



FirstRand

FIRSTRAND CLIMATE CHANGE POLICY – 30 JUNE 2023

SCOPE

This policy sets out FirstRand's climate change approach. It applies to all of the group's legal entities and third-party funds under management. The policy is anchored in science and data. The commitments, as well as FirstRand's transition path, are grounded in credible country- and industry-specific just transition scenarios, informed by specialist input and engagement with clients, government bodies and broader stakeholders.

This policy will be reviewed annually to ensure that the group's position remains aligned with the rapid changes occurring globally, regionally and domestically; with commitments made by countries in which the group operates with respect to each country's nationally determined Paris Agreement contributions; and with changes in relevant regulations.

This policy forms part of the group's suite of environmental, social and governance policies¹. Sector-specific policies, including the energy and fossil fuels financing policy, are sub-policies of this document. Since climate risk is an amplifying factor in other risk types, additional climate risk considerations are also included in the FirstRand group risk management framework as well as in underlying risk type frameworks.

THE IMPORTANCE OF CLIMATE CHANGE

Global greenhouse gas (GHG) emissions have accelerated over the past 50 years. This has led to rising global temperatures. Although the outcomes of climate change are difficult to predict, scientific evidence indicates that increasing temperatures aggravate environmental risks such as extreme temperatures, flooding and drought. South Africa is particularly vulnerable, as mean annual temperatures have increased by more than double the observed global average since 1990.

The 2015 Paris Agreement, a binding international treaty which was adopted by 196 countries (including South Africa), looks to cap temperature increases to well below 2°C above pre-industrial levels and to pursue efforts to limit temperature increases to 1.5°C. If achieved, this has the potential to significantly reduce the risks and impacts of climate change. The Paris Agreement is implemented through nationally determined contributions. These documents articulate each country's commitment to reduce GHG emissions, including details on the emissions trajectory, and adaptation and mitigation plans. The Paris Agreement takes into account the different circumstances of each country, and expressly notes that it will be implemented to reflect equity and the principle of common but differentiated responsibilities. In addition, it acknowledges that peaking of emissions may take longer for developing countries, and that a balance needs to be struck in the context of sustainable development and poverty eradication.

Most large industrialised nations including the UK, where FirstRand operates, have formally committed to net-zero targets by 2050 or earlier. Most of FirstRand's operations are based in South Africa, where the government regards climate change as a significant socio-economic development threat, and has committed to achieving the objectives of the Paris Agreement through its national Low-Emission Development Strategy 2050 as well as supporting policy and technical papers.

¹ The following additional policies are available on the FirstRand website: the FirstRand environmental sustainability policy statement, the FirstRand policy statements relating to restrictions on the financing of certain sectors/activities and the FirstRand policy on energy and fossil fuels financing.

FIRSTRAND'S CLIMATE AMBITION AND COMMITMENTS

FirstRand believes that climate change is one of the defining issues of this century. It is a global crisis that has the potential to alter geopolitics and interstate relations, disrupt business models and markets across all sectors, and impact the livelihoods and well-being of individuals across the world. FirstRand acknowledges that the group must be part of the solution by supporting climate resilience and a just transition to a low-carbon world.

Overall ambition:

The group supports the Paris Agreement and commits to aligning its financial flows to help the group's operating jurisdictions realise their Nationally Determined Contributions (the self-imposed emission reduction target set by countries and submitted under the Paris Agreement). As these plans are updated and become more ambitious, the group will also update its targets and policies with more detail.

It is the long-term ambition of FirstRand to be net zero by 2050 for scope 1, 2 and 3 emissions². The group will work towards this ambition through:

- continuing detailed science- and data-driven research, in collaboration with industry bodies, specialists and governments, on the optimal decarbonisation transition paths for the countries and key industries where the group is active in order for appropriate scenarios to be articulated for the alignment of the group's financing flows;
- facilitating the necessary transition in the real economy through active client engagement, and offering products and services to support clients' transition to a low-carbon world;
- understanding the societal impacts of the transition to ensure that its financing activities are supportive of a just energy transition;
- proactively and influentially engaging on corporate and industry (financial and real economy) action, as well as public policies, to help support the transition of economic sectors in line with science while also giving consideration to associated social impacts; and
- supporting innovation and the near-term deployment of existing viable technologies, and scaling up the financing of credible, safe and high-quality climate solutions.

Specific commitments:

The following specific commitments are made in support of the group's overall ambition. The group:

- is committed to working in partnership with relevant government institutions in the jurisdictions in which the group operates, in order to develop sustainable financial solutions that promote positive climate outcomes, taking into account regional contexts, sustainable development needs and the need for a just transition to a low-carbon world;
- is committed to supporting its clients as they transition to low-carbon outcomes and has invested in enhanced capabilities in its sustainable finance product set and people capabilities to provide such support across both environmental and social impact dimensions. The group will work with its clients in climate-sensitive sectors to ensure that adequate transition plans are implemented to mitigate adverse climate impacts. An enhanced due diligence will be performed on new financing into these sectors;
- will, in a phased manner, rebalance its lending portfolios' new origination towards lower-carbon outcomes and increase the proportion of green assets and transition financing of existing assets on its balance sheet. The group will use FirstRand climate pathways (CAPs) to guide the rebalancing of its portfolio. CAPs differentiate between new origination that is consistent with the Paris Agreement and that which is not, based on FirstRand criteria that

² The 2050 net-zero commitment includes financed emissions and operational emissions. Operational emissions from the group's own activities are expected to be net zero before 2030.

closely align with the World Bank Group's Paris Alignment framework. The group will establish targets for the percentage of new loan origination that needs to be aligned with the Paris Agreement. In addition, the group's climate pathways for high-emitting sectors will be disclosed;

- recognises that energy consumption from fossil fuels – thermal coal in particular – is the biggest contributor to greenhouse gas emissions and constitutes a priority area to address in the global decarbonisation pathways. The group is committed to managing its transition away from fossil fuels in alignment with its science-based base case transition path, as set out in its updated energy and fossil fuels policy, and has updated its short-, medium- and long-term commitments to that end:
 - in 2021 FirstRand ceased to finance new thermal coal-fired power stations and introduced a 2% cap on loans and advances pertaining to thermal coal mining and coal-fired power as a percentage of group loans and advances. The group will reduce the cap on its thermal coal financing drawn advances from 2% to 1.5% of advances from 2026 onwards;
 - in 2022 FirstRand introduced a limit of 2.5% pertaining to upstream oil and gas advances and underwriting exposures relative to total group loans and advances; and
 - more granular commitments, including targets for new sustainable finance facilitation (covering lending, advisory and capital markets activities) and targets for client engagement on climate change, are included in FirstRand's climate-related financial disclosures;
- will continue to build out its internal expertise and relevant tool sets to better enable the identification, measurement and management of FirstRand's impact on the climate, both direct and financed, as well as its ability to perform stress tests to determine the impact of climate change on the group's portfolios, and will ensure that it appropriately manages its in-force portfolio's climate risk profile and new credit origination in line with its overall risk appetite;
- is committed to continuing the active management and reduction of the group's own operational carbon emissions in line with science-based targets, has materially improved its ability to measure its scope 3 financed emissions across product classes and sectors, and will incrementally publish more detailed financed emissions data and assumed transition pathways in its climate-related disclosures each year; and
- remains committed to meeting the group's ambitions as set out in the published climate risk roadmap, and to continuing engagement with stakeholders.

ENGAGEMENT AND FEEDBACK

investor.relations@firststrand.co.za