



FirstRand

CLIMATE CHANGE POLICY

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1 SCOPE

This policy sets out the climate change approach of FirstRand Limited (FirstRand or the group). It applies to all of FirstRand's legal entities and third-party funds under management. The policy is anchored in science and data, and 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 FirstRand's position remains aligned with the rapid changes occurring globally, regionally and domestically, as well as with commitments made by the countries in which it operates with respect to nationally determined contributions (NDCs) under the Paris Agreement and changes in relevant regulations.

This policy forms part of FirstRand's suite of environmental, social and governance policies¹. Sector specific policies, including the energy and fossil fuel 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 risk management framework as well as in underlying risk type frameworks.

2 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 degrees Celsius above pre-industrial levels and to pursue efforts to limit temperature increases to 1.5 degrees Celsius. If achieved, this has the potential to significantly reduce the risks and impacts of climate change. The Paris Agreement is implemented through NDCs that 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.

Most large industrialised nations have formally committed to net-zero targets by 2050 or earlier, including the UK where FirstRand operates. The majority 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 and supporting policy and technical papers.

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

3 FIRSTRAND 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 to 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.

3.1 Overall ambition

FirstRand supports the Paris Agreement and commits to aligning its financial flows to help the group's operating jurisdictions realise their NDCs. As these plans are updated and become more ambitious, FirstRand 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 so that appropriate scenarios are 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 and giving consideration to associated social impacts; and
- supporting innovation, the near-term deployment of existing viable technologies, and scaling up the financing of credible, safe, and high-quality climate solutions.

3.2 Specific commitments

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

- Is committed to working in partnership with relevant government institutions in the jurisdictions in which it operates to develop sustainable financial solutions that promote positive climate outcomes, taking into account regional contexts, sustainable developmental 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 have 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.

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.

- 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.
- FirstRand recognises that energy consumption from fossil fuels – and 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 manage 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.
 - The most material updates are that it will no longer finance new coal fired power stations with immediate effect, and no longer provide direct project finance for new coal mines from 2026 onwards. In addition, it has reduced its short- and medium-term caps on its overall coal exposure and provided insight on the expected long-term trajectory of its fossil fuel pathway.
 - 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 Task Force on Climate-related Financial Disclosures (TCFD) report.
- 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, and its ability to perform stress tests to determine the impact of climate change on group portfolios, and will ensure that it appropriately manage its in-force portfolio's climate risk profile and new credit origination in line with its overall risk appetite.
- Is committed to continue the active management and reduction of its own operational carbon emissions in line with science-based targets. It 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 TCFD reports each year.
- Remains committed to meeting its ambitions as set out in the published climate risk roadmap and the continuing engagement with stakeholders.

4 ENGAGEMENT AND FEEDBACK

Contact FirstRand Investor Relations on investor.relations@firstrand.co.za.