

POLICY ON THERMAL COAL FINANCING

August 2019

INTRODUCTION

FirstRand recognises there is an urgent global need to transition to lower impact energy sources and the group has identified climate change as a potential risk that needs to be assessed, managed and governed.

All stakeholders, as well as the group's own operations, may be impacted by changing climatic conditions; or through legislative, regulatory or policy changes relating to climate change, such as carbon tax, or mitigation policies.

SCOPE AND FINANCING CAPS

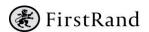
The scope of this policy applies to the group's thermal coal industry exposures, including direct exposure to revolving working capital, term lending and asset-based finance, and contingent exposures such as guarantees (refer to the appendix, on page 3, for FirstRand's definition of thermal coal, the thermal coal industry and thermal coal financing.) This policy will be reviewed annually.

The development of this policy considered a comprehensive review of the South African thermal coal sector and the economic net impact of transition to a low-carbon economy. FirstRand takes a practical view of South Africa's transition, given the current energy mix of approximately ninety percent coal, and the projected cost and timeframe associated with the transition. The group is cognisant that coal capacity is still needed in the short to medium term within the context of balancing social, economic and environmental considerations.

However, FirstRand does consider thermal coal financing for new capacity (greenfield mining or power generation) the most sensitive and high risk and will therefore limit new coal financing to below 0.5% of total group loans and advances¹. In addition, the total coal portfolio, which includes new coal financing, will, over the next five years, be limited to below 2% of total group loans¹. Going forward, lending to the coal industry is non-strategic and the group remains committed to a longer-term thermal coal divestment strategy.

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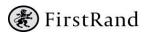
¹ Excluding Aldermore.



ENHANCED DUE DILIGENCE

All new thermal coal transactions are subject to an enhanced environmental and social due diligence, which requires clients to adhere to the most stringent industry best practices. These are outlined below. The group also encourages existing clients to implement these practices:

- Use of the cleanest fuel economically available if that is consistent with the overall energy and environmental policy of the country or the region where the plant is proposed.
- When burning coal, giving preference to high-heat-content, low-ash, and low-sulphur coal.
- Consideration of beneficiation to reduce ash content, especially for high-ash coal.
- Selection of the best power generation technology for the fuel chosen to balance the environmental and economic benefits. The choice of technology and pollution control systems will be based on the site-specific environmental assessment.
- Application of the latest technologies as appropriate for the project to limit and mitigate environmental impacts, and to meet sustainability criteria such as the *IFC Performance Standards*.
- Implementation of certification such as ISO 14001 or a similar standard.
- Implementation of, or being in the process of implementing, an environmental and social management system which controls the specific risk exposure.
- Compliance with local environmental and social laws and regulations and all applicable permits



APPENDIX

1. Definitions:

Thermal coal

FirstRand recognises two types of coal:

- thermal coal used in energy generation; and
- metallurgical coal used for its properties as a reductant.

Thermal coal industry

- Includes clients whose primary-financed business activities substantially consists of the mining, processing
 or use of thermal coal for energy generation, i.e. includes thermal coal mining companies, subcontractors
 for coal mining operations and thermal coal power generation.
- Mining companies producing a range of commodities will be subject to the same criteria where the
 consolidated revenue derived from the company's thermal coal operations exceeds 30% at the time of
 transaction.

Thermal coal financing

• Includes project and corporate finance relating to thermal coal-related projects and coal handling terminals.

2. Basis of enhanced due diligence

The group's enhanced due diligence requirements are based on the following best industry practices/standards:

- OECD Guidelines for Multinational Enterprises, if applicable;
- International Finance Corporation (IFC) Performance Standards;
- IFC's Environmental, Health and Safety (EHS) Thermal Coal Power Plant Guideline
- International Council on Mining and Metals Sustainable Development Principles; and
- Voluntary Principles on Security and Human Rights.