_2e would have been due to a more granular PCAF factor applied to the cement industry. If the prior year numbers were restated it would have resulted in a 2.05 decrease in emissions intensity.*

9 *The decrease in other corporates financed emissions and emissions intensity was driven by the increase in advances provided to the renewables portfolio.*

Financed emissions *continued*

Broader Africa and UK operations

During the 2024 financial year, the financed emissions disclosure was enhanced to include the broader Africa in-country and UK portfolios. With regards to broader Africa, whilst a portfolio-wide approach had been taken in adopting the group's climate change strategy and risk management approach, prioritised focus was given to Namibia, Botswana and Nigeria due to the sizeable balance sheets in these jurisdictions (in comparison to the rest of the portfolio), as well as their current and future high-emission intensity profiles given their reliance on fossil fuels. The approach has therefore been to calculate baseline financed emissions for the corporate and commercial clients in these countries, since these are the segments where exposure to energy and fossil fuel financing are most likely and material.

Broader Africa financed emissions

	As at 30 June 2024			
	Advances		Financed emissions	
	30 June 2024 (R million)	% of total broader Africa core advances	Financed emissions tCO_2e	Emissions intensity (tCO_2e/Rm)
FNB (Botswana and Namibia)*	26 039	32.3%	393 514	15.1
RMB CIB (Nigeria)	1 165	1.4%	14 969	12.8
Total in scope CCIB advances	**27 204**	**33.7%**	**408 483**	**15.0**
Residual Broader Africa advances**	**53 507**	**66.3%**		
Total Broader Africa advances#	**80 711**	**100.0%**		

* *Financed emissions and advances are only attributable to the commercial and corporate investment banking (CCIB) portfolios for FNB Botswana and Namibia. Financed emissions attributable to Botswana and Namibia are 115 675 tCO_2e and 277 839 tCO_2e respectively.*

** *Advances on the balance of the portfolio for which financed emission calculations are still in progress.*

Advances on the full broader Africa portfolio, including the retail segment and CCIB exposures for countries not in scope of the financed emissions calculation.

The table below provides a view of financed emissions attributable to the property finance and motor finance portfolios of the UK operations (Aldermore and MotoNovo). The financed emissions for both portfolios have been adjusted to reflect 100% data coverage. Certain financed emissions data below will therefore not reconcile with financed emissions data reported in Aldermore's annual report.

UK operations financed emissions

	As at 30 June 2024			
	Advances		Financed emissions	
	30 June 2024 (£ million)	% of total UK operations core advances	Financed emissions tCO_2e	Emissions intensity (tCO_2e/£m)
Property finance	7 833	50.1%	148 196	18.9
Motor finance	4 098	26.1%	675 465	164.8
Total in scope UK operations advances*	**11 931**	**76.2%**	**823 661**	**69.0**
Structured and specialist finance	**3 717**	**23.8%**		
UK Operations (£ million)	**15 648**	**100%**		

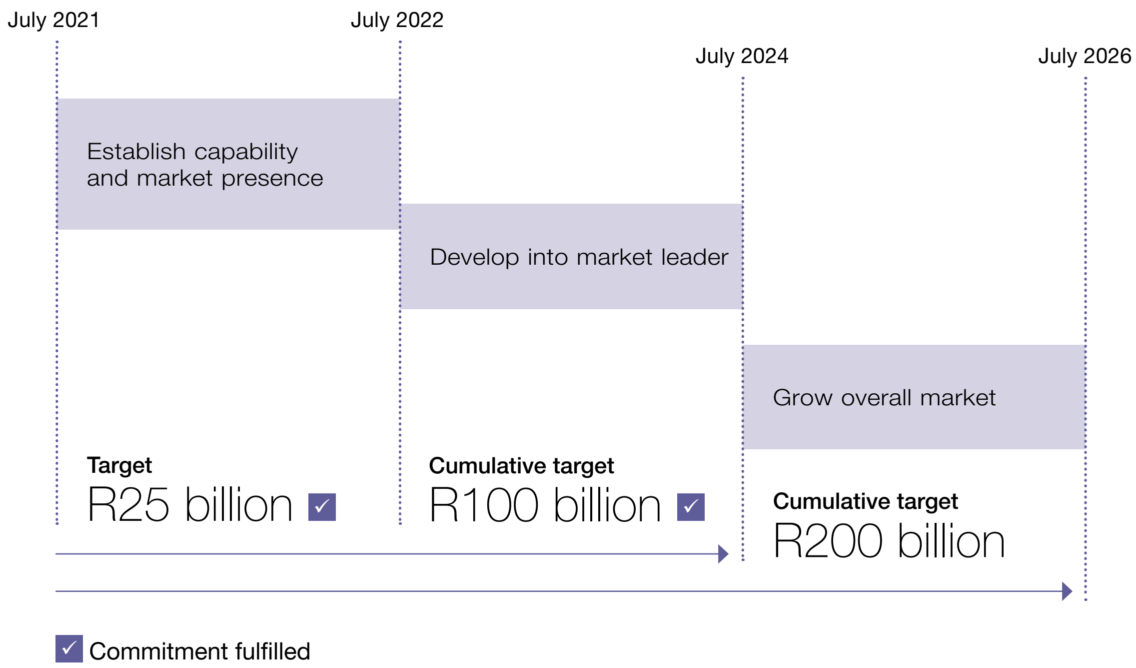
* *Advances on the balance of the portfolio for which financed emissions have not yet been calculated.*

SUSTAINABLE AND TRANSITION FINANCE FACILITATION

Progress against group sustainable and transition finance commitment

FirstRand has committed 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, and includes both green and social assets. Examples of social assets include affordable housing, student, SME and women-owned business financing.

Facilitation target for period to 2026 and actual performance



To date the group has facilitated R157.1 billion in sustainable and transition finance, meeting its yearly targets as depicted in the table below:

R billion	Cumulative	Facilitation during the year ended 30 June 2024	2023	2022
Commitment	100	**40.0**	35.0	25.0
Actual	157.1	**92.3**	37.6	27.2
RMB	153.3	**90.6**	36.3	26.4
FNB	3.8	**1.7**	1.3	0.8

The current year actual facilitated amount was delivered through:

- RMB: Performance-linked and use-of-proceeds structures, with 93% of the R90.6 billion incorporating green objectives.
- FNB: Commercial sustainable finance and ecoEnergy home loans paid out in the current year contributed R1.7 billion towards meeting the commitment.

FNB facilitation

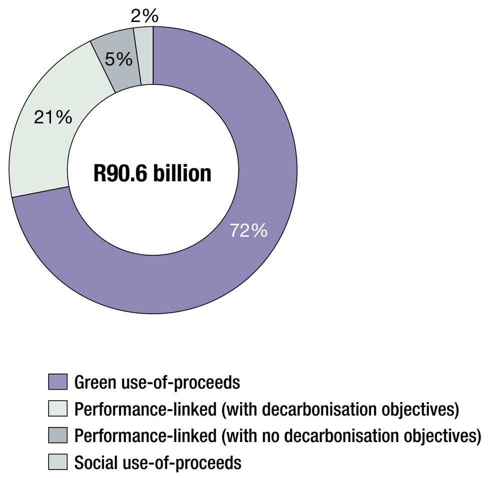
R million	Facilitation during the year ended 30 June 2024	2023	2022
Commercial sustainable finance loans (payout)*	1 226	662	352
Retail ecoEnergy home loans (payout)	478	638	433
Total	**1 704**	**1 300**	**785**

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

Progress against group sustainable and transition finance commitment *continued*

RMB facilitation

	Facilitation during the year ended 30 June					
	2024		2023		2022	
	R billion	**% split**	R billion	% split	R billion	% split
Green loans	50.9	56	12.3	34	5.0	19
Green bonds	14.3	16	1.5	4	0.4	1
Green equity	0.3	0	0.3	1	0	0
Green use of proceeds	**65.4**	**72**	**14.1**	**39**	**5.4**	**20**
Performance-linked bonds	1.4	2	0.8	2	3.7	14
Performance-linked loans	17.2	19	14.7	41	14.7	56
Performance-linked (with decarbonisation objectives)	**18.6**	**21**	**15.5**	**43**	**18.4**	**70**
Total climate	**84.0**	**93**	**29.6**	**82**	**23.8**	**90**
Social loans	1.8	2	4.1	11	0	0
Social bonds	0.3	0	0	0	0	0
Performance-linked loans	4.0	5	1.5	4	0.6	2
Performance-linked bonds	0.5	0	0	0	0	0
Total social	**6.6**	**7**	**5.6**	**15**	**0.6**	**2**
Performance-linked loans	0	0	1.1	3	0	0
Sustainability bonds	0	0	0	0	2.0	8
Total integrated sustainability, social and environmental	**0**	**0**	**1.1**	**3**	**2.0**	**8**
Total	**90.6**	**100**	**36.3**	**100**	**26.4**	**100**



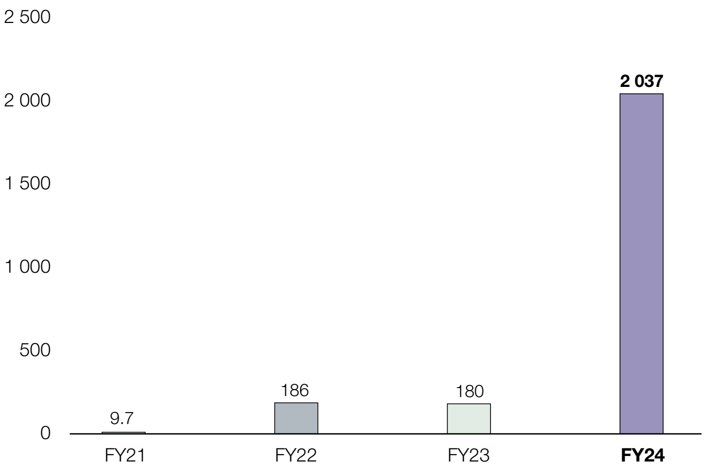
Progress against group sustainable and transition finance commitment *continued*

Renewable energy

The largest step change observed in 2024 was the increase in green loans. This is a result of RMB facilitating R37.8 billion (R28.1 billion committed) worth of new renewable energy infrastructure transactions (project finance) compared to R3.2 billion worth of renewable energy infrastructure transactions in 2023.

RMB's renewable energy facilitation activities (project finance) are presented in the graph below:

Facilitated capacity in MW



Green buildings

Buildings account for about 28% of energy-related emissions in emerging markets, according to the IFC, underpinning the importance to transition this sector. A green building is a structure designed, constructed and operated in an environmentally responsible and resource-efficient manner throughout its entire life cycle.

Aligned to FirstRand's net-zero ambition, RMB is facilitating capital towards green building development. This also supports global initiatives like the C40 Cities pledge for new buildings and all buildings to be net-zero by 2030 and 2050, respectively. This goal has been adopted by the Green Building Council South Africa.

RMB has increased its facilitation of green buildings in recent years, enabling around R11 billion in 2024. Notably in 2024, approximately 26% of all new developments facilitated by RMB are green-certified buildings.

Green building facilitation	**2024**	2023	2022
Green building facilitation	**R 11.0 billion**	R9.9 billion	R2.2 billion
Number of transactions	**13**	8	5
Number of buildings*	**7**	46	3[1]
Total indicative gross leasable area (m^2)**	**421 057**	552 420	66 309

* *Green buildings require time to be constructed and attain green certification. The validation process often can delay the provision of funding. As such, the impact data provided is representative of transactions where allocation and impact reporting has been delivered to RMB to validate the green nature of the building. There is therefore a reasonable mismatch between the number of transaction and number of buildings financed.* *See page 42 for building certifications.*

** *Gross leasable area was obtained and calculated on a best-efforts basis.*

Throughout the African continent, strong growth in the green building market is still expected, as the real estate sector continues to be at the forefront of adopting sustainable finance solutions. Governments across the continent have also demonstrated support for green buildings. For example, the South African government recently approved the mandatory energy performance certification of specific building classes by 7 December 2025. This will be the first step to ensuring a greener building stock in South Africa.

Progress against group sustainable and transition finance commitment *continued*

Environmental impact of sustainable and transition finance transactions

Impact of the facilitation of deals across a variety of sectors

Environmental

Key metric	Key performance indicators: Cumulative	FY24	FY23	FY22	FY21	Cumulative real-life equivalence
Scope 1 and 2 emissions avoided	4 283 ktCO_2e	1 281 ktCO_2e	1 775 ktCO_2e	1 226 ktCO_2e	–	**107 846** buses driven for one year
Renewable energy installed capacity	2 413 MW	2 037 MW	180 MW	186 MW	10 MW	Combined electricity production capacity for City of Cape Town's peak power demand
Reduction in water consumption	19 818 *Ml*	–	17 872 *Ml*	1 946 *Ml*	–	Drinking water for **231 045** 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 Walter Sisulu National Botanical Garden

Key metric	FY24	FY23	FY22	FY21	Cumulative real-life equivalence
Green buildings	1 × 4-Star rated 1 × 5-Star rated 4 × EDGE Advanced 1 × BREEAM Excellent rated	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 in materials

ASSET MANAGEMENT

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 its 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 against its 2023 baseline;
- identify high-emitting companies; and
- engage the board and executives of the highest-emitting companies on their transition plans.

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 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 assets under management (AUM). The scope included 58 investee companies.

By virtue of client mandates, Ashburton has some exposure to companies in the fossil fuel sector. However, the assessment showed this exposure is only 2% (2023: 3%) of total material holdings, representing approximately 80% of scope 1 and 2 emissions of the whole portfolio. This has reaffirmed Ashburton's decision to focus its investee engagement on the top 3% of high-emitting companies.

Assessment of investee companies' transition pathways

Part of Ashburton's investment process is to assess 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 uses 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.

INSURANCE ACTIVITIES

Insurance activities

FNB currently offers insurance to retail customers, including building and home content insurance for homeowners, car insurance, life and funeral insurance, and health cover (including gap cover and cover for critical illness).

FNB recognises the significant risks climate change presents to businesses and the insurance industry as a whole. FNB commits to actively managing these climate-related risks by integrating climate considerations into underwriting, claims management, portfolio management, human capital development and overall strategies. By incorporating climate change considerations, FNB can ensure long-term sustainability for its clients and itself.

Short-term insurers face more immediate impacts through property claims from more frequent and severe weather events, while life insurers may experience long-term mortality and morbidity effects.

Home insurance with climate adaptation features

FNB includes the following in its home insurance to cater for natural disasters:

- **Flood insurance:** Covers damage caused by flooding, which is becoming more frequent due to climate change.
- **Storm and wind insurance:** Provides coverage for damage from severe storms and high winds.
- **Fire insurance:** Protects against losses from wildfires, which are increasing in many regions.

FNB also insures solar installations (e.g. retail rooftop solar). However, current insurance for retail rooftop solar is costly due to the high expense of purchasing and repairing these assets.

Geo-mapping weather patterns

FNB uses geo-mapping tools in its underwriting process. These tools will be expanded and overlayed with flood patterns and likelihood of wildfires and lightning strikes. Whether these events are driven by climate change or natural climate cycles, they still pose a risk to the underlying assets.

Reinsurance risk

The biggest risk for a short-term insurer is reinsurers withdrawing support from certain sectors or locations. This creates a secondary impact on insurers, who, due to the short-term contracts with clients, can exit, leaving credit houses with increased credit risk.

As this risk becomes more imminent, FNB will assess the potential impact on its home insurance portfolio alongside the home loans portfolio.

Health and life insurance

As temperatures rise there is an increased risk of health issues arising from extreme heat conditions as well as vector-borne disease. FNB's assessment of the effects on mortality and morbidity are currently negligible when modelled on the African continent.

As FNB builds out its climate capabilities it will be guided by the following principles:

1 Incorporating climate change:

Integrate climate change into underwriting and claims models to manage weather losses, capital requirements and expected claim costs for long-term sustainability.

2 Underwriting profitability:

Review and adjust pricing models to incorporate weather-related risks, ensuring accurate pricing for increased frequency and severity of weather-related claims for profitable underwriting.

3 Proactive portfolio management:

Actively manage risk exposures and client assets to recommend suitable coverage and risk management strategies, aiming to minimise weather-related loss exposures.

4 Human capital development:

Invest in training and educational programmes for employees to build expertise in climate risk management, improving the ability to advise clients and minimise losses.

5 Evolving claims management:

Use weather data to predict and optimise claims handling for weather losses, and invest in technologies to enhance claims processing capabilities during catastrophes.

FUTURE FOCUS

Future focus

Reflection on progress to date and future focus

The group continues to make meaningful progress against its roadmap, with a substantial number of phase 1 to 3 milestones either completed or well advanced. Most phase 4 activities are currently in progress. The full climate roadmap is included in the Appendix.

Financed emissions

The group is pleased with the improved quality of data for measuring financed emissions at portfolio level across major business lines. This was achieved through direct information sourcing and improved modelling techniques.

The group aims to increase coverage of broader Africa subsidiaries and gain a deeper understanding of the quantification of scope 3 emissions for the upstream oil and gas portfolio, as well as the thermal coal portfolio, which encompasses coal mining and thermal power.

Scenario analysis

The group aims to continually refine its climate scenario analysis and enhance its ability to quantify the portfolio impact. The group is focused on improving its quantification methodologies to better understand long-term physical and transition portfolio risks.

Assurance

The group's ambition remains to obtain external assurance for both its own and financed emissions. FirstRand Bank Limited's (the bank's) own emissions have been externally assured for the past 10 years. During 2024, the bank's financed emissions underwent an internal audit review, and in time will be subject to external assurance.

In 2024, the financed emissions for certain broader Africa subsidiaries (Botswana, Namibia and Nigeria) were disclosed for the first time. Similar to the approach used for SA emissions, there will be a gradual shift from internal to external assurance for key subsidiaries in broader Africa.

Climate origination strategies

There are groupwide limits to prevent concentration risk to thermal coal and upstream oil and gas. The group has aligned South African origination to climate considerations and has partially aligned the rest of the group. The South African portfolio is more mature, and its solutions and expertise will be leveraged in other jurisdictions over time.

Change made to the roadmap

Considering the growth trajectories outlined for different asset categories within the climate balance sheet (page 17), the phase 5 milestone, to "continue shifting the balance sheet to green assets", has been expanded to include olive assets.

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 BCBS 239* requirements for climate risk.	Extend external assurance of both operational and financed carbon emissions to key subsidiaries in broader Africa. Enhance capabilities to ensure BCBS 239* embedment of climate risk.

Completed: the milestone has been achieved, with ongoing refinement
In progress: work to achieve the milestone has commenced
Not yet started: work to achieve the milestone has not commenced

* *Basel Committee on Banking Supervision standard number 239: Principles for effective risk data aggregation and risk reporting.*

FirstRand's climate roadmap *continued*

	FY2020 (Phase 1)	FY2021 (Phase 2)	FY2022 – FY2023 (Phase 3)	FY2024 – FY2025 (Phase 4)	FY2026 – FY2027 (Phase 5)
Strategy	Elevate climate change as a strategic risk and opportunity, and a long-term driver of financial and non-financial risk. Stakeholder engagement and establishment of the relevant technical partnerships, e.g. UNEP-FI* and PCAF. Benchmarking – global and local peer gap analysis, emerging green taxonomies from different regulators, climate disclosure and sustainable finance. The group's strategy includes supporting climate resilience and transition to a lower-carbon economy.	Define strategic climate objectives and risk appetite. Develop climate change policy. Assess climate risk within agriculture and commercial property portfolios. Further embed climate change considerations – incorporating externalities – into the pricing of financial resources and performance measurement. Build capacity and train risk professionals on climate change. Integrate group climate change strategy into investment and insurance activities.	Define climate metrics and targets. Align origination strategies with the group's understanding of climate change considerations. Ensure that performance measurement and remuneration promote and reward sustainable value creation. Integrate climate targets and/or goals into remuneration models. Build capacity and train risk professionals on climate change. Board-level agreement through the strategic executive committee that the level of climate-related disclosure is proportionate to the materiality of climate-related risks and opportunities and complies with mandatory reporting requirements. Consideration of climate-related reporting in other jurisdictions in which FirstRand operates.	Assessment of the group's climate strategy and alignment with desired climate outcomes. Disclose high-level climate alignment pathway strategy for FirstRand and 2030 interim pathway for oil and gas.	Commence disclosure of pathways for other high-emission sectors. Track progress for own emissions against 2030 net-zero strategy.

Completed: the milestone has been achieved, with ongoing refinement
In progress: work to achieve the milestone has commenced
Not yet started: work to achieve the milestone has not commenced

* *The United Nations Environment Programme Finance Initiative.*

FirstRand's climate roadmap *continued*

	FY2020 (Phase 1)	FY2021 (Phase 2)	FY2022 – FY2023 (Phase 3)	FY2024 – FY2025 (Phase 4)	FY2026 – FY2027 (Phase 5)
Risk management	Clarify climate terminology and incorporate climate change with other enterprise risk types. Identify processes to determine which climate risks and opportunities could have a material financial impact on the group. Identify climate scenarios to inform the group's assessment of climate change materiality. Start development of transition and physical risk impact measurement methodology.	Describe relevant short-, medium- and long-term time horizons, considering the useful life of the group's assets and infrastructure. Define and embed the process for identifying, prioritising and managing climate-related risks. Incorporate climate risk into the group's environmental and social risk assessment (ESRA) due diligence process, materiality assessment and credit modelling. Risk prioritisation and heat mapping (geographical location, sector-specific vulnerability assessment).	Continue to improve data systems to inform reporting. Understand and prepare for future prudential or regulatory reporting requirements. Review and improve climate assessment within the ESRA due diligence process. 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. 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.	Continue to improve data systems and reporting. Effectively embed climate considerations into relevant business processes, including risk management, monitoring and reporting. Ongoing awareness and capacity building. Continue to enhance data quality of financed emissions and obtain external assurance.	Digitise climate risk reporting and data consolidation processes. Enhance dynamic stress testing capability with internal data.

Completed: the milestone has been achieved, with ongoing refinement

In progress: work to achieve the milestone has commenced

Not yet started: work to achieve the milestone has not commenced

FirstRand's climate roadmap *continued*

	FY2020 (Phase 1)	FY2021 (Phase 2)	FY2022 – FY2023 (Phase 3)	FY2024 – FY2025 (Phase 4)	FY2026 – FY2027 (Phase 5)
Risk metrics and targets	Publication of a thermal coal financing policy. Set a science-based emissions reduction target for group's own operations scope (1 and 2). Disclose group's operational carbon footprint.	Publication of energy financing policy. Initial assessment of carbon emissions in the group's portfolio. 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.	Ongoing policy review. Ongoing assessment of carbon emissions in the group's portfolio.	Sectoral metrics and targets. Set a science-based emissions reduction target for the group's financed emissions. Consider appropriate decarbonisation targets. Set science-based emissions reduction targets and associated alignment pathways for the group's financed emissions. Commence with 2030 oil and gas target. Commence the embedment of climate risk metrics in credit assessment and profiling. Complete rollout of the climate balance sheet measurement approach to broader Africa subsidiaries and the UK operations.	Set appropriate 2030 interim decarbonisation targets for other hard-to-abate sectors. Complete embedment of climate risk metrics in credit risk assessment and profiling. Track and disclose conformance of new business exposures to decarbonisation targets. Refine baseline metrics and maintain comparative data to allow for trend analysis. Provide, where possible, forward-looking metrics. Refine analysis of asset location, activities, and upstream and downstream finance in high-risk areas. Improve reporting metrics on climate balance sheet and alignment approach for internal and external disclosure.

Completed: the milestone has been achieved, with ongoing refinement
In progress: work to achieve the milestone has commenced
Not yet started: work to achieve the milestone has not commenced

FirstRand's climate roadmap *continued*

	FY2020 (Phase 1)	FY2021 (Phase 2)	FY2022 – FY2023 (Phase 3)	FY2024 – FY2025 (Phase 4)	FY2026 – FY2027 (Phase 5)
Climate finance/innovation	Raise awareness about sustainable development opportunities (including climate mitigation and adaptation). Work with investors and funding partners to develop and support sustainable finance.	Develop a group climate change taxonomy (including green, brown and blue asset definitions) for incorporation into ESRA and the origination process. Develop a sustainability bond framework, with a focus on innovation for climate adaptation and mitigation. Consumer engagement.	Measure social and environmental impact of climate financing activities. Identify investors with climate finance objectives and align to opportunities. Refine assessment, approval and data management processes for climate finance.	Define climate finance targets. Ongoing measurement of success. Ongoing stakeholder engagement.	Continue shifting the balance sheet to green and olive assets. Integrate nature-based and climate finance initiatives to provide holistic finance solutions. Expand green bond and loan markets and other innovative financing instruments, including sustainability-linked loans and green mortgages.

Completed: the milestone has been achieved, with ongoing refinement
In progress: work to achieve the milestone has commenced
Not yet started: work to achieve the milestone has not commenced

FirstRand

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