



**THE UNITED NATIONS PRINCIPLES
FOR RESPONSIBLE BANKING**

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Reporting and self-assessment template 2023

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 three 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, and 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, for example by disclosing the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or 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
- 25% 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 in 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.

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.

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 Report to Society 2023¹, page 5

FirstRand analysis of financial results, 30 June 2023², page 14

¹ <https://www.firstrand.co.za/media/investors/reports/FirstRand-report-to-society-2023.pdf>

² <https://www.firstrand.co.za/media/investors/annual-reporting/fsr-analysis-of-financial-results-booklet-june-2023.pdf>

<p>of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords, vehicle owners and savers.</p> <p>Asset management: Ashburton Investments represents FirstRand's asset management activities. Ashburton aims to provide superior risk-adjusted returns by combining active fund management expertise with alternative investment solutions and unique portfolio construction strategies to deliver bespoke client solutions.</p>	
<p>Strategy alignment</p> <p>Does your corporate strategy identify and reflect sustainability as a strategic priority or priorities for your bank?</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 SDGs, the Paris Climate Agreement, and relevant national and regional frameworks.</p> <p>Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?</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 or 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 11 of the FirstRand</p>	<p><i>Links and references</i></p> <p>FirstRand Report to Society 2023, pages 11-18</p>

Report to Society 2023) 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.

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 assisting the countries where the group operates to realise their Nationally Determined Contributions (NDCs).

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/contain the following 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, and products and 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 2023, page 13

- 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
- by sectors and industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
 - by products and 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 is based in South Africa. Refer to page 7 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
- 25% from corporate and institutional activities, i.e. RMB.

FNB:

- FNB has 11.49 million active customers, of which:
 - 82% are SA based, of which:

Links and references

FirstRand Report to Society 2023, page 7

<ul style="list-style-type: none"> ▪ 87% are retail customers, with 76% being personal customers (<R450k in annual income); and ▪ 13% are commercial customers. <ul style="list-style-type: none"> • FNB's retail lending approach is informed by internal and external data analysis related to affordability indicators, which continue to suggest that low-to-medium-risk customers still have capacity for credit and a higher propensity to take up a broader range of financial services products. • The commercial segment has a deliberate sector focus, specifically in the agriculture, public sector and specialised finance lending portfolios. SMEs are a focus as they are important contributors to economic development and employment. <p>RMB:</p> <ul style="list-style-type: none"> • RMB's business, based on profit before tax contribution: <ul style="list-style-type: none"> ○ Banking (67%) ○ Markets (20%) ○ Private equity (16%) ○ Other* (-3%) <p>RMB funds projects in key sectors such as public-private partnerships, renewable energy, transport, water and telecoms.</p> <p><i>*Other includes support and head office activities.</i></p> <p>Climate risk</p> <p>The FirstRand Basel Pillar 3 disclosure for the year ended 30 June 2023 provides an analysis of FirstRand's exposure to climate-sensitive sectors. The group defines climate-sensitive sectors as those that either contribute disproportionately towards climate change and are therefore subject to high transition risk, or sectors where climate change is expected to have a severe impact on the portfolio through physical risk events. The group has prioritised eight key sectors which are carbon-intensive and hard-to-abate (high emissions). They include:</p> <ol style="list-style-type: none"> 1. Thermal coal (including electricity utilities) 2. Upstream oil and gas 3. Agriculture 4. Chemicals and synthetic fuels 	<p>FirstRand analysis of financial results, 30 June 2023, pages 28-29</p> <p>FirstRand analysis of financial results, 30 June 2023, page 37</p> <p>FirstRand Basel Pillar 3 disclosure 2023³, pages 126-128 and 133-135</p> <p>FirstRand climate strategies report 2023⁴, page 10</p>
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³ <https://www.firstrand.co.za/media/investors/basel/firstrand-basel-pillar-3-disclosure-june-2023.pdf>

⁴ <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-climate-change-strategies-report-2023.pdf>

<p>5. Steel</p> <p>6. Cement</p> <p>7. Transport</p> <p>8. Real estate</p> <p>The advances exposure and financed emissions of each of these sectors are disclosed in the Basel Pillar 3 disclosure report.</p>	
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<p>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 which stakeholders you have engaged to help inform this element of the impact analysis.</p> <p><i>This step aims to put your bank's portfolio impacts into the context of society's needs.</i></p>	
<p><i>Response</i></p> <p>FirstRand conducted an impact analysis in 2021 and identified current and emerging issues that present both risks to and opportunities for social and financial value creation.</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 (identified as part of the 2021 impact analysis):</p> <ul style="list-style-type: none"> • As most operations are 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 are the following: <ul style="list-style-type: none"> ○ High rates of inequality and poverty ○ High unemployment ○ Constrained electricity grid (national loadshedding) ○ Economic transformation ○ Sovereign debt balances ○ Recovery from the Covid-19 pandemic • In 2023, the group was impacted by geopolitical issues, high inflation rates, high interest rates, high cost of living, sovereign and household 	<p><i>Links and references</i></p> <p>FirstRand Report to Society 2023, page 13</p> <p>Chairman's report in the FirstRand annual integrated report 2022⁵, pages 12-15</p> <p>Analysis of financial results 30 June 2022⁶, pages 14-15</p> <p>FirstRand results presentation 30 June 2022⁷, pages 5-6</p> <p>Material risk factor disclosure 2022⁸, pages 1-2</p>

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

⁶ <https://www.firstrand.co.za/media/investors/financial-results/fsr-analysis-of-financial-results-booklet-june-2022.pdf>

⁷ <https://www.firstrand.co.za/media/investors/financial-results/fsr-results-presentation-june-2022.pdf>

⁸ <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-material-risk-factor-disclosure-2022.pdf>

<p>debt, and low growth. These issues reinforce the challenges identified during the impact analysis performed in 2021 and the relevance of the focus areas selected.</p> <ul style="list-style-type: none"> • Climate change poses systemic global challenges and opportunities. Approximately 90% of FirstRand's earnings emanate from the African continent, which is already economically and socially vulnerable, and expected to be severely impacted by climate change. • The analysis also incorporated qualitative feedback from relevant stakeholders including customers, investors, suppliers, non-governmental organisations (NGOs), employees and senior management. 	<p>FirstRand results presentation 30 June 2023⁹, pages 1-2</p> <p>Material risk factor disclosure 2023¹⁰, pages 1-2</p> <p>FirstRand Report to Society 2023, page 8</p> <p>Chairman's report 2023¹¹, pages 1-3</p>
<p>Based on these three elements (a, b and c listed above), which positive and negative impact areas has your bank identified in its impact analysis? Which (at least two) significant impact areas did you prioritise to pursue your target-setting strategy (see 2.2)? Please disclose.</p>	
<p><i>Response</i></p> <p>The 2021 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 into the relevant teams within the business. Strategic initiatives, at various levels of maturity, were then identified by 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 has allocated dedicated resources 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><i>Links and references</i></p> <p>FirstRand Report to Society 2023, pages 14-17</p> <p>FirstRand policy on energy and fossil fuels financing¹²</p> <p>FirstRand Report to Society 2023, pages 79-82</p>
<p>The group is pursuing opportunities to increase positive impacts through the three focus areas of climate change, financial wellness and inclusion, and productive capital formation. These three areas are made up of various strategic initiatives within the retail, commercial, and corporate and institutional segments, as outlined below:</p>	<p>FirstRand Report to Society 2023, pages 14-17</p>

⁹ <https://www.firstrand.co.za/media/investors/annual-reporting/fsr-results-presentation-june-2023.pdf>

¹⁰ <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-material-risk-factor-disclosure-2023.pdf>

¹¹ <https://www.firstrand.co.za/media/investors/directors-reports/chairman-report-2023.pdf>

¹² <https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/firstrand-policy-on-energy-and-fossil-fuels-financing-2022.pdf>

Retail:

Financial inclusivity

- *Improve efficiency of social grant distribution:* 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.
- *Digitise cash in communities:* Scale current merchant-acquiring infrastructure in previously disadvantaged communities and roll out low-cost point-of-service devices in selected townships.
- *eWallet on platform:* Leverage electronic wallet functionality to create payment channels for unbanked customers who face security challenges associated with transacting with cash.
- *Community advisors (previously entry bankers):* Train unemployed youth to work in communities, thus assisting with job market opportunities.

Financial vulnerability

- *Financial and digital literacy:* 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.
- *Integrated advice:* Create initiatives to assist customers and own employees to achieve financial wellness by making positive changes to their financial behaviour.

Property and affordable housing

- *Property unlock:* 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.
- *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:

During 2023, the corporate and institutional initiatives were refined and additional initiatives have been added.

Climate change and environment

- *Infrastructure finance*: Fund projects arising from South Africa's renewable energy independent power producer procurement programme, private power and other renewable energy opportunities across Africa.
- *Real estate investment banking*: Enable the development of green and energy-efficient buildings.
- *Resource finance and advisory*: Support a just transition and enable the production of critical minerals (essential components in clean energy technologies, e.g. copper, lithium, nickel and cobalt).
- *Debt and trade solutions*: Funding for environmental and climate-positive activities.

Expanded focus includes:

- Carbon finance and markets.
- Natural capital solutions.

Funding and investment mechanisms include:

- Green/social/sustainability bond issuances aligned to international standards such as International Capital Market Green Bond Principles, social bond principles and sustainability-linked bond principles.
- Green/social/sustainability loans aligned to international standards such as Loan Market Association Green Loan Principles, Social Loan Principles and Sustainability-Linked Loan Principles.
- Direct finance through partnering with DFIs with climate mandates.
- Green equity.

Inclusive growth

Developing and supporting solutions to reduce inequality, which promote a direct and measurable positive impact for target populations that are underserved or marginalised.

<p>Transform ecosystems through:</p> <ul style="list-style-type: none"> • Setting specific facilitation targets for transactions that promote inclusive growth. • Structuring equity participation opportunities in projects and businesses to promote socio-economic advancement and empowerment. • Prioritising social loans and the integration of social key performance indicators (KPIs) in sustainability-linked instruments. • Structuring transactions that incorporate inclusive growth targets, including procurement, black economic empowerment credentials and gender considerations, where appropriate. • Enabling broader access to appropriate investment products, for example through affordable exchange-traded notes. <p>Productive capital formation</p> <p>Support the growth of public and private physical assets and infrastructure development, which contribute to increased economic activity.</p> <p>Prioritise sectors that include energy, road, rail, aviation, ports, telecommunications, infrastructure technology (infotech), water, housing, social infrastructure and fixed assets for business.</p> <p>Originate infrastructure assets that promote positive social and environmental impacts.</p> <ul style="list-style-type: none"> • Prioritise projects that have a material impact on local economies in the context of both climate and broader socio-economic goals. • Focus product development on channelling capital to opportunities that have historically been capital constrained, e.g. water infrastructure. 	
<p>d) Performance measurement (minus two prioritised impact areas): Has your bank identified which sectors and 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 and inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.</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 provide the baseline (including indicators) to be used for setting targets in the two areas of most significant impact.</i></p>	
<p><i>Response</i></p> <p>Indicators: During the 2022 financial year theory of change (pathway to impact) workshops were facilitated to enable most of the strategic initiatives to identify and confirm:</p> <ul style="list-style-type: none"> • the societal objective of the initiative; • the intended medium- and longer-term impacts for the beneficiaries; and • performance and impact metrics. 	<p><i>Links and references</i></p>

The teams have started to report internally on the identified metrics and in some instances these have already been 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.

The schematic on pages 14 to 17 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.

Climate change

Key sectors: Refer to 2.1.b) impact analysis, portfolio composition, page 6, that explains the rationale for high and elevated risk sectors.

Indicators:

- The advances exposure and financed emissions of each key sector is disclosed in the Basel Pillar 3 disclosure. Year-on-year movements and portfolio insights are provided.
- Climate balance sheet
 - For the past three years the main mechanism used by the group to respond to climate change has been to deploy the balance sheet to achieve positive climate outcomes for its clients.
 - The group has built a climate view of its balance sheet with origination strategies and client engagement programmes anchored to reshaping that balance sheet over time. A table that breaks down the group’s South African loans and advances into the climate balance sheet categories as at 30 June 2023 is provided. This provides a baseline to steer portfolio decarbonisation. South Africa represents 64% of the group’s total advances.

Financial wellness and inclusion

Key customer segments: 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.

Indicators: Examples of indicators disclosed (not exhaustive):

- Entry-level transactional accounts (Easy Zero and First Business Zero) and mobile money service (eWallet): Active base, volume and value of transactions are provided in the Report to Society.
- Digital Stokvel (savings club mainly utilised by low-income individuals and communities): Number of stokvels and members registers, initial deposits, balance of group savings, average annual interest rate earned by customers.

FirstRand Basel Pillar 3 disclosure 2023, pages 133-140

FirstRand climate strategies report 2023, pages 17-19

FirstRand Report to Society 2023, pages 14-17 and 48

FirstRand Report to Society 2023, pages 49-55

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 wellness (health) and inclusion*
 - *Sub-topics: property and affordable housing, economic transformation, inclusive growth*
- *Productive capital formation*

How recent is the data used 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 of the 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 have you identified to align your bank's portfolio with? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate SDGs, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build on the context items under 2.1.

Response

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.

The group's approach to financial inclusion is guided by:

- The Financial Sector Conduct Authority's Financial Inclusion Strategy
- National Treasury's policy paper An Inclusive Financial Sector for All
- The Financial Services Sector Code, prepared in terms of the Broad-Based Black Economic Empowerment Act
- The National Consumer Financial Education Strategy

These policies and frameworks outline national priorities and goals to enhance financial inclusion for prioritised groups such as low-income individuals, black people, women, youth and people living in rural areas and townships, as well as SMEs.

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

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.

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

Links and references

FirstRand Report to Society 2023, page 48

FirstRand climate change strategies report 2023¹³, pages 8-9

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

If your bank has prioritised climate mitigation and/or financial health and 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 the one 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.

<i>Response</i>	<i>Links and references</i>
<p><u>Climate change</u></p> <p>The group has disclosed financed emissions, per sector, for its South African core advances for two years. This serves as a baseline for the group's 2050 net-zero ambitions.</p> <p>The FirstRand climate change strategies report 2023 provides a breakdown of the group's South African loans and advances into the climate balance sheet categories as at 30 June 2023. This provides a baseline to steer portfolio decarbonisation.</p> <p>Going forward, the group will build on the climate balance sheet through the FirstRand climate alignment pathways project which aims to align more closely to DFI frameworks such as the World Bank Group's Paris Alignment framework.</p>	<p>FirstRand climate change strategies report 2023, pages 17-20 and 32</p>
<p><u>Other focus areas</u></p> <p>The group has developed performance metrics for most of the strategic initiatives that underpin the other two focus areas of financial wellness and inclusion, and productive capital formation. The group is in the process of identifying appropriate targets with relevant baselines for the metrics.</p>	

c) SMART targets (including KPIs): Please disclose the targets for your first and 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.

<i>Response</i>	<i>Links and references</i>
<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>Refer to 2.2.b for other focus areas.</p>	<p>FirstRand Report to Society 2023, pages 14-18</p>
<p>Climate change:</p> <p>FirstRand's climate ambitions and commitments:</p> <ul style="list-style-type: none"> • Own emissions: Net zero by 2030 (for South African operations) • Financed emissions: Net zero by 2050 <ul style="list-style-type: none"> ○ Transition pathways and financed emissions ranges will be developed for oil and gas and other sensitive sectors, and allocated 	<p>FirstRand climate change strategies report 2023, pages 11, 20 and 45</p>

¹³ <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-climate-change-strategies-report-2023.pdf>

<p>to businesses to operate within, to ensure that the emissions from these portfolios reduce over time in a manner that is consistent with the group's commitments. These ranges will inform 2030 interim emissions targets for sensitive sectors.</p> <ul style="list-style-type: none"> • Transition finance facilitation: R200 billion by 2026 • New thermal coal lending: <ul style="list-style-type: none"> ○ No financing for new coal-fired power stations ○ No direct project finance provided to new coal mines from 2026 • Existing thermal coal lending: <ul style="list-style-type: none"> ○ 2% advances limit reduced to 1.5% in 2026 and 1% in 2030 • Oil and gas lending: <ul style="list-style-type: none"> ○ 2.5% advances limit on upstream oil and gas • Customer engagement: <ul style="list-style-type: none"> ○ Top 100 corporate clients in 2022 ○ Top 200 corporate clients in 2023 ○ 3 million retail clients by 2025 	
<p>d) <u>Action plan:</u> 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 for 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. During the 2023 financial year new priorities were included, extending the roadmap's deliverables to FY2026 – FY2027. These new priorities include the development of science-based emissions reduction targets and associated alignment pathways.</p> <p>The FirstRand climate change strategies report explains how the group is addressing climate change through:</p> <ol style="list-style-type: none"> 1. The group's financial resource management framework, which has incorporated principles and practices that enable the business in its climate mitigation and adaptation efforts, e.g. pricing for externalities, applying internal taxonomy for asset categorisation and origination, and implementing its sustainability bond framework. 2. Climate balance sheet 3. Client engagement 	<p><i>Links and references</i></p> <p>FirstRand climate change strategies report 2023, pages 8-33 and 44-48</p>

<p>4. Aligned origination</p> <p>5. Accelerating the transition</p> <p>The climate strategies report and the Report to Society include examples of this climate lending and facilitation.</p> <p>Significant (potential) indirect impacts of the net-zero target and relevant actions to avoid and mitigate potential negative impacts:</p> <p>FirstRand aims to achieve net-zero emissions by 2050 and transition away from fossil fuels in a science-based and socially just manner.</p> <p>The group has identified eight carbon-intensive sectors and is providing them with transition finance and carbon reduction support to help mitigate market risk as well as credit and equity investment risk, e.g. stranded assets, economic losses and job losses.</p> <p>The group has strict limits on thermal coal funding, but will continue to support existing clients with their operational banking needs to ensure the integrity of the electricity grid is maintained.</p>	<p>FirstRand Report to Society 2023, pages 24-26</p> <p>FirstRand policy on energy and fossil fuels financing, page 2</p> <p>FirstRand climate change strategies report 2023, page 10</p> <p>FirstRand policy on energy and fossil fuels financing, page 3</p>
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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 wellness (health) and inclusion</i>	<i>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 checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<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 checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<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 checked="" type="checkbox"/> In progress <input 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 towards achieving each of the set targets since the last report, as well as 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 second 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>Climate change:</p> <p>The climate change strategies report indicates the commitments and ambitions met in the 2022 and 2023 financial years, as well as progress against its five-year climate roadmap.</p> <p>There are governance structures and processes in place to ensure the group is on track to meet its commitments and ambitions. The Basel Pillar 3 disclosure details the group's climate risk organisational structure and governance. The corporate governance report describes climate oversight at FirstRand (responsibilities of board committees and management structures). Delivery against both climate risk management and growth opportunity objectives has been incorporated into the remuneration scorecards for executive directors</p>	<p>FirstRand climate change strategies report 2023, pages 11 and 44-48</p> <p>FirstRand Basel Pillar 3 disclosure 2023, pages 123-124</p>

<p>and prescribed officers, key environmental and social risk teams and sustainable finance focused teams.</p> <p>Lack of progress on the group’s climate roadmap can result in a downward adjustment of the long-term incentive vesting outcome.</p> <p>The board recognises the need to hold business accountable to delivering on its stated climate-related commitments, so in 2023 climate was elevated to the strategic section of senior leadership’s remuneration scorecards and accorded the same weighting as other material growth strategies FirstRand is pursuing.</p> <p>Other focus areas:</p> <p>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.</p>	<p>FirstRand corporate governance report 2023¹⁴, pages 38-42</p> <p>FirstRand remuneration report 2023¹⁵, pages 21, 22 and 78</p> <p>FirstRand Report to Society 2023, page 14</p>
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¹⁴ <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-corporate-governance-report-2023.pdf>

¹⁵ <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-remuneration-report-2023.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.

Response

Climate change

The group's operating businesses have started to engage with clients to understand their levels of climate awareness and strategy implementation (including transition pathways). Through engaging the group gains a better understanding of clients' climate challenges and needs. Refer to the climate lending strategy section of the climate change strategies report for detail on client engagement programmes, progress and future focus areas.

Financial wellness (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 environmental, social and governance (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 59 652 of these consumers 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.

Links and references

FirstRand climate change strategies report 2023, pages 17-33

FirstRand ESG resource hub (policies)¹⁶

FirstRand Report to Society 2023, pages 46-82

<ul style="list-style-type: none"> • FNB agricultural transformation: FNB's agriculture solutions encourage and enable commercial farmers to proactively engage in transformation initiatives designed to empower black farmers, their employees and the communities in which they operate. • Easy Zero: An entry-level transactional bank account with no monthly account fees. • CashPlus: FNB partners with agents in Zambia, Botswana, Eswatini, Lesotho, Ghana and Namibia who act as representatives of the bank to provide day-to-day banking services to customers through the CashPlus channel. • FNB's funeral insurance products: Provide low-income households lower premiums and payouts to cover funeral expenses. • Integrated advice: FNB provides integrated advice for both employees and customers. The objective is to improve financial literacy, resilience and independence, as well as product uptake. 	
<p>3.2 Business opportunities</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 the SDGs or impact areas on which you are striving to have a positive impact (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p>	
<p><i>Response</i></p> <p>Refer to 2.1 (c) for a 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 as well as products developed. The climate change strategies report provides detail on sustainable and transition finance facilitation as well as investment activities.</p> <p>Some examples are outlined below:</p> <ul style="list-style-type: none"> • Green and olive assets made up 2% and 7% respectively of SA core advances as at 30 June 2023. • R638 million was advanced to EcoEnergy home loans (EDGE-certified) in the 2023 financial year. • R662 million was advanced to commercial customers for solar energy infrastructure (installed capacity 41MW) in the 2023 financial year. • To date the group has facilitated R64.8 billion in sustainable and transition finance. 	<p><i>Links and references</i></p> <p>FirstRand climate change strategies report 2023, pages 19, 27, 29 and 35-40</p> <p>FirstRand Report to Society 2023, pages 22-44</p>

¹⁶ <https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/>

<ul style="list-style-type: none">• FNB's lending to South African SMEs in the 2023 financial year amounted to R51.6 billion.• R1.3 billion was deployed to agricultural transformation structures in the 2023 financial year.	
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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 were 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:

- Regulators
- Government departments
- Revenue authorities
- Investor community
- Employees
- Customers
- Suppliers
- Broader society

FirstRand is cognizant of the significant role its stakeholders – employees, shareholders, customers, partners, suppliers, regulators and broader society – 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. Internal and external stakeholder engagement ensures that the group is aware of and responds appropriately to material issues.

The board, through the social, ethics and transformation committee (Setcom), has ultimate responsibility for stakeholder engagement. The management of stakeholders is proactive and decentralised, given FirstRand's multi-branding approach. However, the group's governance structures are designed to ensure that material stakeholder concerns are escalated to group committees to be addressed.

To ensure that group representatives have an appropriate mandate for engagement, and that potential risks are managed, guidelines and policies are in place to govern engagement with specific stakeholders.

Links and references

FirstRand corporate governance report 2023, pages 43-46

<p>When identifying the group focus areas under the Principles, the analysis also incorporated qualitative feedback from relevant stakeholders including customers, investors, suppliers, NGOs, employees and senior management.</p> <p>Climate change</p> <p>The group has committed to engaging the following clients on climate change:</p> <ul style="list-style-type: none"> • Top 100 corporate clients in 2022 • Top 200 corporate clients in 2023 • Three million retail clients in 2025 <p>The climate change strategies report provides an update on insights derived from client engagement, covering the progress of the top 100 clients relative to the prior year, as well as climate risk awareness of RMB's top 300 clients.</p> <p>During the 2023 financial year, FNB engaged with its top 150 high-transition-risk commercial customers on climate awareness and their transition strategies.</p> <p>In August 2023, FNB launched its retail carbon calculator to drive customer climate awareness and behavioural change. The applet focuses on reducing retail customer carbon emissions through:</p> <ul style="list-style-type: none"> • a carbon coach education module that focuses on energy conservation and efficiency, as well as renewable energy; • a carbon calculator that translates a customer's transactional spend into greenhouse gas emissions per kilogram; • a model to compare a customer's emissions to peers; and • providing tools to reduce emissions, including an option for customers to offset their emissions by donating cash or eBucks to a programme that plants trees on their behalf. 	<p>FirstRand Report to Society 2023, page 13</p> <p>FirstRand climate change strategies report 2023, pages 11 and 23-26</p> <p>FirstRand Report to Society 2023, page 74</p>
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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 on the committee responsible for the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to);
- details on the chair of the committee, and the process for and frequency of meetings of the board that has oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected); and
- information on 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.

FirstRand social, ethics and transformation committee

The FirstRand Setcom is a mandated board subcommittee. Its role 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 risk profile, framework, appetite, measurement, quantification, scenario analysis and stress testing for climate, as well as the impact of climate 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).

Links and references

FirstRand Report to Society 2023, pages 19-20

<p>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.</p> <p>Other management committees and working groups</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. For example:</p> <ul style="list-style-type: none"> • the climate risk committee (supported by the climate technical and data committee); • business level social, ethics and transformation committees; • business-level sustainability and governance executive committee (monitors business delivery of shared prosperity objectives and focus areas, including progress against the Principles); and • the group environmental and social risk governance committee. <p>Various working groups and formal steering committees were established to ensure appropriate oversight, with guidance and intent cascaded into the relevant teams within the business. Strategic initiatives, at various levels of maturity, were then identified by 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 has allocated dedicated resources to measure progress against each of the focus areas.</p>	<p>FirstRand Report to Society 2023, page 14</p>
<p>5.2 Promoting a culture of responsible banking: 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 training for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).</p>	
<p><i>Response</i></p> <p>The board of directors and senior executives are held accountable for treating customers fairly. The sustainability and governance executive committee, supported by governance committees and conduct pillars, ensures fair and sustainable outcomes for customers and that business practices are based on an ethical culture.</p> <p>The code of ethics (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>The risk of theft, fraud, corruption and other unethical conduct is continually monitored with controls implemented to prevent such occurrences. FirstRand relies on its employees to be alert to any potential incidents and to take appropriate action so that all parties are safeguarded against associated losses. The Leading Light reward programme incentivises employees to detect, prevent and report unethical</p>	<p><i>Links and references</i></p> <p>FirstRand Report to Society 2023, page 80</p> <p>FirstRand code of ethics¹⁷</p> <p>FirstRand Report to Society 2023, page 95</p>

¹⁷ <https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/code-of-ethics.pdf>

<p>practices. The programme is managed by the group's ethics office and has a long track record of detecting and preventing losses caused by unethical practices.</p> <p>The executive directors' and prescribed officers' scorecards fully incorporate strategy, risk and control as well ESG measures.</p> <p>Climate change training</p> <p><u>Group training programmes:</u></p> <p>During the 2023 financial year, FirstRand conducted internal training on advanced aspects of climate risk management to enable targeted client engagement.</p> <p><u>RMB:</u></p> <p>RMB continues to build out capacity and expertise to execute on its climate lending strategy. Key initiatives undertaken during 2023 include:</p> <ul style="list-style-type: none"> • The rollout of a detailed ESG training programme across RMB (with a key focus on climate change). The training programme rollout was completed in the third quarter of 2023. • RMB participated in key sustainable finance industry bodies' events and working groups. <p><u>Board and executive training:</u></p> <p>Board members and executives receive formal climate change training annually. In addition, comprehensive climate progress reports are submitted to board subcommittees.</p>	<p>FirstRand remuneration report 2023, pages 41-48</p> <p>FirstRand Basel Pillar 3 disclosure 2023, page 122</p> <p>FirstRand climate change strategies report 2023, page 25</p> <p>FirstRand corporate governance report 2023, page 18</p>
<p>5.3 Policies and due diligence processes</p> <p>Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.</p> <p>Please describe the due diligence processes that your bank has installed to identify and manage the environmental and social risks associated with your portfolio. This can include aspects such as the identification of significant/salient risks, environmental and social risk mitigation, the definition of action plans, monitoring and reporting on risks, and any existing grievance mechanism and 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"> • FirstRand policy statements relating to restrictions on the financing of certain sectors or activities; • the FirstRand policy on energy and fossil-fuel financing; • the FirstRand gender-based violence and harassment policy statement; 	<p><i>Links and references</i></p> <p>FirstRand ESG resource hub (policies)</p>

<ul style="list-style-type: none"> • the FirstRand employment equity policy statement; and • the FirstRand privacy policy statement. <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>FirstRand environmental and social risk assessment process 2023¹⁸</p> <p>FirstRand environmental and social risk performance 2023 ¹⁹</p>
<p>Self-assessment summary</p> <p>Does the CEO or other C-suite officers have regular oversight of the implementation of the Principles through the bank’s governance system?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does the governance system include structures to oversee PRB implementation (for example including 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 negative impacts are detected)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No</p>	

¹⁸ <https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/firstrand-ESRA-report-2023.pdf>

¹⁹ <https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/firstrand-environmental-and-social-risk-performance-2023.pdf>

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 website link for or description of the assurance statement.

Response

FirstRand Group Internal Audit (GIA) performed an independent review of the 2023 self-assessment template. The template was reviewed against the UNEP FI's Guidance on Reporting and Providing Limited Assurance Version 2²⁰ (updated in October 2022). The review was limited to four key areas requiring limited assurance:

- 2.1 Impact analysis
- 2.2 Target setting
- 2.3 Target implementation and monitoring
- 5.1 Governance structure for implementation of the Principles

As per the guidance, GIA only reviewed the accuracy of the disclosed content. Therefore, the review was limited to assessing whether FirstRand's description of processes, activities and outcomes sufficiently reflects actions taken by the group, and did not evaluate the applied approach itself.

The following statement is included in the management report from GIA.

"The review has been carried out in accordance with the requirements provided in the 'assurance guidance' document issued by the UNEP FI. The nature and scope of the review was agreed with the client, with the intention to provide limited assurance on the requirements provided in the assurance guidance document. Accordingly, the overall opinion provided is limited to the assessed requirements provided in the assurance guidance document and not to the control environment.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the information disclosed in the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (the

Links and references

²⁰ <https://www.unepfi.org/publications/guidance-on-reporting-and-providing-limited-assurance/>

<p>Principles or PRB) self-assessment template has not been prepared, in all material respects, in accordance with the reporting criteria. The group has adhered to a methodical and prudent approach given the evolving nature of the discipline.”</p>	
<p>6.2 Reporting on other frameworks</p> <p>Does your bank disclose sustainability information in any of the listed below standards and frameworks?</p> <p><input type="checkbox"/> Global Reporting Initiative</p> <p><input type="checkbox"/> Sustainability Accounting Standards Board</p> <p><input type="checkbox"/> Committee for Development Policy</p> <p><input type="checkbox"/> IFRS Sustainability Disclosure Standards (to be published)</p> <p><input checked="" type="checkbox"/> Task Force on Climate-related Financial Disclosures</p> <p><input checked="" type="checkbox"/> Other: Equator Principles, United Nations Principles for Responsible Investing</p>	
<p><i>Response</i></p> <p>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.</p> <p>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.</p>	<p><i>Links and references</i></p> <p>FirstRand industry forums and pilots 2023²¹</p>
<p>6.3 Outlook</p> <p>What are the steps your bank will undertake in the next 12-month reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.</p>	
<p><i>Response</i></p> <p>The main focus for the next 12-month reporting period is to continue to progress against the group climate roadmap and to finalise targets for the financial wellness (health) and inclusion, and productive capital formation focus areas.</p>	<p><i>Links and references</i></p>
<p>6.4 Challenges</p> <p>The following is a short section to find out about challenges your bank could be facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.</p> <p>Which challenges have you prioritised to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritised to address in the last 12 months (optional question).</p> <p>If desired, you can elaborate on challenges and how you are tackling these:</p>	

²¹ <https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/industry-forums-and-pilots-2023.pdf>

- | | |
|--|--|
| <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 or methodologies | <input type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other | <input type="checkbox"/> Prioritising actions internally |