



# FirstRand

## FIRSTRAND POLICY STATEMENTS RELATING TO RESTRICTIONS ON THE FINANCING OF CERTAIN SECTORS/ACTIVITIES

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## INTRODUCTION

FirstRand Limited (FirstRand or the group) is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and the UK. As a systemic financial institution, FirstRand is committed to the effective management of the environmental and social risk associated with its lending and investment decisions.

The group's environmental and social risk assessment (ESRA) transactional due diligence process is integrated into the credit risk governance process. It evaluates individual transactions and the client's ability to manage the environmental and social impacts associated with the funded activity, allowing the group to monitor its potential exposure to liability or risk. It includes a built-in exclusion list and a restricted list of sensitive activities that the group will finance within limits (negative screening).

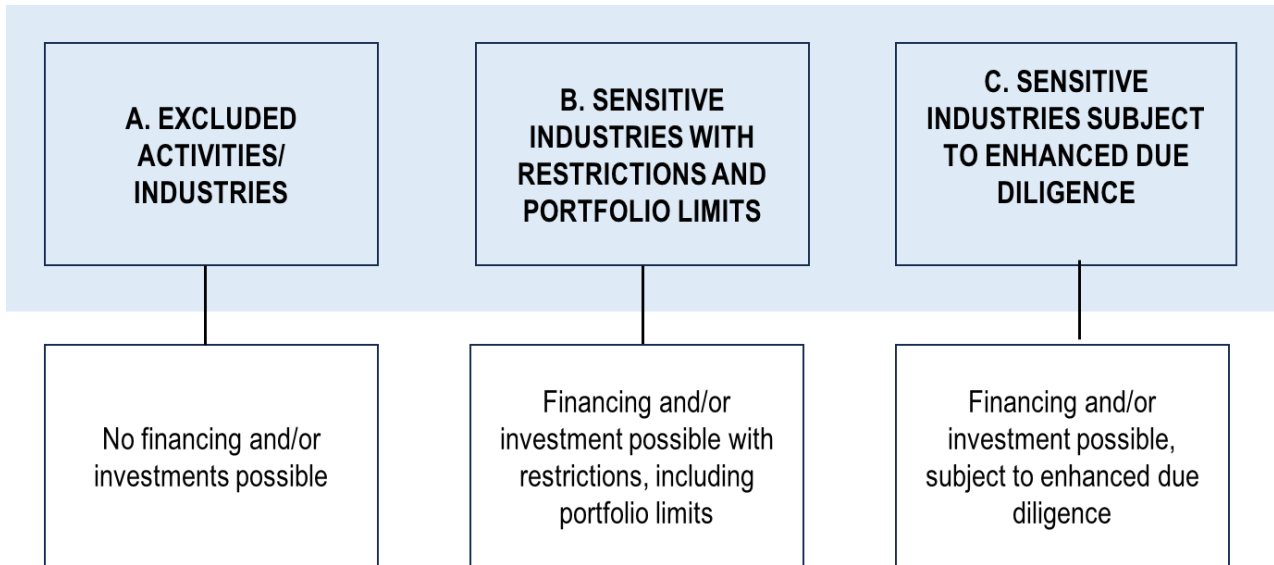
FirstRand has a policy statement for each sensitive and excluded industry, which outlines the standards clients are expected to align to, and, where applicable, relevant funding thresholds and restrictions. The policy statements reference appropriate industry-wide benchmarks, legislative requirements and international agreements, where applicable. This document is an executive summary. Each statement is supported by a detailed sensitive industry policy with a detailed guideline.

Restrictions are primarily based on the following considerations:

- Activities may be illegal in terms of national or international laws and treaties.
- The group has agreed to financing and investment restrictions imposed by financing and investment agreements with development finance institutions (DFIs).

- The group has made an ethical/moral decision not to be involved in certain industries which may be controversial and may cause reputational damage.
- The dictates of the group's internal risk appetite.
- Alignment with group strategy.

There are three categories of activities/industries. A separate funding/investment appetite is associated with each category:



As a responsible financier, FirstRand seeks to:

- Identify and manage sensitive or excluded activities in financing and investment decisions which may generate concern.
- Consider all relevant risks associated with a transaction through the FirstRand escalation process, including stakeholder, reputational, community, legal and sustainability risks.
- Engage with clients to establish practical solutions which manage these potential sensitivities and risks.
- Where clients may have possibly caused or unintentionally contributed towards adverse undesired impacts, FirstRand commits to engaging in proactive endeavours and solutions to participate in legitimate processes aimed at achieving fair and adequate redress.

Internal screening and due diligence processes are aligned with jurisdictional regulatory requirements and enforce compliance with these regulatory statutes.

### Thresholds and restrictions

As part of FirstRand's risk appetite and ESRA framework:

- Group-wide thresholds and restrictions are applied to certain sensitive industries and restricted activities across all related portfolios.
- These thresholds are also informed by agreements with various DFIs.

- Restrictions are limited to lending and investment, excluding transactional banking.
- Where relevant, stricter jurisdictional requirements and restrictions will be applied.
- Exposure limits on FirstRand loans and advances are monitored and reported annually.

### **Escalation**

Exceptions to any policy must be escalated to:

- The Chief Risk Officer and applicable business risk official for consideration and sign-off/approval in line with group ESRA guideline requirements.
- If further discussions are required, an *ad hoc* subcommittee of the segment risk committee can be called on for an out-of-policy decision. The outcome of the decision shall be noted at the applicable operating business ethics and conduct committee and at the FirstRand sustainability and governance executive committee, after which it will be referred to the FirstRand social, ethics and transformation committee.
- If no agreement can be reached at the *ad hoc* committee, the matter may be referred to the group strategic executive committee before escalation to the group sustainability and governance executive committee.

### **CONSOLIDATED SUMMARY OF POLICY STATEMENTS**

FirstRand has a policy statement for each of the following sensitive and excluded activities and industries:

## A. Excluded activities/industries

FirstRand will not finance and/or invest in the industries listed below. The policy statements for excluded activities apply across the group, including all client relationships.

*Industries with strict exclusions – FirstRand will not finance and/or invest in the following industries:*

Human rights violations inclusive of forced labour or child labour	Activities that are illegal by host country law or international agreement	Activities involving ozone-depleting substances, polychlorinated biphenyls (PCBs) and hazardous chemicals	Trade in endangered species
Unsustainable fishing methods	Cross-border trade in waste and waste products (Basel Convention)	Unbonded asbestos production and manufacturing	Financing of pornography and prostitution
Activities involving the destruction of high conservation value areas	Activities relating to seal hunting and harvesting	Wildlife hunting of endangered species	Weapons and ammunition
Conflict mining and materials	Radioactive material		

### **Human rights**

FirstRand will not finance any activities that involve forced<sup>1</sup> or child labour<sup>2</sup>. Transactions related to projects involving the resettlement of communities are assessed against the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and identified international best practice guidelines such as the Equator Principles and the International Finance Corporation Performance Standards on Environmental and Social Sustainability. Any transactions related to projects where potential impacts on indigenous peoples are identified are assessed against the United Nations Declaration on the Rights of Indigenous Peoples.

<sup>1</sup> Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by the International Labour Organization (ILO) conventions.

<sup>2</sup> Persons may only be employed if they are at least 14 years old, as defined in the ILO fundamental human rights Conventions (C138 – Minimum Age Convention, 1973 (No. 138), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

***Ozone-depleting substances, polychlorinated biphenyls and hazardous chemicals***

FirstRand will assess every application for the financing of activities that fall within the control and ambit of international treaties within the restrictions of its environmental and social risk management framework.

FirstRand will not finance or invest in clients or businesses where the primary business activity involves the manufacturing, use, procurement or distribution of ozone-depleting substances, PCBs or specific listed restricted hazardous chemical substances, unless business practices are compliant with the structures of the Montreal Protocol, the Stockholm Convention, the Rotterdam Convention, the World Health Organization (WHO) Recommended Classification of Pesticides by Hazard or REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), as and where applicable to the activity.

***Trade in endangered species***

FirstRand will not finance or invest in clients or businesses where the primary business activity involves trade in endangered flora and fauna, unless such trade in wildlife or related products is compliant with the CITES (Convention on International Trade of Endangered Species of Wild Fauna and Flora) framework.

***Unsustainable fishing methods***

FirstRand will not finance clients making use of unsustainable fishing methods (e.g. blast fishing or drift net fishing in the marine environment using nets more than 2.5 km in length), who fish or trade in species regulated under CITES, or who significantly impact upon, or have operations located within, UNESCO<sup>3</sup> World Heritage Sites or wetlands on the Ramsar List<sup>4</sup>, unless operations would result in “no net loss” of biodiversity.

***Cross-border trade in waste and waste products***

In alignment with industry-wide benchmarks, legislative requirements and international agreements regarding the limitation of the import and export of hazardous waste, FirstRand will not finance activities or materials deemed illegal under host country laws, regulations or international conventions and agreements, or subject to international phase-outs or bans, such as cross-border trade in waste and waste products, unless such activities or materials are compliant with the Basel Convention and underlying regulations.

***Unbonded asbestos production and manufacturing***

Due to the severe health risks brought about by exposure to unbonded asbestos, FirstRand will not finance or invest in business activities where unbonded asbestos fibres are produced, manufactured or used. Asbestos that is bonded and maintained in existing structures is not included under this prohibition on financing. Clients with existing asbestos structures are required to comply with national legislative requirements and the FirstRand environmental risk management framework.

A financing exception for unbonded asbestos fibres applies where production, manufacture or use constitutes less than 10% of client activities and is considered non-substantial.

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<sup>3</sup> United Nations Educational, Scientific and Cultural Organization.

<sup>4</sup> A Ramsar Site is a wetland site designated as being of international importance under the Convention on Wetlands of International Importance especially as Waterfowl Habitat, also known as the Ramsar Convention.

***Pornography and prostitution***

FirstRand will not finance or invest in clients whose funds will be used for any purpose related to pornographic activity. For purposes of this position statement, pornography is understood to be sexually explicit material (verbal or pictorial) or erotic material that is primarily designed to produce sexual arousal in viewers.

Prostitution will not be financed under any circumstances and is entirely excluded.

***Activities involving the destruction of high conservation value areas***

FirstRand will not finance clients who are involved in the destruction<sup>5</sup> of high conservation value areas<sup>6</sup>, which includes commercial logging from tropical moist forest.

***Activities relating to seal hunting and harvesting***

The South African Sea Birds and Seals Protection Act No. 46, which identified the Cape fur seal as a protected species, was promulgated in 1973, followed by the banning of commercial seal harvests in 1990, making seal hunting and harvesting activities in South Africa an illegal activity. FirstRand does not finance or invest in any activities relating to seal hunting or harvesting.

***Wildlife hunting of endangered species***

FirstRand will not finance the hunting of protected species on the CITES wildlife trade or hunting products list, or those that are listed as a protected species by the national government. As per South Africa-based regulations, FirstRand will not finance the hunting of a specimen of a listed threatened or protected species caught or captured by any method as defined in regulatory restrictions.

***Weapons and ammunition***

FirstRand has identified the arms/defence industry as high-risk with regard to credit risk, reputational risk, sanctions risk and anti-bribery and corruption risk, which require specific policy positioning.

FirstRand will not facilitate business, manufacturing or trade in arms, weapons, ammunition or components designed for use in war, insurrection or other violent reprisal<sup>7</sup>.

***Conflict mining and minerals***

The mining of conflict minerals, their trade and the secondary resale of products/materials which contain conflict minerals create high levels of social injustice and facilitate war and organised crime.

The term “conflict minerals” refers to minerals mined or extracted in zones declared as conflict zones, with the

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<sup>5</sup> Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

<sup>6</sup> High conservation value areas are defined as natural habitats of outstanding significance or critical importance (see <http://www.hcvnetwork.org>).

<sup>7</sup> From January 2024 this is an excluded activity, however where there is existing direct exposure, such exposure will be reduced to zero in line with contractual terms and will not be renewed or reinstated. Any contingent obligations will be wound down in a responsible manner within parameters and timelines agreed on according to risk and business requirements.

aim to benefit, finance or perpetuate political unrest, fighting or war. This category includes cassiterite, wolframite, coltan and gold ore, as well as blood diamonds and even petroleum.

FirstRand will not finance clients who are involved in the mining, manufacture and trading of conflict minerals.

FirstRand will also look to the following industry best practices, guidelines and bodies to determine effective responses to risks faced by clients, as appropriate for the related minerals and metals:

- the World Gold Council's Conflict-Free Gold Standard;
- the Kimberley Process Certification Scheme;
- the Extractive Industries Transparency Initiative;
- the International Council on Mining and Metals best practices;
- the Responsible Jewellery Council;
- the LBMA's<sup>8</sup> Responsible Gold Guidance; and
- the Voluntary Principles on Security and Human Rights.

### ***Radioactive materials***

The group will not finance or invest in the production, use, transport or disposal of radioactive materials/waste. This includes financing of or investment in the use of high-enriched uranium which can be used in the production of nuclear weapons. This exclusion does not apply to the following:

- Where radioactive materials are used in equipment for medical diagnosis and radiotherapy.
- Financing of and investment in the extraction of low-enriched uranium for use in nuclear power generation (subject to enhanced due diligence, as discussed below).

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<sup>8</sup> The London Bullion Market Association is the international trade association that represents the over-the-counter gold and silver bullion market.



## B. Sensitive industries with restrictions, including portfolio limits:

Funding and/or investment is possible for the following activities. However, these are subject to portfolio limits and all transactions are subject to an enhanced due diligence with restrictions. The policy statements for restricted activities apply across the group, including all client relationships.

*Sensitive industries with restrictions, including portfolio limits:*

Alcoholic beverages	Gambling	Commercial logging	Oil and gas
Thermal coal	Tobacco		

### **Alcoholic beverages**

FirstRand will limit the extent to which finance is provided to client activities which involve the production, manufacture and distribution of alcoholic products, excluding wine and beer, where it forms a substantial part of the client's primary financed business activities.

### **Gambling**

Lending to organisations/premises with gambling activities is restricted. Activities related to gambling are sensitive and high-risk in nature due to the associated negative socio-economic impacts, resulting in reputational and regulatory risks.

FirstRand requires and expects of its clients and portfolio companies to operate in accordance with international norms and laws, and the regulations and rules set by national governments and gambling authorities.

### **Commercial logging**

FirstRand will limit the extent to which finance is provided to clients involved in commercial logging operations, and to clients whose production of or trade in wood or other forestry products is conducted other than from sustainably managed forests<sup>9</sup>, where these activities form a substantial part of the client's primary financed business activities.

<sup>9</sup> Forestry Stewardship Council certification is required for these operations. Destruction means (1) the elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) the modification of a habitat in such a way that the area's ability to maintain its role is lost.

**Oil and gas**

The sector is covered in the FirstRand policy on energy and fossil fuels financing, which is published separately and is available here: <https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/firstrand-policy-on-energy-and-fossil-fuels-financing-2024.pdf>.

**Thermal coal**

The sector is covered in the FirstRand policy on energy and fossil fuels financing, which is published separately and is available here: <https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/firstrand-policy-on-energy-and-fossil-fuels-financing-2024.pdf>.

**Tobacco**

FirstRand will limit the extent to which finance is provided to a client if tobacco forms a substantial part of the client's primary financed business activities<sup>10</sup>.

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<sup>10</sup> A business is considered to operate in the tobacco industry if it forms a substantial part of a client's primary financed business activities. For companies, "substantial" means more than 10% of their consolidated balance sheet or earnings. For financial institutions and investment funds, "substantial" means collectively the activities will not form more than 10% of the group's total loan and investment book portfolio volumes.

### C. Sensitive industries subject to an enhanced due diligence process

Financing and/or investment is possible for the following activities, however all transactions are subject to enhanced due diligence.

*Sensitive industries subject to enhanced due diligence:*

Nuclear power generation	Production of biofuels	Cannabis-based and related products for medicinal and scientific use	Hydraulic fracturing
Commercial livestock operations	Palm oil	Game trophy hunting	

#### ***Nuclear power generation***

Activities that relate to nuclear energy projects (generation, commissioning, decommissioning, supply chain and management of nuclear energy waste) will be considered on a case-by-case basis and will be subjected to enhanced environmental and social due diligence. This requires that clients and projects adhere to regional, national, international and industry best practice.

#### ***Production of biofuels***

FirstRand recognises that the biofuels sector poses potential environmental and social challenges, some of which may include biodiversity degradation, potential effects on food security, impacts on water supply, social impacts that include poor labour and working conditions, and impacts on the land and customary rights of local and indigenous communities.

Transactions in which the use of proceeds is identified as being for the cultivation, production and processing of biofuels are subject to an internal, enhanced environmental and social risk due diligence process to ensure all legislative and international best practice requirements are met, as required by the FirstRand environmental risk management framework.

#### ***Cannabis-based and related products for medicinal and scientific use***

Funding for operations and clients related to the production, manufacturing and distribution of cannabis-based and related products for medicinal and/or scientific use is possible, subject to an enhanced environmental and social due diligence process, which includes a requirement that customers adhere to regional, national, international and industry best practices in this sector.

***Hydraulic fracturing***

Transactions in which the majority use of proceeds is identified as being for the development of hydraulic fracturing projects are subject to enhanced environmental and social due diligence through the FirstRand environmental risk management framework, which includes a requirement that customers adhere to regional, national, international and industry best practices in this sector.

***Commercial livestock operations***

Economic activities related to animals raise concerns regarding animal welfare and are sensitive and high-risk in nature due to possible associated negative impacts, resulting in reputational and regulatory risks.

All transactions are subject to an enhanced due diligence process. Finance will not be provided for any client activities that materially infringe on animal welfare, or where activities are not compliant with all relevant national and/or international legislative frameworks.

***Palm oil***

The FirstRand palm oil policy applies to deforestation linked to the extraction and processing of palm oil only (upstream activities). It excludes the downstream use of palm oil in the retail value chain. FirstRand's strategy does not include financing of or investing in clients involved in the palm oil extraction industry.

***Game trophy hunting***

FirstRand may finance trophy hunting, but each transaction will be evaluated for compliance with local legislation and international best practice requirements according to the ESRA credit risk management framework. Additionally, each case will be reviewed with other considerations in mind, such as anti-money laundering, persons of interest, and the environmental and social impacts caused by the client and this activity.

**ENGAGEMENT AND FEEDBACK**

FirstRand Environmental Risk Management: [environment@firstrand.co.za](mailto:environment@firstrand.co.za)