



**THE UNITED NATIONS PRINCIPLES  
FOR RESPONSIBLE BANKING**

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*Reporting and self-assessment template 2022*

## **INTRODUCTION**

In October 2020, FirstRand Limited (FirstRand or the group) became a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (the Principles or PRB). The Principles, launched in September 2019, are designed to provide a universal framework for sustainable banking practices and encourage the sector to demonstrate how it makes a positive contribution to society.

The group believes the intended application of the Principles provides an important underpin to the way financial services can deliver better and more sustainable outcomes for broader society. The Principles reinforce FirstRand's approach to delivering both societal and financial value using core activities. As an emerging market bank and one of the largest, systemic financial institutions in Africa, FirstRand can contribute meaningfully to and learn from this global coalition of more than 300 signatory banks.

FirstRand has four years to reach full compliance with the Principles. This document sets out the group's response to the reporting and self-assessment requirements for signatories of the Principles. It reflects progress made in the first two years since becoming a signatory.

## **SELF-ASSESSMENT TEMPLATE**

The self-assessment template as prescribed by the UNEP FI has been used. The UNEP FI Secretariat uses the disclosed information as the basis of the individual review of each bank's progress, as well as to report the collective progress made by the group of PRB signatories.

# Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the UN Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.

## Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

### Response

The group comprises a portfolio of financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and the UK. Many of these businesses are leaders in their respective segments and markets, and offer a broad range of transactional, lending, investment and insurance products and services.

Approximately 80% of the group's earnings, operations and employees is based in South Africa. The major contributions to the group's normalised earnings are:

- 60% from retail and commercial activities, and
- 26% from corporate and institutional activities.

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

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

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

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.

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

### Links and references

FirstRand annual integrated report 2022<sup>1</sup>, page 3

FirstRand Report to Society 2022<sup>2</sup>, page 4

<sup>1</sup> <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-annual-integrated-report-2022.pdf>

<sup>2</sup> <https://www.firstrand.co.za/media/investors/reports/FirstRand-report-to-society-2022.pdf>

<p>of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords, vehicle owners and savers.</p> <p><b>Asset management:</b> <b>Ashburton Investments</b> represents FirstRand's asset management activities. Ashburton aims to provide superior risk-adjusted returns by combining active fund management expertise with alternative investment solutions and unique portfolio construction strategies to deliver bespoke client solutions.</p>	
<p><b>Strategy alignment</b></p> <p><b>Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?</b></p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p> <p><b>Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?</b></p> <p><input checked="" type="checkbox"/> UN Guiding Principles on Business and Human Rights</p> <p><input checked="" type="checkbox"/> International Labour Organization fundamental conventions</p> <p><input checked="" type="checkbox"/> UN Global Compact</p> <p><input type="checkbox"/> UN Declaration on the Rights of Indigenous Peoples</p> <p><input checked="" type="checkbox"/> Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: The Carbon Tax Act, The Climate Change Bill, The European Union Carbon Border Adjustment Mechanism</p> <p><input checked="" type="checkbox"/> Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: The UK Modern Slavery Act</p> <p><input type="checkbox"/> None of the above</p>	
<p><i>Response</i></p> <p>FirstRand's purpose statement – to build a future of shared prosperity – reflects a deep commitment to deliver both financial value and positive social outcomes for multiple stakeholders.</p> <p>The group believes that to deliver shared prosperity it must intentionally use its core business activities, including its role in allocating capital to the economy, to add value to society – profitably and at scale. This principle of shared prosperity was adopted by the group as a strategic imperative in 2019 and is considered a transformative and sustainable business strategy, albeit a long-term journey. It does require the group to commit to maximise economic, social and environmental value creation from its activities and operations, and to deliberately measure this value. Integral to this objective is assessing whether the group's products and services, and the way they are delivered to customers, address key societal imperatives or only drive profitability.</p> <p>The group is increasingly leveraging its core business resources and activities to intentionally achieve positive, scalable and high-impact societal outcomes whilst delivering superior financial returns. The schematic (on page 9 of the FirstRand</p>	<p><i>Links and references</i></p> <p>FirstRand Report to Society 2022, pages 9, 10-15</p>

Report to Society 2022) describes the mechanisms at the group's disposal to achieve its ambition.

The group believes the intended application of the Principles provides an important underpin to the way financial services can deliver better and more sustainable outcomes for broader society. As an emerging market bank and one of the largest, systemic financial institutions in Africa, FirstRand can meaningfully contribute to and learn from this global coalition by creating societal and financial value using core activities.

The group's societal focus areas are also linked to the SDGs and the Paris Climate Agreement. FirstRand supports the Paris Agreement and commits to aligning its financial flows to help the group's operating jurisdictions realise their nationally determined contributions.

## Principle 2: Impact and target setting

We will continually increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services. To this end we will set and publish targets where we can have the most significant impacts.

### 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

- a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

#### *Response*

The bank's core business areas, and products and services across the main geographies that it operates in, were considered for the impact analysis.

FirstRand's earnings remain tilted towards South Africa and are mainly generated by its large lending and transactional franchises. The impact analysis was based on proportionality and as such was limited to the South African operations for the retail and commercial, and corporate and institutional businesses. These account for over 80% of the group's earnings, operations and employees.

#### *Links and references*

FirstRand Report to Society 2022, page 11

- b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
- i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
  - ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

#### *Response*

Approximately 80% of the group's earnings, operations and employees are based in South Africa. Refer to page 5 of the Report to Society for FirstRand's operating footprint.

The major contributions to the group's normalised earnings are:

- 60% from retail and commercial activities, i.e. FNB; and
- 26% from corporate and institutional activities, i.e. RMB.

#### FNB:

- FNB has 10.96 million active customers, of which:
  - 83% are SA based;

#### *Links and references*

FirstRand Report to Society 2022, page 5

<ul style="list-style-type: none"> <li>○ 87% are retail customers, with 78% being personal customers (&lt;R450k in annual income); and</li> <li>○ 13% are commercial customers.</li> </ul> <ul style="list-style-type: none"> <li>● FNB's lending approach is informed by internal and external data analysis of affordability indicators which suggest that lower-risk, good-quality customers still have further capacity for credit, and have a higher propensity to take up a broader range of financial services products. Levels of new business origination in FNB's retail portfolios reflect a deliberate tilt towards these customers.</li> <li>● The commercial segment has a deliberate sector focus, specifically in the agriculture, public sector and specialised finance lending portfolios. SMEs are a focus, making up approximately 40% of commercial lending. SMEs are important contributors to economic development and employment.</li> </ul> <p>RMB:</p> <ul style="list-style-type: none"> <li>● RMB's business, based on profit before tax contribution: <ul style="list-style-type: none"> <li>○ Banking (64%)</li> <li>○ Markets (28%)</li> <li>○ Private equity (10%)</li> <li>○ Other (-2%)</li> </ul> </li> </ul> <p>RMB funds projects in key sectors such as public-private partnerships, renewable energy, transport, water and telecoms.</p> <p><b>Climate risk</b></p> <p>The FirstRand 2022 TCFD report provides an analysis of FirstRand's exposure to sectors that face high and elevated levels of transition risk and physical risk. FirstRand has prioritised these eight sectors in its climate strategy and commits to facilitating financial flows in support of their transition:</p> <ol style="list-style-type: none"> <li>1. Fossil fuels</li> <li>2. Electricity generation</li> <li>3. Steel and heavy industry</li> <li>4. Chemicals and synthetic fuels</li> <li>5. Cement</li> <li>6. Buildings (real estate)</li> <li>7. Agriculture</li> </ol>	<p>FirstRand analysis of financial results, 30 June 2022, page 29</p> <p>FirstRand annual integrated report 2022, page 38</p> <p>FirstRand TCFD report 2022, pages 7, 64, 65 and 68</p>
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8. Transportation	
The advances exposure and financed emissions of each of these sectors is disclosed in the 2022 TCFD report.	

**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

*This step aims to put your bank's portfolio impacts into the context of society's needs.*

<p><i>Response</i></p> <p>The group used its understanding of local challenges and priorities and mapped these against where it would be able to make the greatest contribution through its current and/or future activities, products and services.</p> <p>The most relevant challenges and priorities related to sustainable development in the group's operating jurisdictions:</p> <ul style="list-style-type: none"> <li>• As most operations are located in South Africa, the economic and social context of the country was prioritised during the impact analysis. Key socio-economic challenges faced by South Africa: <ul style="list-style-type: none"> <li>○ High rates of inequality and poverty</li> <li>○ High unemployment</li> <li>○ Constrained electricity grid (national loadshedding)</li> <li>○ Economic transformation</li> <li>○ Sovereign debt balances</li> <li>○ Recovery from the Covid-19 pandemic</li> </ul> </li> <li>• However, the one exception is climate change, which poses systemic global challenges and opportunities.</li> <li>• The analysis also considered inputs and insights from relevant stakeholders including customers, investors, suppliers, non-governmental organisations (NGOs), employees and senior management.</li> </ul>	<p><i>Links and references</i></p> <p>FirstRand Report to Society 2022, page 11</p> <p>Chairman's report in the FirstRand annual integrated report 2022, pages 12-15</p> <p>FirstRand Report to Society 2022, page 6</p>
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Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

<p><i>Response</i></p> <p>The impact analysis informed focus areas for business. Various working groups and formal steering committees were established to ensure appropriate oversight, with guidance and intent cascaded down into the relevant teams within the business. Strategic initiatives, at various levels of maturity, were then identified by</p>	<p><i>Links and references</i></p> <p>FirstRand Report to Society 2022, pages 12-14</p>
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<p>those closest to the relevant business activities or areas of impact. Initiatives were subsequently prioritised by the steering committees based on the potential scale of the impacts. The group is allocating dedicated capacity to measure progress against each of the focus areas.</p> <p>The group acknowledges the negative climate impact of coal, oil and gas and has set funding limits on these sectors.</p> <p>Low levels of financial literacy in certain consumer segments can result in customers taking up potentially unsuitable products. This can be exacerbated by the complexity of some products, particularly credit. To mitigate this risk to customers the group has governance frameworks, policies and processes in place to support the fair treatment of customers. In addition, the group has financial literacy education programmes that help existing and potential customers make informed financial decisions.</p>	<p>FirstRand policy on energy and fossil fuels financing<sup>3</sup></p> <p>FirstRand Report to Society 2022, pages 70-76</p>
<p>The group is pursuing opportunities to increase positive impacts through the following focus areas.</p> <p><b>Retail:</b></p> <p><b>Financial inclusivity</b></p> <ul style="list-style-type: none"> <li>• <i>Improve efficiency of social grant distribution:</i> Assist the South African Social Security Agency with the distribution of grants through easier and faster payment. Ensure at the same time that recipients can access their funds easily.</li> <li>• <i>Digitising cash in communities:</i> Scale current merchant-acquiring infrastructure in previously disadvantaged communities and roll out low-cost point-of-service devices in selected townships.</li> <li>• <i>eWallet on platform:</i> Leverage the functionality of eWallet through reconfiguring the solution to create payment functionality attractive to unbanked customers who face security challenges associated with transacting with cash.</li> <li>• <i>Entry bankers:</i> Aim to assist unemployed youth by providing them with the corporate experience to prepare them for entry into the job market.</li> </ul> <p><b>Financial vulnerability</b></p> <ul style="list-style-type: none"> <li>• <i>Financial and digital literacy:</i> Put in place consumer education initiatives designed to improve the financial literacy levels of certain consumers in South Africa. This will enable these customers to become more financially resilient, and create awareness of the benefits of electronic or digital transactional interfaces.</li> <li>• <i>Integrated advice (previously money management):</i> Create initiatives to assist customers and own employees to achieve financial wellness by making positive changes to their financial behaviour.</li> </ul> <p><b>Property and affordable housing</b></p> <ul style="list-style-type: none"> <li>• <i>Property unlock:</i> Enable households with untitled properties (and thus limited access to finance) to formalise ownership and subsequently unlock the value of the property through more appropriately priced secured lending products.</li> </ul>	<p>FirstRand Report to Society 2022, pages 12-14</p>

<sup>3</sup> <https://www.firststrand.co.za/media/investors/policies-and-practice/pdf/firststrand-policy-on-energy-and-fossil-fuels-financing-2022.pdf>

- *Affordable housing*: Enable higher home ownership levels in low-income segments through innovative funding models and partnerships.

#### **Climate change**

- *ecoEnergy home loan*: Provide a rate concession to EDGE-certified developments (supported by customer campaigns to drive financing of green solutions via equity in home loans).
- *Green solutions*: Create lending products to enable customers to purchase green solutions.
- *Strategic partnerships*: Offer reputable emission and water reduction products and services on the FNB app.

#### **Commercial:**

##### **Economic transformation**

- *SME development*: Put in place various business development support programmes focused on unlocking opportunities for majority black-owned SMEs at different stages of their business cycles or in specific sectors.
- *Supplier development*: Provide access to finance options for black-owned suppliers through a development programme for qualifying suppliers in FirstRand's and other supply chains.
- *Women in business*: Implement a women in business strategy aimed at creating networks to assist women-owned businesses.
- *Transformational agriculture*: Support the transformation of the sector through growing a larger base of black commercial farmers. Provide technical and funding assistance to these farmers in partnership with development financial institutions (DFIs) and supply chain players.
- *Community economy*: Provide efficient banking solutions for currently unbanked businesses in and around township economies (community economy).

##### **Financial wellness**

- *Employee benefits*: Promote financial inclusion via the employer relationship, executed through the employer's commitment to supporting employee retirement and long-term saving.

##### **Climate change**

- *Sustainable finance*: Provide funding to address energy cost certainty and emission reduction, primarily through alternative, renewable energy solutions, and secondly through energy efficiency solutions.
- *Sustainable agriculture*: Put in place initiatives aimed at resource and crop sustainability.

#### **Corporate and institutional:**

##### **Climate change**

- *Infrastructure finance*: Fund projects arising from South Africa's renewable energy independent power producer procurement programme.
- *Real estate investment banking*: Enable the development of green buildings.
- *Resources*: Support clients that are implementing renewable energy own-use projects.

<ul style="list-style-type: none"> <li>• <i>Debt and trade solutions</i>: Direct capital, via the use of proceeds, to climate-positive activities.</li> </ul> <p>Funding mechanisms to include:</p> <ul style="list-style-type: none"> <li>• Sustainability-linked loans with pricing anchored to targets such as energy efficiency, water efficiency and greenhouse gas emission reductions.</li> <li>• Green/social/sustainability bond issuances per the group's sustainability bond framework, which is aligned to the EU green taxonomy and relevant International Finance Corporation guidance.</li> <li>• Direct finance through partnering with DFIs with climate mandates.</li> </ul> <p><b>Inclusive growth</b></p> <p>Transform business ecosystems through:</p> <ul style="list-style-type: none"> <li>• Structuring equity participation opportunities in projects and businesses for capital-constrained stakeholders.</li> <li>• Supply chain financing that benefits the relevant SME and offtaker.</li> <li>• Structuring transactions that incorporate inclusive growth targets including procurement, black economic empowerment credentials and gender considerations, where appropriate.</li> <li>• Enabling broader access to appropriate investment products, for example through affordable exchange-traded notes.</li> </ul> <p><b>Productive capital formation</b></p> <p>Originate infrastructure assets that promote positive social and environmental impacts.</p> <ul style="list-style-type: none"> <li>• To support this ambition, the infrastructure finance business has developed a framework to prioritise projects that have a material impact on local economies in the context of both climate and broader socio-economic goals.</li> <li>• Product development is focused on channelling capital from new sources to opportunities that have historically been capital constrained, e.g. water infrastructure.</li> </ul>	
<p><b>d) For these (min. two prioritized impact areas): <u>Performance measurement</u>.</b> Has your bank identified which sectors &amp; industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.</p> <p>In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&amp;inclusion as your most significant impact areas, please also refer to the applicable indicators in the <a href="#">Annex</a>.</p> <p>If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.</p> <p><i>The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.</i></p>	
<p><i>Response</i></p> <p><b>Climate change</b></p> <p><u>Key sectors</u>: Refer to 2.1.b) impact analysis, portfolio composition, page 6, that explains how the eight key sectors were identified (high transition and high physical climate risk).</p>	<p><i>Links and references</i></p> <p>FirstRand TCFD report 2022, pages 7, 64, 65, 68</p>

<p><u>Indicators:</u> The advances exposure and financed emissions of each key sector is disclosed in the 2022 TCFD report.</p> <p><b>Financial health and inclusion</b></p> <p><u>Key customer segments:</u> These include underserved communities, low-income households and SMEs. The group aims to better serve unbanked and under-banked customers by focusing on increasing their access to financial services as well as by helping them make more informed financial decisions.</p> <p><u>Indicators:</u> During the year theory of change workshops were facilitated for most of the strategic initiatives to identify and confirm:</p> <ul style="list-style-type: none"> <li>• the societal objective of the initiative;</li> <li>• the intended medium- and longer-term impacts for the beneficiaries; and</li> <li>• performance metrics.</li> </ul> <p>The teams have started to report internally on the identified metrics and in some instances these are already reported externally. Most metrics are of a short-term input and output nature, however, the group intends to measure relevant impact metrics in the longer term.</p> <p>The schematic on pages 12 to 14 of the FirstRand Report to Society includes a progress on metrics column that indicates where metrics have been identified and whether they are currently being reported internally and/or externally. External metrics are disclosed in the report.</p>	<p>FirstRand Report to Society 2022, pages 12-14</p>
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**Self-assessment summary:**

**Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?**

- Scope:  Yes  In progress  No
- Portfolio composition:  Yes  In progress  No
- Context:  Yes  In progress  No
- Performance measurement:  Yes  In progress  No

**Which most significant impact areas have you identified for your bank, as a result of the impact analysis?**

- *Climate change mitigation, climate change adaptation*
- *Financial health & inclusion*
  - *Sub-topics: property and affordable housing, economic transformation.*
- *Inclusive growth and productive capital formation*

**How recent is the data used for and disclosed in the impact analysis?**

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

## 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

### *Response*

The following frameworks were identified as the most relevant and aligned with the group's focus areas. The use of the prioritised frameworks will help to ensure that the focus areas and targets support and drive contributions to the national and global sustainability goals.

- South Africa's Green Finance Taxonomy
- The Amended Financial Sector Code
- Broad-Based Black Economic Empowerment Amendment Act
- Amended Codes of Good Practice for broad-based black economic empowerment
- South Africa's Integrated Resource Plan

In addition, FirstRand supports the Paris Agreement and commits to assisting the countries where the group operates to realise their Nationally Determined Contributions. Some businesses used the SDGs as an additional reference point when identifying their focus areas.

### *Links and references*

FirstRand report to society 2022, pages 12-15

FirstRand TCFD report 2022<sup>4</sup>, pages 63-67

**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes.

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

### *Response*

#### Climate change

Total financed emissions are used as a core metric to track alignment with the group's net-zero commitment. Work has progressed on metrics that are designed to measure FirstRand's alignment to pathways consistent with achieving net zero for financed emissions by 2050. The 2022 TCFD report outlines the indicative reduction pathway for FirstRand's financed emissions, using a 2022 baseline.

### *Links and references*

FirstRand TCFD report 2022, pages 32, 67, 68

<p>FirstRand uses financed emissions intensity estimates to assess whether, on average over a long-term horizon, the group's financed emissions are trending in line with the group's net-zero commitment.</p> <p>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.</p> <p><u>Other focus areas</u></p> <p>The group is in the process of completing theory of change workshops for the other strategic initiatives. Once this process is finalised the group will have to identify and confirm performance metrics, which will allow the group to identify appropriate targets with relevant baselines for the metrics.</p>	<p>FirstRand Report to Society 2022, page 12</p>
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<p><b>c) <u>SMART targets</u></b> (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.</p>	
<p><i>Response</i></p> <p>The group has set out targets for climate change, as outlined below.</p> <p>The group is currently engaging internally on the establishment of metrics to measure its progress against each of the other focus areas, which will enable the group to set targets that address the identified areas of most significant impact. These selected metrics and targets will be disclosed in future reports.</p>	<p><i>Links and references</i></p> <p>FirstRand Report to Society 2022, pages 12-15</p>
<p><b>Climate change:</b></p> <p>FirstRand supports the Paris Agreement and commits to aligning its financial flows to help the group's operating jurisdictions realise their nationally determined contributions. It is the long-term ambition of FirstRand to be net zero by 2050 for scope 1, 2 and 3 emissions.</p> <p>FirstRand's climate change strategy is guided by science and well-researched transition pathways. The South African transition pathway is anchored in the National Business Initiative pathway.</p> <p>FirstRand's updated climate ambitions:</p> <ul style="list-style-type: none"> <li>• Own emissions: Net zero by 2030 (for South African operations)</li> <li>• Financed emissions: Net zero by 2050</li> <li>• Transition finance facilitation: R200 billion by 2026</li> <li>• New thermal coal lending: <ul style="list-style-type: none"> <li>○ No financing for new coal-fired power stations</li> </ul> </li> </ul>	<p>FirstRand TCFD report 2022, pages 11 and 63-67</p>

<sup>4</sup> <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-tcf-report-2022.pdf>

<ul style="list-style-type: none"> <li>○ No direct project finance provided to new coal mines from 2026</li> <li>● Existing thermal coal lending: <ul style="list-style-type: none"> <li>○ 2% advances limit reduced to 1.5% in 2026 and 1% in 2030</li> </ul> </li> <li>● Oil and gas lending: <ul style="list-style-type: none"> <li>○ 2.5% advances limit on upstream oil and gas</li> </ul> </li> <li>● Customer engagement: <ul style="list-style-type: none"> <li>○ Top 100 corporate clients in 2022</li> <li>○ Top 200 corporate clients in 2023</li> <li>○ 3 million retail clients by 2025</li> </ul> </li> </ul>	
<p><b>d) <u>Action plan:</u></b> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p><i>Response</i></p> <p>FirstRand has developed a five-year climate roadmap which tracks the group's ambitions and progress.</p> <p>The 2022 TCFD report explains how the group's businesses are addressing climate change through strategy, product development and balance sheet deployment, including:</p> <ul style="list-style-type: none"> <li>● Incorporating climate factors into financial resource management</li> <li>● FirstRand climate balance sheet</li> <li>● Reduction pathway for financed emissions</li> <li>● Client solutions</li> <li>● Resilience of own operations and own emissions</li> </ul>	<p><i>Links and references</i></p> <p>FirstRand TCFD report 2022, pages 8-10, 82-83</p> <p>FirstRand TCFD report 2022, pages 28-45, 73-75</p>



### Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	<i>Climate change</i>	<i>Financial health and inclusion</i>	<i>Inclusive growth and productive capital formation</i>
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No

### 2.3 Target implementation and monitoring (Key Step 2)

#### For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

<i>Response</i>	<i>Links and references</i>
<p><b>Climate change:</b> The 2022 TCFD report indicates the commitments and ambitions met in the 2022 financial year.</p> <p>The governance section of the report explains the structures and processes to ensure the group is on track to meet its commitments and ambitions.</p> <p>Delivery against both climate risk management and growth opportunity objectives has been incorporated into the remuneration scorecards for executive directors and prescribed officers, key environmental and social risk teams and sustainable finance focused teams.</p>	<p>FirstRand TCFD report 2022, page 11</p> <p>FirstRand TCFD report 2022, pages 15-26</p> <p>FirstRand TCFD report 2022, page 23</p>

**Other focus areas**

- Various working groups and formal steering committees were formed to oversee these focus areas and to cascade the guidance and intent to the relevant teams within the business. Part of the steering committees' oversight responsibilities include compliance with the Principles and tracking progress against the strategic initiatives.
- Climate and other environmental, social and governance (ESG) metrics have been included in executive director and prescribed officer scorecards.

FirstRand Report to Society 2022, page 12

FirstRand remuneration report 2022<sup>5</sup>, pages 16-19

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<sup>5</sup> <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-remuneration-report-2022.pdf>

## Principle 3: Clients and customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes       In progress       No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

*This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).*

*Response*

#### Climate change

Refer to the strategy section of the 2022 TCFD report for climate solutions implemented during the year.

#### Financial health and inclusion

The fair treatment of customers is foundational to the group's business strategy. The group has continued to calibrate its governance frameworks, policies and processes to support this objective. Key policies are published on the FirstRand ESG hub on the group's website.

The FirstRand Report to Society includes many examples of products and services that encourage and enable sustainable practices and economic activities for customers. Some examples are the following:

- Financial literacy, education spend and programmes: Financial education initiatives target the low-income market and aim to help consumers make informed financial decisions. During the year the group reached 31 598 of them through financial literacy workshops.
- SME development: FNB has long-standing initiatives that support SME development, such as mentorship programmes for black-owned SMEs with the potential for high growth and significant job creation.
- FNB agricultural transformation: FNB's agriculture solutions encourage and enable commercial farmers to proactively engage in transformation initiatives

*Links and references*

FirstRand TCFD report 2022, pages 33-44

FirstRand ESG resource hub (policies)<sup>6</sup>

FirstRand Report to Society 2022, pages 50-66, 71-76

<sup>6</sup> <https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/>

<p>designed to empower black farmers, their employees and the communities in which they operate.</p> <ul style="list-style-type: none"> <li>• <u>Easy Zero</u>: An entry-level transactional bank account with no monthly account fees.</li> <li>• <u>CashPlus</u>: FNB partners with merchants in Zambia, Botswana, Eswatini, Lesotho, Ghana and Namibia who act as agents of the bank to provide day-to-day banking services to customers through the CashPlus channel.</li> <li>• <u>FNB's funeral and Life Simplified micro insurance products</u>: Provide affordable entry-level insurance products.</li> <li>• <u>Integrated advice</u>: FNB provides integrated advice through education, insights and platform solutions for both employees and customers. The objective is to improve financial literacy, resilience and independence, and product uptake.</li> </ul>	
<p><b>3.2 Business opportunities</b></p> <p>Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p>	
<p><i>Response</i></p> <p>Refer to 2.1 (c) for detailed description of the business opportunities (strategic initiatives) identified as aligned to each of the focus areas.</p> <p>The FirstRand Report to Society includes many examples of existing products and services and sustainable products developed. Some examples are outlined below.</p> <ul style="list-style-type: none"> <li>• In line with stated commitments, RMB facilitated R26.4 billion in sustainable and transition finance during the 2022 financial year. Since inception the RMB sustainable finance team has successfully implemented a number of transactions, including: <ul style="list-style-type: none"> <li>○ the issuance of Rand Water's sustainability-linked bond (SLB) – the first in Africa and also the single largest rand-denominated SLB to be issued (R1.2 billion);</li> <li>○ at the time of execution, the largest listed SLB in the real estate investment trust sector in South Africa for Redefine Properties (R1.0 billion);</li> <li>○ the first syndicated sustainability-linked loan (SLL) in Africa for Mediclinic (R8.45 billion);</li> <li>○ the first green loan in the sub-Saharan Africa real estate sector for Equites Property Fund (R225 million);</li> <li>○ the first ESG-linked capital call facility for Helios Fund IV; and</li> </ul> </li> </ul>	<p><i>Links and references</i></p> <p>FirstRand Report to Society 2022, page 21</p>

<ul style="list-style-type: none"> <li>○ FNB Namibia's inaugural N\$353 million green bond issuance.</li> <li>• FNB's commercial business currently funds EDGE-certified green building developments. In November 2021, FNB and Balwin Properties concluded a funding deal for a R450 million residential development.</li> <li>• R784 million was committed in the 2022 financial year to green home loans.</li> <li>• FNB's lending to South African SMEs in the 2022 financial year amounted to R63 billion.</li> <li>• R806 million was deployed the agricultural transformation structures in the 2022 financial year.</li> </ul>	<p>FirstRand Report to Society 2022, pages 27-28</p> <p>FirstRand Report to Society 2022, page 30</p> <p>FirstRand Report to Society 2022, page 38</p>
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## Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes       In progress       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

#### Response

In the execution of its governance role and responsibilities, the board adopts a stakeholder-inclusive approach that incorporates the legitimate needs, interests and expectations of the following material stakeholders:

- employees;
- shareholders;
- customers;
- partners;
- suppliers;
- governments;
- civil society; and
- communities.

The FirstRand group is cognizant of the significant role its stakeholders play in its continued success. The board aims to understand the requirements of its stakeholders and duly considers their legitimate needs and interests in the performance of its duties. The management of stakeholders is proactive and allocated to the appropriate central functions or business units. The group's governance structures ensure that material stakeholder concerns are escalated to appropriate committees to be addressed.

#### Links and references

FirstRand corporate governance report 2022<sup>7</sup>, pages 42-43

<sup>7</sup> <https://www.firststrand.co.za/media/investors/annual-reporting/firststrand-corporate-governance-report-2022.pdf>

When identifying the group focus areas under the Principles, the analysis also considered inputs and insights from relevant stakeholders including customers, investors, suppliers, NGOs, employees and senior management.

**Climate change**

The group has committed to engaging the following clients on climate change:

- Top 100 corporate clients in 2022
  - This was achieved in the financial year.
  - The purpose was to understand clients' levels of climate strategy implementation, including their transition pathways and the support required.
  - The graph on page 37 illustrates customer climate maturity against sector climate risk rating.
- Top 200 corporate clients in 2023
- Three million retail clients in 2025

FirstRand Report to Society 2022, page 11

FirstRand TCFD report 2022, pages 11 and 37

## Principle 5: Governance and culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

### 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes       In progress       No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

#### *Response*

#### **FirstRand board**

Ultimate oversight of environmental, social and corporate governance matters rests with the board. The board delegates authority to board committees and management committees for oversight at a group level.

#### **FirstRand social, ethics and transformation committee**

FirstRand's social, ethics and transformation committee (Setcom) is a mandated board committee. The role of the committee is to assist the board with ensuring responsible social and ethical business practices across the group, and monitoring group activities with regard to the Companies Act, King IV, the committee terms of reference and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development matters.

#### **FirstRand risk, capital management and compliance committee**

The committee is a mandated board committee. It provides independent oversight of risk, capital management and compliance activities undertaken in the group. The committee provides oversight of the group's climate risk profile, measurement, quantification, scenario analysis, stress testing and impact on other risk types.

#### **FirstRand sustainability and governance executive committee**

The FirstRand sustainability and governance executive committee is a subcommittee of the FirstRand strategic executive committee (Stratco).

The committee's primary objective is to support Stratco and Setcom in carrying out their mandates to ensure group activities are appropriately calibrated to identified environmental, social, economic and corporate governance outcomes.

#### *Links and references*

FirstRand Report to Society 2022, page 16



<p><b>Other management committees and working groups</b></p> <p>There are various management committees and working groups across the organisation that focus on the management of environmental, social, economic and corporate governance risk and performance, i.e.</p> <ul style="list-style-type: none"> <li>• the climate change steering committee;</li> <li>• business level social, ethics and transformation committees; and</li> <li>• the group environmental and social risk governance committee.</li> </ul> <p>Various working groups and formal steering committees were established at an operating business level to ensure appropriate oversight of the Principles, with guidance and intent cascaded down into the relevant teams within the business. The group is allocating dedicated capacity to measure progress against each of the focus areas.</p>	<p>FirstRand Report to Society 2022, page 12</p>
<p><b>5.2 Promoting a culture of responsible banking:</b></p> <p>Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).</p>	
<p><i>Response</i></p> <p><b>The board of directors and senior executives</b> are held accountable for ensuring a culture of doing the right thing. The sustainability and governance executive committee has the mandate to ensure fair and sustainable outcomes for customers and that business practices are based on an ethical culture.</p> <p><b>The code of ethics</b> (the code) provides guidance on ethical decision-making and behaviour. It creates a common understanding of how the group expects its people to behave.</p> <p>Given FirstRand's activities as a financial services business, the risk of theft, fraud and corruption is continually monitored, and controls are implemented to prevent such occurrences. FirstRand relies on its employees to be alert to any potential incidents and to take appropriate action so that its customers, business and reputation are safeguarded against associated losses. <b>The Leading Light reward programme</b> incentivises employees to detect, prevent and report unethical practices. The programme is managed by FirstRand's ethics office and has a long track record of detecting and preventing losses caused by unethical practices.</p> <p><b>The executive directors' and prescribed officers' scorecards</b> fully incorporate strategy, risk and control as well ESG measures.</p> <p><b>Group-wide climate change training</b></p> <p><u>Employee training programme</u></p> <p>A climate change training and awareness programme has been developed for employees across the group. The programme has been developed</p>	<p><i>Links and references</i></p> <p>FirstRand Report to Society 2022, page 71</p> <p>FirstRand code of ethics<sup>8</sup></p> <p>FirstRand Report to Society 2022, page 93</p> <p>FirstRand remuneration report 2022, pages 16-19</p> <p>FirstRand TCFD report 2022, page 45</p>

<sup>8</sup> <https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/code-of-ethics.pdf>

<p>at two levels: for employees who require general awareness and for those who require deep understanding of the topic. The first part of the training was rolled out in October 2021 to 32 000 employees and has been completed by more than 20 000 employees so far.</p> <p>Members of the climate technical committee participate in external climate training programmes.</p> <p><u>Board and executive training</u></p> <p>Board members and executives receive formal climate change training twice a year. In addition, comprehensive climate progress reports are submitted to board subcommittees.</p>	
<p><b>5.3 Policies and due diligence processes</b></p> <p>Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.</p> <p>Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.</p>	
<p><i>Response</i></p> <p>FirstRand's ESG policies that address environmental and social risks within the portfolio can be found on the ESG resource hub on the FirstRand website.</p> <p><u>Examples of relevant policies:</u></p> <ul style="list-style-type: none"> <li>• FirstRand policy statements relating to restrictions on the financing of certain sectors or activities;</li> <li>• FirstRand policy on energy and fossil-fuel financing;</li> <li>• FirstRand gender-based violence and harassment policy statement;</li> <li>• FirstRand employment equity policy statement; and</li> <li>• FirstRand privacy policy statement.</li> </ul> <p><u>Transactional due diligence</u></p> <p>The group's environmental and social risk assessment (ESRA) transactional due diligence process is integrated into its credit risk governance process. It identifies and assesses environmental, social and regulatory or reputational risks, to either FirstRand or its clients, that have the potential to cause severe societal and environmental degradation and negatively impact the ability of clients to meet their credit commitments.</p>	<p><i>Links and references</i></p> <p>FirstRand ESG resource hub (policies)</p> <p>FirstRand Report to Society 2022, pages 116-121</p>

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No

## Principle 6: Transparency and accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes       Partially       No

If applicable, please include the link or description of the assurance statement.

#### Response

FirstRand will obtain an independent review within the four-year timeframe.

#### Links and references

### 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: Equator Principles, United Nations Principles for Responsible Investing (PRI)

#### Response

There is a large universe of sustainability frameworks, each with their own objectives and focus areas. FirstRand chooses to use frameworks, or elements thereof, that add value to the group and its stakeholders.

The group has identified a prioritised list of globally accepted ESG frameworks that are widely adopted, relevant to the group's business and useful to internal and external stakeholders.

#### Links and references

FirstRand Report to Society 2022, pages 127-129

### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

#### Response

The main focus for the next 12-month reporting period is to finalise the establishment of metrics for each of the identified focus areas and to set targets based on the established metrics.

#### Links and references

FirstRand Report to Society 2022, page 12

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |  |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input type="checkbox"/> Customer engagement             |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input type="checkbox"/> Stakeholder engagement          |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability               |
| <input type="checkbox"/> Conducting an impact analysis   | <input checked="" type="checkbox"/> Data quality         |
| <input checked="" type="checkbox"/> Assessing negative environmental and social impacts        | <input type="checkbox"/> Access to resources             |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies            | <input type="checkbox"/> Reporting                       |
| <input checked="" type="checkbox"/> Setting targets  | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other: ...  | <input type="checkbox"/> Prioritizing actions internally |