NEDBANK GROUP

Climate Report

for the year ended 31 December 2023

see money differently

Image source: Pele Energy group

Our reporting universe

Integrated Report

The 2023 Nedbank Group Integrated Report, produced in line with the Integrated Reporting Framework, provides a holistic, yet concise read of how the group creates and protects value while minimising the risk of value erosion over the short, medium and long term. It primarily addresses the information requirements of long-term investors (our equity shareholders, bondholders, debt providers and prospective investors).

This report is also relevant to other stakeholders as it incorporates material issues relating to value creation for them, supplemented by more granular reporting in our various online publications that include financial, risk management, sustainability and environmental, social and governance (ESG) disclosures. These reports are available on our website at nedbankgroup.co.za.

	What is disclosed in these reports		Key regulatory and reporting frameworks
Financial and risk management reporting 	Our financial and risk management reporting provides information relating to the group's financial position and performance. They are primarily of interest to Nedbank's equity and debt investors, credit rating agencies, depositors, regulators, and various other stakeholders. The disclosed information can be used to assess the group's financial performance, strength, and prospects, and includes important risk and regulatory disclosures.	• **2023 Results Booklet and presentation** • **2023 Nedbank Group Annual Financial Statements** • **2023 Pillar 3 Risk and Capital Management Report**	• International Financial Reporting Standards (IFRS) • Companies Act • Banks Act • South African Reserve Bank (SARB) Regulations • Basel Committee on Banking Supervision (BCBS) Guidance • JSE Listings Requirements
Climate reporting ESG 	Our climate reporting includes information relating to the group's climate-related activities, governance, strategy, policies, risk management, carbon footprint and emissions, as well as targets. It is primarily of interest to investors, non-governmental organisations (NGOs), ESG ratings agencies, as well as key stakeholders such as clients and invested members of society who associate with value-aligned and purpose-driven companies. The disclosed information can be used to assess Nedbank's progress in managing its positive and negative impacts in addressing climate change.	• **2023 Climate Report** • **Nedbank Energy Policy*** • **Nedbank Climate Change Position Statement*** • **Nedbank Nature Position Statement (new)***	• Task Force on Climate-related Financial Disclosures (TCFD)[1] • Basel Committee on Banking Supervision • Global Reporting Initiative Standards • JSE Sustainability and Environmental Disclosures
Societal reporting ESG 	Our societal reporting includes information relating to how the group uses its financial expertise to do good by creating positive economic, societal and environmental impacts, including those aligned to the United Nations (UN) Sustainable Development Goals (SDGs). They are primarily of interest to investors, existing and prospective employees, regulators, NGOs, existing and prospective clients, ESG ratings agencies, and engaged members of society. The disclosed information demonstrates progress in how Nedbank is fulfilling its purpose.	• **Sustainable development finance** • **Human capital, diversity and inclusion** • **Social impact** • **Supplier relationships and procurement** • **Client responsibility** • **Financial inclusion** • **Transformation** • **Broad-based Black Economic Empowerment (BBBEE) Certificate*** • **Global Reporting Initiative Standards Disclosures*** • **Sustainable Development Finance Inclusion Criteria***	• Global Reporting Initiative Standards • King IV Report on Corporate Governance for South Africa (King IV)** • United Nations Global Compact • Amended Financial Sector Code (FSC) and the BBBEE Act *The JSE Sustainability and Environmental Disclosure Guidance as well as the International Sustainability Standards Board Sustainability-related Financial Disclosures were also considered.*
Governance reporting ESG 	Our governance disclosures include information relating to board matters, ethics, financial crime, tax and remuneration. They are primarily of interest to investors, ESG rating agencies, clients, employees, regulators, suppliers and members of society. The information disclosed demonstrates how Nedbank does business according to sound governance practices, and the highest standards of ethics, integrity, transparency and accountability.	• **Governance** • **Ethics** • **Financial crime (including amongst others AML and cybercrime)** • **Remuneration Policy and Implementation Report** • **Tax disclosures** • **Stakeholder engagement** • Key policies* • Leadership CVs and profiles*	• King IV • Companies Act • Banks Act • SARB Directives and Circulars • JSE Listings Requirements • JSE Debt Listings Requirements • Other applicable laws, regulations and best practice principles • Global Reporting Initiative Standards
Shareholder information 	The notice of AGM and form of proxy provide valuable information to shareholders who want to participate in the Nedbank Group's 57th AGM.	• **Notice of 57th annual general meeting (AGM)** • **Form of proxy** • Shareholding profile*	

* *Available separately at nedbankgroup.co.za.*

1 *Reporting of TCFD has been incorporated into the ISSB Standards: "The incorporation of the TCFD recommendations into the ISSB's Standards provides yet further simplification of the so-called 'alphabet soup' of disclosure initiatives for companies and investors. The Financial Stability Board has also asked the IFRS Foundation to take over the monitoring of the progress on companies' climate-related disclosures from the TCFD"*

Navigating our Climate Report

About our 2023 Climate Report

This 2023 Nedbank Climate Report is a supplement to the 2023 Nedbank Group Integrated Report. It provides information on the group's approach to managing and responding to climate-related risks and opportunities aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

This report focuses on Nedbank's approach to fulfilling its purpose to use its financial expertise to do good, thereby creating value for for all stakeholders. It outlines the group's governance, strategy, risk management and performance metrics as they relate to climate change mitigation and adaptation.

By transparently sharing this information, we aim to empower our stakeholders with the knowledge to make informed decisions, foster trust and drive positive change. This report further shares our collective effort towards a more resilient and sustainable future for the planet.

Reporting period

The 2023 Nedbank integrated reporting suite, including this Climate Report, covers the period of 1 January to 31 December 2023, which is Nedbank's financial year. It may, however, include details of material events after this date, up until board approval of the reports on 16 April 2024.

The reporting frameworks we adhere to

The report contents are guided by the recommendations of the TCFD framework, the Global Reporting Initiative Standards, the King Code of Governance Principles for South Africa and the Amended Financial Sector Code. Also considered are the core (and in some cases, leadership) requirements of the Johannesburg Stock Exchange Sustainability and Climate Disclosure Guidance and the draft International Sustainability Standards Board Sustainability-related Financial Disclosures.

Assurance

The annual financial statements for the 2023 financial year have been assured by Nedbank's joint external auditors, Ernst & Young Inc and Deloitte & Touche. Limited assurance on select sustainability information is provided by Deloitte.

Forward-looking statements

This report contains certain forward-looking statements about the group's financial position, results, strategy, operations and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that may occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the group's joint auditors. Forward-looking statements made by Nedbank Group on 5 March 2024 at the time of releasing our 2023 results were informed by the group's business plans and economic forecasts at February 2024.

Digital and ESG reporting

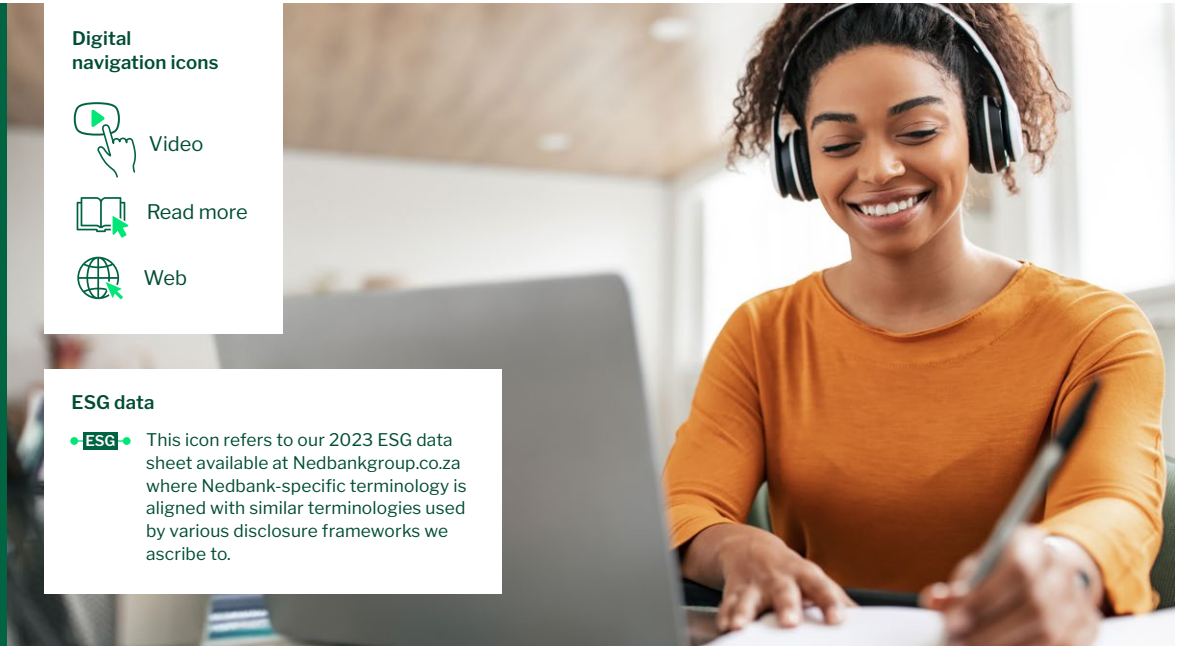
Our 2023 Climate Report has been designed for an enhanced digital experience and ease of use as our stakeholders now primarily engage with information through digital channels. The landscape layout supports readability on computer screens and tablets while the digital navigation capability in the report will assist you to easily navigate between different sections or topics. This can be done using the navigation icons at the top of the page.

Digital navigation icons

- Video
- Read more
- Web

ESG data

ESG This icon refers to our 2023 ESG data sheet available at Nedbankgroup.co.za where Nedbank-specific terminology is aligned with similar terminologies used by various disclosure frameworks we ascribe to.



Foreword by Mike Brown, Nedbank Group Chief Executive

> Financial institutions, particularly banks, have a crucial role to play in the Just Transition. Deliberately channelling capital into sectors that diversify the economy to bring about meaningful environmental and social change is closely aligned to Nedbank's purpose of using our financial expertise to do good. By aligning our investment and lending practices with a vision for a net-zero economy by 2050, we are delivering on this key strategic commitment.
>
> **Mike Brown,** Chief Executive

At Nedbank, we are acutely aware that our future as a business is tied to the prosperity of the economy, society, and the environment which we are part of. Our **Climate Change Position Statement** makes our stance on climate change very clear: We recognise that it has far-reaching effects that disproportionately affect society's most vulnerable. As such, we take seriously our responsibility to aid our clients' **transition to net-zero emissions** as a way to support meaningful climate action and promote social justice. We recognise the interconnectedness of climate change and the health of our natural environment. In addition to our climate change position, we have also disclosed our nature position statement. By doing so, we underscore the vital link between these two critical issues. Our actions reflect our dedication to safeguarding both the planet's climate and its biodiversity.

The increased attention on climate change from leaders in government, business, and civil society, especially at the recent COP28, has once again underscored the urgent need for ambitious commitments and collaborative efforts. Nedbank is determined to be at the forefront of these efforts in the regions in which we operate. Given Africa's vulnerability to climate change and South Africa's reliance on fossil fuels, both of which amplify the continent's social challenges, the urgent need for change cannot be overstated. As such, **our purpose to use our financial expertise to do good** is demonstrated by the growing percentage of our lending – currently at 16% of our gross loans and advances (2022: 14%), that is dedicated to sustainable development finance.

Nedbank, as a **market leader in renewable energy solutions,** is well positioned to participate in the financing of both private generation and government initiatives, with drawdowns on our very strong renewable energy pipeline expected to support loan growth in 2024. Nedbank is also well positioned to facilitate SA's shift to a low-carbon, resilient economy. The government's Just Energy Transition Implementation Plan, supported by an estimated investment requirement of US$11.6 billion, presents an opportunity for the financial sector to align its sustainability objectives and enhance its impact through the financing of renewable energy projects and community sustainability initiatives. We are already proactively supporting SA's transition by supporting large-scale renewable projects and smaller initiatives with small, medium and micro-enterprises and individual clients, all of which are aimed at making a significant positive climate impact accompanied by inclusive economic growth.

The 12 months of 2023 brought significant regulatory changes in global climate governance. The introduction of the **IFRS S1** (General Requirements for Disclosure of Sustainability-related Financial Information) and **IFRS S2** (Climate-related Disclosures) developed by the International Sustainability Standards Board, the introduction of the Taskforce on Nature-related Financial Disclosures (TNFD), and the South African Reserve Bank's call for climate risk stress testing, are all reshaping the financial landscape and demanding that banks invest in adequate resourcing and capability to ensure that the risks and opportunities in climate change are understood, managed and disclosed appropriately. Nedbank is responding to these shifts by investing in the knowledge and capabilities needed to manage, understand, and disclose associated risks and opportunities. Our **Purpose Programme of Work** is one of the ways in which we are enhancing our response to the revolving nexus of nature, climate and societal crises and related regulation and which we delve into in the strategy section of this report.

We're proud to publish our 4th climate report, which demonstrates our progress and reinforces our commitment to a net-zero economy by 2050. Since the board endorsement of our climate change resolutions in 2020, we have steadily increased the integration of climate considerations into our strategy and business operations. Our increased **financed emissions disclosures, fossil fuel and power generation glidepaths** and related reduction targets are all key to building the bank's transition plan and realising our net-zero commitments. This report also introduces our first public disclosure, in the form of our **Nature Position Statement**, concerning our understanding of the vital role of nature in ensuring a sustainable society, and the ways in which we can support the Global Biodiversity Framework's objectives. Our involvement in the TNFD pilot and our inaugural Nature Position Statement lay the groundwork for addressing the risks and opportunities related to nature.

The climate crisis calls for bold and innovative collaboration. By joining forces with stakeholders and regulators, **Nedbank is accelerating the journey towards a more sustainable future**. We appreciate your interest in this report and our climate initiatives.

Mike Brown, Chief Executive

Key accomplishments during 2023

Throughout 2023 we further refined our alignment with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. The following notable achievements are elaborated on below.

Governance

- We continued our reporting in line with the requirements of the **TCFD**.
- We **monitored** the delivery of climate finance opportunities as committed to in the 3-year business plan and the annual progress made to achieve the bank's sustainable development finance ambition.
- The Nedbank Board explicitly **considered** climate-related matters at 11 board meetings during 2023.
- The Chairperson of the board, who was also a member of the Group Climate Resilience Committee, stepped down in June 2023, the new Chairperson, who has significant climate-related experience, joined the Group Climate Resilience Committee in May 2023.

Strategy

- At 31 December 2023 we had **R145bn** supporting sustainable development financing (SDF), being 16% of the group's gross loans and advances. We aim to increase SDF exposures to around 20% of the group's loans and advances by the end of 2025.
- We developed our methodology for our power generation and fossil fuels **glidepaths** in 2022, which we disclose in this report. In 2024, following the disclosure of our fossil fuel and power generation glidepaths as well as our related reduction targets, we will look to institutionalise glidepath management into our business-, credit-, and risk processes.
- We expanded our **financed emissions baselining** capabilities and glidepath development for our highest climate impact sectors, while developing scenario analysis capabilities to better understand our exposure to climate risks. This is evidenced by the disclosures of financed emissions for our motor vehicle finance, home loans and power generation portfolios. The progress in our financed emissions disclosures and the glidepaths are disclosed in the Metrics and Targets section.

Risk management

- Nedbank has taken significant steps in enhancing its risk management process, having completed our 1st **Climate Risk Materiality Assessment** (CRMA) on a significant part of our lending portfolio during 2023. The CRMA enables the identification and prioritisation of high-risk clients, sectors and portfolios in terms of gross loans and advances exposure across various climate scenarios and time horizons. This is achieved through the assessment of climate exposure, vulnerability to physical hazards or transition risk drivers tailored for SA and Nedbank's Africa regions, which is then synthesised into an overall climate risk score for Nedbank's lending portfolio. The risk assessment is based on a robust, internationally benchmarked methodology tailored for Nedbank's business and is built on science-based scenarios using leading climate science.
- Key next steps for Nedbank are embedding the assessment into our broader risk management processes in the bank, improving the robustness of the existing assessment through deep dives into high-risk key clients and sectors, and expanding the assessment to our other portfolios.
- The valuable insights derived from the CRMA will be used to enhance and customise our client engagements from a climate advisory perspective. Our intention is to assist clients and identify opportunities related to adaptation and resilience financing as well as transition financing.

Metrics and targets

- We have **achieved our 2025 electricity targets** (Fossil-fuel-based electricity per FTE and Emissions per FTE (FTE/tCO_2e) for the first time this year, ahead of our 2025 goal.
- In 2023 our own operations greenhouse gas emissions have decreased by **4,29%** in absolute terms. Carbon emissions per FTE have also decreased in 2023 by **0,21** tCO_2e per FTE.
- We have **quantified and disclosed** the emissions that we finance for our fossil fuels, motor vehicle finance, home loans and power generation portfolios.
- In 2022 we **defined our decarbonisation glidepath methodology** for fossil fuels and power generation, which was piloted internally in 2023, and disclose the outcome thereof in this report.
- We made progress in the year under review on **Scope 3 emissions** related to our South African operations by including emissions from cloud computing and digital platform service providers, cash-in-transit service providers, and our distributed workforce (work from home).

Market recognition & thought leadership

The recognition of our deep sector expertise, innovation and purpose-driven approach resulted in the following awards:

- 2023 Global Finance Magazine Awards: **Outstanding Leadership in Sustainable Bonds (winner)**
- 2023 African Banker Awards: **Sustainable Bank of the Year (winner)**
- 2023 Environmental Finance Awards: **Sustainability-linked Loan of the Year (Africa) (winner)**
- 2023 Bonds, Loans and ESG Capital Markets Africa Awards: **ESG Loan Deal of the Year (winner)**

Image source: Pele Energy group

Our climate journey towards 2050

As part of our purpose-led business journey, we take a proactive stance in addressing climate change, considering the local socioeconomic context and climate vulnerability. Our commitment extends to continuously enhancing our reporting by embedding financial climate-related risks and opportunities into our business activities. Recognising that climate change poses a significant threat to society, Nedbank is committed to achieving the goals of the Paris Agreement. Our aim is to keep global warming well below 2 °C to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels by 2050. We acknowledge that all stakeholders must play their part in this critical endeavour.

At Nedbank, we see money differently. Our values, vision, and purpose drive our climate journey, which aims to make a positive impact on the world. Our climate journey for our lending activities, investment practices and own operations is provided below.

1990-2009
- First South African bank to join the UNEP FI
- First African bank to become a member of the Equator Principles
- First issued the Climate Change Position Statement declaring that Nedbank Group holds itself accountable to addressing climate change

2010-2019
- Achieved carbon-neutral status for Nedbank own operations
- The group's SEMS is consolidated and provides details on the policy, procedures and workflow required to identify and assess the environmental or social impacts of investments or lending activities undertaken by the group
- Updated the group's Climate Change Position Statement to align with the Paris Agreement
- Tasked the Embedded Generation Unit (in 2016) with building on Nedbank's successful funding of the REIPPPP and offering support for the necessary shift towards renewable-energy
- First African bank to stop providing project financing for new coal-fired power plants – regardless of technology or country
- Achieved net-zero operational water use for Nedbank's own operations
- Became a leader in the financing of green buildings
- In 2018 Nedbank closed a further 12 renewable energy project deals under round four of the Department of Energy's (DOE) REIPPPP to the value of R13bn
- 19 Nedbank-owned buildings awarded Green Star ratings
- First bank in SA to list a renewable-energy bond on the Green Bond segment of the JSE. First green bond in South Africa
- Inaugural Nedbank Wealth Asset Manager Responsible Investment Report, assessing investment managers on ESG integration and identifying best practice

2020-2022
- First South African company to table climate-related resolutions – passed by its shareholders (100% votes) at the 53rd AGM, held on 22 May 2020
- Achieved carbon-neutral status for our own operations for over a decade
- Approval of the Nedbank CRMF by the board
- Converted the Climate Risk Leadership Group into the CRC, a Group Executive subcommittee, chaired by the CRO
- Established the Climate Risk Unit to manage Nedbank's climate-related risks and opportunities to augment the climate-related functions across the enterprise as described in this report
- Approved the Climate Risk Appetite Statement and limits or targets as part of the Group Business Plan
- Established a Sustainable Finance Solutions division to support the innovation of sustainability-linked lending and fundraising instruments
- Launched SAs first green R2bn tier 2 capital instrument in partnership with the African Development Bank
- The IFC, in partnership with Nedbank, approved a US$200m loan for Nedbank renewable energy investment
- First GCRC (a board subcommittee) meeting held in March 2021
- First standalone TCFD Report published on 22 April 2021
- Published our Energy Policy

2023

Financed emissions baselining and glidepaths
- Disclose first financed emissions baselining for the power generation, home loans and MFC portfolios
- Disclose net-zero-aligned glidepaths for upstream fossil fuels and power generation

Managing physical and transition risk
- Disclose physical and transition risk assessment results for the property finance portfolio
- Undertook the first Climate Risk Materiality Assessment

Nature Position Statement
- Disclose Nedbank's Nature Position Statement with next steps to support halting and reversing nature loss

2025-2027

Financed emissions baselining and glidepaths
- We aim to disclose financed emissions baselining and glidepaths for additional emissions-intense sectors, while continuing to improve financed emissions baselining disclosure for previously disclosed sectors, aiming towards 100% coverage

Develop net-zero transition plan
- We aim to phase down the intensity of all climate-sensitive sectors to meet the requirement of limiting global temperature rise to 1.5°C
- Committing to finance our clients' transition through mitigation and adaptation
- Integrating net-zero initiatives and management of physical and transition risk into bank strategy, processes, policy and governance
- Beginning regular reporting of progress against the plan

Reach decarbonisation targets
- Halt provision of project financing to new thermal coal mines
- Reduce own operational carbon emissions by more than 40% from 2019
- Generate more than 30% of Nedbank's own energy needs from renewable sources

Reach SDF targets
- Increase SDF exposures to around 20% of group total gross loans and advance
- Continue support of the Renewable Energy Independent Power Producer Procurement Programme.
- Set new SDF targets

2026

We aim to disclose our net-zero transition plan

Develop nature transition plan

Financed emissions baselining and glidepaths
- We aim to disclose the financed emissions baseline for the entire book, utilizing high-quality data, and provide glidepaths for the remaining emissions-intense sectors

2029-2030

Reach intermediate decarbonisation targets
- Reduce thermal coal funding to less than 0,5% of gross loans and advances
- Reach first decarbonisation targets set in portfolio glidepaths

2035

Cease all financing for oil production

2045

Reach zero exposure to fossil fuel-related activities

2050

Reach our net-zero target having 100% of lending and investing supporting a net-zero carbon economy

Alignment to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

In our commitment to transparency and sustainability, we have considered the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures standards in how we have developed this report.

These standards provide a comprehensive framework for disclosing sustainability-related risks and opportunities, as well as specific climate-related information. Our 2023 report remains aligned with the recommendations of the TCFD which were in effect until their disbandment on 15 December 2023. This includes implementing the following recommendations:

- Recommendations of the TCFD (June 2017).
- The use of scenario analysis in disclosures of climate-related risks and opportunities (June 2017).
- Guidance on risk management integration and disclosure (October 2020).
- Implementation of the recommendations of the TCFD (October 2021).
- Guidance on metrics, targets, and transition plans (October 2021).

TCFD Recommendation	Recommended disclosures	Nedbank response
1st pillar **Governance** Disclose the organisation's governance regarding climate-related risks and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	**Governance: Page 18** Nedbank has established a robust climate-related governance framework that involves the board, supported by various board subcommittees. Notably, the Group Climate Resilience Committee* is dedicated to addressing climate-related risks and opportunities. Additionally, the Nedbank Group Executive Committee (Group Exco) consistently provides updates and feedback to both the board and the relevant board subcommittees. The board explicitly considered climate-related matters at 11 board meetings in 2023.
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	**Governance: Page 19 to 23** The group's business clusters assume responsibility for evaluating and managing risks and opportunities as part of the first line of defence (1LoD). Senior leadership and group executives oversee specific aspects of climate-related affairs, taking a holistic approach to climate management. In 2022 Group Exco established a Purpose Working Group, led by the Chief Operating Officer, to align with the group's purpose. In 2023 we saw the start of a more formal and integrated approach to the challenge of addressing climate and related sustainability matters, with the Purpose Programme of Work being established and endorsed by both the board and Group Exco. The second line of defence (2LoD), overseen by the Chief Risk Officer, has the responsibility of managing climate-related risks and also leads the Climate Risk Committee.

** From Q2 2024 the committee will be referred to as the Group Sustainability and Climate Resilience Committee (GSCRC).*

Alignment to the recommendations of the Task Force on Climate-related Financial Disclosures TCFD continued

TCFD Recommendation	Recommended disclosures	Nedbank response
2nd pillar **Strategy** **Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.**	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	**Strategy: Page 52 to 53** • Nedbank acknowledges that climate change presents substantial challenges and uncertainties for the financial sector, impacting both clients and stakeholders. The group employs a combination of qualitative and quantitative methods to evaluate climate risk. In pursuit of a deeper understanding and effective management of climate-related risks, Nedbank conducted a comprehensive Climate Risk Materiality Assessment (CRMA) in 2023. This assessment encompassed both physical and transition risks across its lending portfolio. • Nedbank continues to identify risks and opportunities over 3 distinct periods (short, medium, and long term) that could result in a financial impact on the group and these risks are further discussed in the Risk management section.
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	**Strategy: Page 45 to 49** • Nedbank is proactively identifying and pursuing sustainable development finance opportunities as these arise, and these are tracked using our sustainable development finance framework. • Nedbank continues to identify the physical and transition risks that could result in a financial impact on the group and these risks are further discussed in the Risk management section. • Through our Enterprise-wide Risk Management Framework (ERMF) we have established a comprehensive process to identify and assess climate and related risks and integrate these risk considerations in our business across the group.
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Strategy: Page 52** In 2023 the bank strengthened its scenario analysis and risk management capabilities by conducting a CRMA. This comprehensive assessment encompassed evaluations of both physical and transition risks. It entailed a blend of qualitative and quantitative analysis, along with scenario-based testing. The primary objective was to gauge the bank's exposure to various climate scenarios and assess its resilience in the face of these potential future scenarios.

Alignment to the recommendations of the Task Force on Climate-related Financial Disclosures TCFD continued

TCFD Recommendation	Recommended disclosures	Nedbank response
3rd pillar **Risk management** **Disclose how the organisation identifies, assesses, and manages climate-related risks.**	a. Describe the organisation's processes for identifying and assessing climate-related risks.	**Risk management: Page 56 to 66** Nedbank views climate change as both a risk and an opportunity, requiring a thorough understanding of our clients' and suppliers' exposure, geographical distribution, and accompanying climate-related risks and challenges. We also consider climate resilience as a key strategic priority in support of client-driven trends as consumer preferences shift towards more sustainable products and services. The Nedbank Climate Risk Management Framework (CRMF) establishes a comprehensive structure that underpins the process of managing climate risk. We encourage a culture that requires all employees to be mindful of risk in every activity, facilitate effective risk management, and promote sound risk-taking within our risk appetite. To manage climate risks effectively, we consider these risks in our own operations as well as lending, underwriting, and investment practices to ensure that we remain resilient in the face of a rapidly changing climate.
	b. Describe the organisation's processes for managing climate-related risks.	**Risk management: Page 71 to 77** Nedbank recognises that climate-related risk management requires close collaboration between business and risk functions across the group and has developed a comprehensive CRMF. The **CRMF** outlines risk management principles that empower the group to **identify, assess, manage, monitor, and report** climate-related risks. This framework ensures the seamless integration of climate risk considerations throughout the entire Nedbank risk landscape. It applies universally across geographical regions, including subsidiaries, and extends to client selection, investments, transactions, and engagement with 3rd-party vendors and suppliers. By disclosing these climate-related risks, Nedbank facilitates purpose-driven decision-making across the organisation. To align with the **Basel Committee on Banking Supervision (BCBS) 239** requirements for risk data aggregation and risk reporting, we introduced the Climate Risk Appetite Dashboard. It serves the purpose of monitoring and managing our limits, targets, and exposure to climate-related risks that we've identified. Regular updates from the dashboard are shared with the relevant governance forums throughout the year.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	**Risk management: Page 58** Climate-related risks are integrated into the existing Nedbank enterprise-wide risk universe and are managed according to its 3LoD Model. The ERMF puts emphasis on accountability, responsibility, independence, reporting, and communications and comprises 17 risk categories that are managed, monitored, measured, and reported on by the 1LoD, 2LoD and 3LoD functions. Climate risk was prioritised and monitored as one of the Nedbank 10 top-of-mind risks where additional focus is placed on managing these prioritised risks through the 3LoD Model.

Alignment to the recommendations of the Task Force on Climate-related Financial Disclosures TCFD continued

TCFD Recommendation	Recommended disclosures	Nedbank response
4th pillar **Metrics and targets** **Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.**	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Metrics and targets: Page 91** Nedbank has established metrics and targets to facilitate the management of identified risks and opportunities. The bank is dedicated to monitoring and managing its operational emissions as well as the effects of its lending and investment activities. Going forward, we will continually refine our reporting approach by reassessing metrics and targets to align with the goals of the Paris Agreement, incorporating the most up-to-date scientific insights and other pertinent factors. This commitment will result in transparent and comparable disclosures.
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Metrics and targets: Page 83 to 94** We establish and monitor reduction targets to mitigate the environmental impact of our internal operations and contribute to ameliorating physical risks associated with climate change. These targets provide clear guidelines on resource consumption and carbon emissions across various levels within the organisation – from the group and clusters down to business units, teams, and individuals, specifically as follows: • Emissions related to some of our material lending portfolios have been quantified and disclosed. • Our carbon footprint has consistently decreased for the 14th consecutive year. We remain committed to further reductions through initiatives such as our green-building programme, pro-active supplier engagement and the expansion of externally sourced renewable energy for our own consumption.
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	**Metrics and targets: Page 82** Nedbank aims to be at the forefront of managing climate-related risks and financing innovative solutions in ways that are sensitive and flexible to the specific contexts and markets in which it operates, guided by the overarching ambition of achieving net-zero by 2050. We are gearing up to be a leading bank to help clients through the transition to a low-carbon economy.

Transition to IFRS S1 and IFRS S2 following the incorporation of the TCFD into the ISSB

The **Financial Stability Board's roadmap** for addressing financial risks related to climate change has made significant progress. Notably, the **International Sustainability Standards Board (ISSB)** finalised 2 critical standards:

IFRS S1:
focusing on **general sustainability-related disclosures.**

IFRS S2:
specifically addressing **climate-related disclosures.**

These standards were officially published in **June 2023.**

The Nedbank's Group Finance IFRS Advisory Group has diligently reviewed these standards. Their assessment included identifying any gaps and determining the necessary training for the board and other stakeholders impacted by these new standards.

Since the release of IFRS S1 and S2, several key initiatives have been undertaken:

- The **IFRS Technical Team** conducted a thorough **gap analysis** to assess the impact on our current business.
- An **independent gap analysis**, specifically for **IFRS S2**, was carried out by **Group Strategic Risk: Climate Risk**
- **External subject matter experts** were consulted to provide insights on the impact of the standards.

As we move into 2024, we are committed to aligning our climate reporting practices with the latest global standards. In light of the disbandment of the TCFD, we will continue to align our climate reporting with the International Financial Reporting Standards (IFRS) S1 and IFRS S2. We recognise the importance of climate-related disclosures and their impact on stakeholders. As such, we will strive to provide high-quality, relevant information in line with these standards.

Regulatory and legal

Nedbank duly considers climate-related regulatory developments, which informs our approach to the 4 pillars of governance, strategy, risk management and targets and metrics. This is discussed in the relevant sections.

Image source: Pele Energy group

Nedbank Group at a glance

Overview of the group, our material matters, expectations of our stakeholders, and how our purpose, vision, values, and strategy position us for long-term value creation.

We are one of Africa's largest banks, differentiated by our commitment to fulfilling our purpose of using our financial expertise to do good.

Our purpose, vision, values, strategy, and targets

Our purpose

To use our financial expertise to do good for individuals, families, businesses and society.

The overarching reason we exist

Our vision

To be the most-admired financial services provider in Africa by our employees, clients, shareholders, regulators and society.

What we want our future to look like

Our brand promise

see money differently

How we want to affect our clients

Our values

Integrity | Respect | Accountability | People-centred | Client-driven

The principles that guide us

The Nedbank Sustainable Development Framework

We have prioritised 9 SDGs where we believe we have the greatest ability to deliver a meaningful impact through our core business and a purpose-led ambition of providing sustainable development finance support to clients.

Our approach to purpose fulfilment

These SDGs guide our climate change response.

Our strategy

The strategic drivers and programmes of action that support the delivery of our targets

Strategic value drivers

- Growth
- Productivity
- Risk and capital management

Strategic value unlocks

- Digital leadership (DX)
- Market-leading client experiences (CX)
- Focusing on areas that create value (SPT)
- Efficient execution (TOM)
- Creating positive impacts (purpose delivery)

Underpinned by
A world-class technology platform
Our employees and differentiated corporate culture (EX)

Our key targets

The targets we have set that, when activated, will support a price-to-book valuation of > 1,3 times

	Diluted headline earnings per share	Return on equity	Cost-to-income ratio	Net Promoter Score
Short term	By end 2023			
	> 2 565 cents (2019 levels)	15% (2019 levels)	< 54%	#1 bank (from #3 in 2019)
Medium term	By end 2025			
	> CPI + GDP + 5% (CAGR to end 2025)	17% (around COE + 2%)	< 52%	#1 bank
Long term	5 year +			
	> CPI + GDP + 5% (CAGR through the cycle)	> 18% (around COE + 3%)	< 50%	#1 bank

These targets are supported by various strategic and stakeholder-related targets as discussed in the 2023 Nedbank Integrated Report.

Our organisational structure, products, and services

Nedbank Corporate and Investment Banking

- Market leader with strong expertise in commercial-property, corporate advances and renewable energy financing.
- Strong South African trading franchise with excellent trading capabilities across all asset classes.
- Leading expertise across various sectors such as mining, infrastructure financing, telecoms and public sectors.

Outputs

- Investment banking and corporate lending.
- Global markets and treasury.
- Commercial-property finance.
- Deposit-taking and transactional banking.

NEDBANK CIB

Contribution to group

Advances	Headline earnings	Return on equity
44%	43%	18,9%
R377bn	R6,8bn	
2022: R378bn	2022: R6,4bn	2019 2020 2021 2022 **2023**

Nedbank Retail and Business Banking

- Leading digital capabilities.
- #1 bank in client satisfaction metrics.
- Differentiated and disruptive client value propositions (CVPs) across different client segments.
- Leader in card-acquiring and vehicle finance.
- Highly competitive franchises in relationship banking, small-business services and commercial banking.
- Digitally enabled and reimagined distribution network.

Outputs

- Transactional banking.
- Card and payment solutions.
- Lending and deposit-taking.
- Investment products.
- Beyond banking solutions.

MFC A division of NEDBANK | NEDBANK

Contribution to group

Advances	Headline earnings	Return on equity
50%	36%	16,0%
R429bn	R5,6bn	
2022: R408bn	2022: R5,1bn	2019 2020 2021 2022 **2023**

Nedbank Wealth

- Leveraging existing distribution channels and platforms to sell insurance solutions to Nedbank clients.
- Top fund managers are contracted through our Best of Breed investment approach. Committed to responsible investing and agreed ESG focus areas.
- An award-winning, integrated and holistic advice-led and high-net-worth offering for local and international clients.

Outputs

- High-net-worth banking.
- Insurance.
- Asset management.
- Wealth management.

NEDBANK PRIVATE WEALTH | NEDBANK INSURANCE | NEDGROUP INVESTMENTS

Contribution to group

Advances	Headline earnings	Return on equity
3%	8%	26,8%
R29bn	R1,2bn	
2022: R29bn	2022: R1,1bn	2019 2020 2021 2022 **2023**

Nedbank Africa Regions

- Presence and positioned for growth in 5 SADC countries with technology investments to enhance CVPs and achieve scale.
- Access to the largest banking network in Africa through our ETI strategic alliance supported by our 20% investment in ETI.

Outputs

- Transactional banking.
- Lending, deposit-taking and card products.
- Wealth management.

NEDBANK | Ecobank

Contribution to group

Advances	Headline earnings	Return on equity
3%	12%	25,2%
R21bn	R1,9bn	
2022: R22bn	2022: R1,0bn	2019 2020 2021 2022 **2023**

Support functions: compliance, finance, human resources, marketing and corporate affairs, risk, technology, strategy and sustainability.

Our material matters

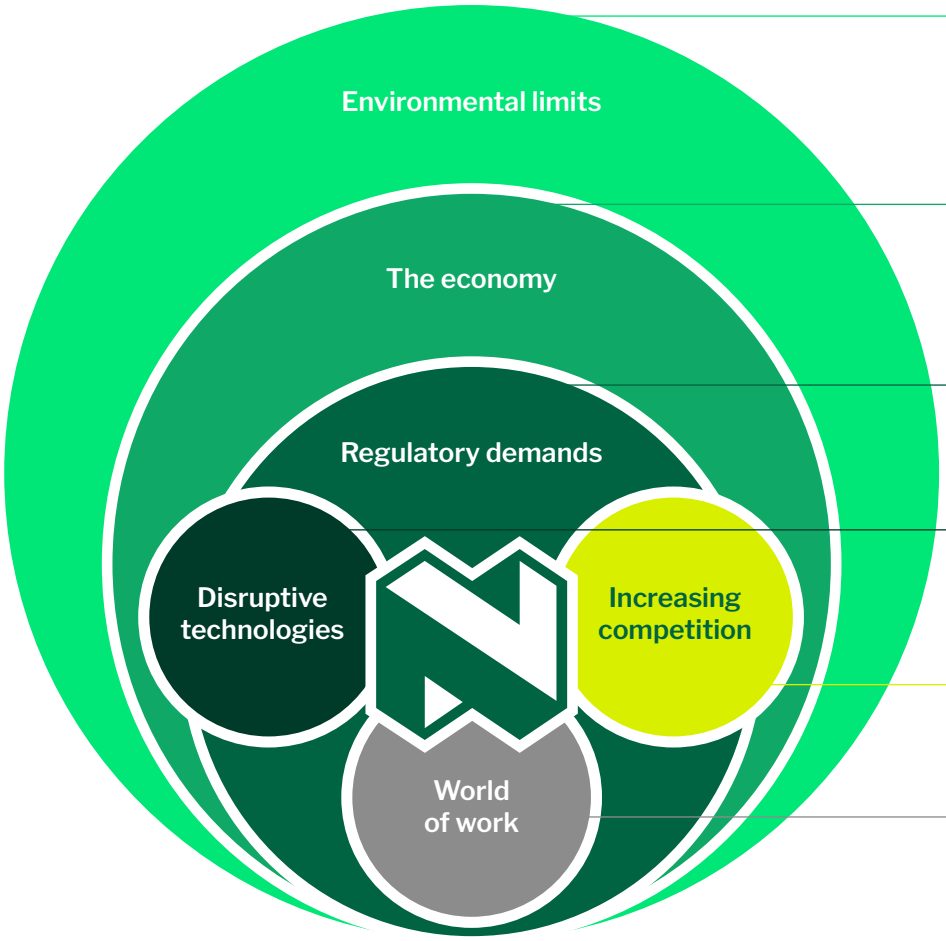
Environmental overview

The environment for Nedbank and its stakeholders remains volatile, uncertain, complex, and ambiguous, reinforcing the need to create a more equitable and prosperous future for all, while operating within planetary boundaries. In this context we have identified and updated our material matters reflecting the issues that have the greatest likelihood of affecting our ability to create sustained value for our stakeholders, both internal and external. While these issues do change over time as our stakeholders' needs evolve and new trends and developments shape the macro environment, the broad themes remain consistent.

Overview

Our approach to the material matters follows the principle of materiality. This principle is essential in assessing the information that influences the group's strategy and our integrated thinking as we make decisions about the 6 capitals (natural, social and relationship, financial, manufactured, intellectual, and human capital), as well as inform the evolution of our business model and the development of our short-, medium- and long-term targets.

Our material matters



Environmental limits: The increasing impact of climate change, evident in droughts, extreme weather events and biodiversity impacts, the need for a Just Transition given SA and the African continent's unique social and environmental positioning, and the risk of investing in stranded assets.

The economy: Global and local economic dynamics, rising geopolitical risks, as well as social and political developments impacting on SA and the African continent, including slow economic growth, high interest rates, high but moderating inflation, weak consumer and business confidence, and opportunities (such as renewable energy) and threats (such as electricity shortages or economic shocks).

Regulatory demands: Growing regulatory scrutiny and demands placed on financial services companies, including those relating to technology and cyberrisk, payments, ESG, consumer protection, financial crime, data and data privacy, and financial and banking regulation.

Disruptive technologies: The impact and adoption of new emerging technologies such as generative AI, as well as increased levels of digital adoption, behavioural changes of clients and employees, and rising threats and levels of cybercrime.

Increasing competition: Competition from incumbents and new entrants, with a focus on retail transactional and related deposits, the small-and-medium-enterprise (SME) market, and renewable energy.

World of work: The influences by macroeconomic, social and political developments, digital transformation and fast-paced technological change, heightened demand for scarce skills and the war for talent, as well as the requirements of employment equity legislation on the world of work.

In 2023, we sought to engage with stakeholders more meaningfully on ESG priorities that are currently captured within our material matter 'environmental limits'. Using the Embedding Project's Strategic Prioritization Radar process, a systematic methodology involving internal and external stakeholders, we sought to identify the most significant environmental, social, and governance (ESG) impacts, risks, and opportunities. The results underscored the relevance and importance of the bank's strategic focus on addressing the impacts of climate change.

Please refer to the Material Matters section of the 2023 Society Report for more detail.

Our stakeholders – delivering value by fulfilling our purpose

Banks play a crucial role in facilitating economic activity and enabling sustainable growth and development by allocating capital to where it is needed.

Our success depends on the degree to which we deliver value to society, and it is therefore important to understand our role in society and how society can be different and better because Nedbank is a part of it. A deep understanding of our purpose directs our strategy and decision-making, resulting in an optimal balance between long-term value creation and short-term results.

Nedbank Group

A strong and profitable business enables continued investment in our employees and operations, which in turn creates value for our clients, shareholders, and society at large.

Employees

Our employees are our greatest asset and key to making Nedbank a great place to bank and work. Motivated and skilled employees, together with efficient, innovative, and value-creating solutions, services, and operations, offer value to our clients. Employees, as part of society, contribute materially to the communities where they live and work.

Value is created and preserved through:

- employment opportunities in the countries in which we operate;
- rewarding employees for the value they add;
- providing flexible working practices;
- encouraging our employees to embrace technological changes, further their careers, and improve our services and products; and
- contributing to the transformation towards a more inclusive society through diversity, equity, and inclusion.

Clients

Our clients are our largest source of deposits, which enables us to fund lending activities. Gaining more clients and deepening existing relationships result in greater revenue growth, while responsible banking practices and world-class risk management mitigate value erosion.

Value is created and preserved through:

- safeguarding deposits, investments, and wealth while growing returns;
- providing credit in a responsible manner that enables wealth creation, sustainable development and job creation aligned with the SDGs and the drive to transition to a net-zero economy by 2050;
- facilitating transactions that are the backbone of economic value exchange;
- enabling financial inclusion by offering unbanked clients access to affordable products;
- providing financial education and advice; and
- developing innovative solutions that meet our clients' specific needs.

Shareholders

The financial capital we source from our equity and debt investors and our retained earnings enable business continuity and growth, including strategic investments.

Value is created and preserved through:

- increasing NAV, returns, dividends and share price;
- maintaining a strong balance sheet to support growth and protect against downside risk;
- investing in and growing our client franchises and our people sustainably;
- following good ESG practices that ensure a sustainable business for the long term; and
- operating within our risk appetite.

Government

The tax we pay and investments in government and public sector bonds are imperative for the economic and social development of the countries in which we operate.

Value is created and preserved through:

- contributing meaningfully to government budgets through our own corporate taxes and employees paying personal taxes;
- investing in government and public sector bonds as required by prudential regulation, thereby partially supporting the funding needs of government; and
- participating in public-private partnerships to leverage the strengths of corporate SA to address SA's Just Transition, including investment needed in energy and infrastructure.

Regulators

Regulation reduces systemic risk and promotes the healthy functioning of an economy in which all stakeholders prosper. Good governance and compliance support client and investor confidence in Nedbank. We have a responsibility to comply fully with the regulations of the countries in which we operate.

Value is created and preserved through:

- embracing responsible banking practices and regulatory compliance, which enable a safe and stable banking system and a thriving society.

Society

We embrace our role in society as an active contributor to building a thriving society and can do this only with engaged communities that have the same values.

Value is created and preserved through:

- transforming economies, the environment and society positively through our lending and investment activities, aligned with the SDGs;
- playing a meaningful role in the broader society as a procurer and consumer of goods and services; and
- making a difference through our partnerships and corporate social investment activities.

Image source: Pele Energy group

Governance

Overview of Board oversight of climate and how good governance and strong leadership support the creation and protection of value, while minimising the risk of value erosion.

Foreword by Brian Dames, Chairperson of the Nedbank Group Climate Resilience Committee

> In the 2023 financial year the Nedbank Group Climate Resilience Committee (GCRC)* has continued to play a pivotal role in steering the group towards enhanced sustainability and resilience in the face of climate change. Despite a rapidly changing operating environment, our mandate remains to accelerate Nedbank's journey towards, and contribution to sustainable development . Central to our efforts in this regard is our commitment to a Just Transition for Africa, ensuring that the journey to sustainability and a greener economy.
>
> **Brian Dames,** Chairperson: GCRC

Since the publication of Nedbank's 2022 Climate Report, the importance of sustainability, mitigating climate risk, and Environmental, Social, and Governance (ESG) considerations have become increasingly central to our business strategy, operations, and risk management practices. This shift has not only been about internal transformation, it has also resonated with all our stakeholders, including regulators, investors, activists and peers – many of whom have noted our efforts positively.

The GCRC has taken significant strides in developing and guiding Nedbank's fossil fuel and power generation strategies, particularly through the establishment of thermal coal, oil and gas, and power generation glidepaths. These paths are crafted to ensure that we adhere to our Nedbank Energy Policy with regards to these vital components of climate change mitigation, and that our financing activities are aligned with global best practices in environmental stewardship.

Over the past year the committee has also been vigilant in monitoring the bank's climate risk appetite, ensuring compliance with board-approved targets and limits. Furthermore, the bank completed its first climate risk materiality assessment on a significant portion of its lending portfolio.

In addition to overseeing risk management, the GCRC has played a vital role in enabling and driving the ongoing enhancement of Nedbank's capabilities in climate data management and the development of associated worldclass systems. This includes overseeing initiatives like the ESG Data Steering Committee, among others, which are crucial for our long-term strategies related to climate risk and sustainability reporting.

Education and board training have been a key priority, with the GCRC facilitating sessions on SA's net-zero pathway, the national energy crisis, and global trends in responsible investing. These education sessions are instrumental in ensuring that our board and executive management are well-informed about the latest developments and challenges in climate change, sustainable development and ESG.

Meaningful client engagement has been another key focus, with the GCRC guiding discussions on how Nedbank can support its clients in their own transition strategies. This extends beyond financing to advisory services and partnerships aimed at helping clients to navigate the complexities of transitioning to more sustainable business models.

Our sustainable development finance initiatives have been closely monitored, with the GCRC monitoring progress towards Nedbank's ambitious financing targets. This includes a comprehensive review of renewable energy projects and sustainable financing opportunities in the year under review, with the aim of ensuring that Nedbank remains a leading financier of sustainable development efforts in Africa.

Looking ahead to 2024 and beyond, the GCRC is working hard to ensure that the committee, and Nedbank, are well-prepared for the challenges and opportunities that lie ahead. This includes our readiness for the South African Reserve Bank's Climate Risk Stress Test and the continuous enhancement of our climate risk management frameworks for optimum effectiveness. A particular focus in the coming year will be on developing and implementing sectoral glidepaths to ensure that Nedbank's financing activities across different sectors are aligned with our over-arching sustainability goals.

We are also focused on guiding the development of a standardised Nedbank approach to quantifying GHG emissions from our operational, investment and lending activities to ensure consistency and accuracy as we expand our carbon accounting project to cover additional portfolios.

By integrating sustainability and ESG considerations into Nedbank's business strategies, enhancing our risk management frameworks, and engaging proactively with our clients and stakeholders, the GCRC continues to lay a solid foundation for our group's sustainable future, as well as its ability to grow its contributions to such a future for all its stakeholders.

Brian Dames, Chairperson: GCRC

** From Q2 2024 the committee will be referred to as the Group Sustainability and Climate Resilience Committee (GSCRC).*

Board and management focus on climate-related risks and opportunities

Sound corporate governance is fundamental to Nedbank's business operations and environmental sustainability. We rely on our ERMF to identify, assess, measure, monitor, manage, and report on the risks and opportunities to our business. This approach guides our strategic decisions, corporate policies, and charters. It also informs the ways that we engage with our people and manage our processes, technology and knowledge. The ERMF integrates risk, finance, and balance sheet management across the group's entire risk universe, including business units and operating divisions, geographical locations, and legal entities.

Sustainability and climate-related risks continue to be integrated into the enterprise risk universe through the ongoing maintenance and operationalisation of the Nedbank Social and Environment Risk Management Framework (SERMF) and CRMF[1]. An ESG Risk Management Framework was approved in 2023, focusing on a broad range of ESG risks and factors faced by the group and its counterparties, as well as setting the principles for the implementation of sound ESG risk management practices across the group's activities. Embedding ESG risk management into its core activities supports the achievement of the group's strategic objectives.

Nedbank has a robust sustainability and climate-related governance structure, comprising the board, which is supported by several board subcommittees that include the **Group Climate Resilience Committee (GCRC).** In 2024, the GCRC has broadened its mandate to encompass both sustainability and climate-related risks and opportunities. Overall, the GCRC's expanded mandate reflects a commitment to building climate resilience and contributing to a sustainable future.

The committee approved the name change to Group Sustainability and Climate Resilience Committee (GSCRC) to cover the expanded mandate of the committee. This change aligns with the revised charter, which expands the committee's scope to include sustainability and climate risk and opportunities. This revised charter is effective as from 1 April 2024.

The board explicitly considered climate-related matters at 11 board meetings in 2023 and included the following:

- SA's Just Energy Transition Plan.
- Energy Transition – New Technologies.
- The global state of responsible investing.
- Feedback from the GCRC (the Chairperson of the GCRC provides feedback from the GCRC at all board meetings).

The board also resolved to extend the current GCRC Chairperson's tenure for an additional period of 1 year, given the need for continuity on the GCRC, while the search for additional directors with climate risk expertise is underway.

The former Chairperson of the board, who was also a member of the Group Climate Resilience Committee, stepped down in June 2023, and the new Chairperson, who has significant climate-related experience, joined the Group Climate Resilience Committee in May 2023.

Image source: Pele Energy group

[1] *The CRMF is discussed further in the section on Risk management.*

The board and management's role in assessing and managing climate-related risks and opportunities

Nedbank Group's governance structure is illustrated in the following diagram

The GCRC's responsibilities include implementing additional measures to respond to evolving business, regulatory, strategic, and risk-related conditions. Given that sustainability and climate-related risks and opportunities cut across various risk categories, the oversight of their impact is seamlessly integrated across multiple board committees to ensure robust governance.

At the Group Exco level, the Climate Risk Committee (CRC) recommends matters to Group Exco and the GCRC. The CRC's objective is to align with the SERMF and CRMF across the group and provide guidance in identifying, assessing, measuring, monitoring, managing, and reporting on climate-related risks and opportunities. This includes regular reviews by business clusters to assess the impact of climate change and how climate-related risks affect Nedbank's strategy, income statement, and balance sheet.

The sustainability and climate-related structures comprise subject matter experts tasked with executing specific deliverables aligned with the focus area. Board and board committee evaluations alternate annually between independent and internal evaluations.

Governance at a board level

Nedbank Group Board of Directors

Monitors, approves, provides oversight of, and reviews the defined climate-related risks and opportunities. This translates into governance, strategy and finance, risk management, as well as metrics and targets.

Group Climate Resilience Committee (GCRC)
The GCRC focuses on sustainability and climate-related risks and opportunities (ie monitoring progress against goals and targets).

Group Risk and Capital Management Committee (GRCMC)
Supports the board in achieving its goals and objectives in relation to the group's identification, assessment, control, management, reporting, and remediation of relevant risks.

Group Credit Committee (GCC)
Approves Nedbank's credit philosophy and policies, sets credit limits and guidelines, considers risk appetite and concentration risk limits, approves the adequacy of interim and year-end impairment provisions, and monitors credit risk and disclosure.

Group Transformation, Social, and Ethics Committee (GTSEC)
Oversees and monitors Nedbank's activities regarding social and economic development, ethics, transformation, sustainability, corporate citizenship, the environment, health, public safety, stakeholder relations, as well as labour and employment matters.

Group Remuneration Committee (Group Remco)
Oversees and approves the Remuneration Policy and reward arrangements. Monitors any explicit links between remuneration and ESG targets.

Board oversight

The board's role is to monitor, approve, provide oversight of, and review the defined sustainability and climate-related risks and opportunities. This oversight extends to shaping governance, strategy and finance, risk management, as well as metrics and targets of the group to ensure that we remain relevant and that our operations are aligned with global leading practices.

The board recognises the importance and implications of climate-related matters on our business. Climate change, as a risk amplifier, has been integrated into Nedbank's risk universe and materialises through 17 distinct risk types. The board oversees a rigorous risk assessment process designed to identify, assess and respond to these risks. We employ the CRMF to assess the potential impact of varying climate scenarios on the business. This proactive approach enables us to anticipate and mitigate climate-related risks, safeguarding the interests of our stakeholders and enhancing long-term resilience. Through the GCRC, the board continues to monitor adherence to, and management of, the Nedbank Energy Policy and has steered the development of the bank's fossil fuel (thermal coal, upstream oil and upstream gas) and power generation glidepaths during 2023.

Climate focused committees

Effective April 2024, the committee name of the GCRC changed to Group Sustainability and Climate Resilience Committee (GSCRC) to cover the expanded mandate of the committee.

The board and management's role in assessing and managing climate-related risks and opportunities continued

Board oversight continued

In selecting the pathway to follow, our intention will be to use a benchmark scenario that aligns with achieving the goals of the Paris Agreement, taking into consideration the Just Transition and leveraging the latest available science. Refer to the Strategy section for more details on our climate-related strategy.

In addition to risk mitigation, the board actively oversees opportunities arising from the transition to a low-carbon economy. By leveraging our expertise and networks, we identify strategic investments in renewable energy, and sustainable infrastructure projects. These investments not only align with our commitment to a sustainable future but also contribute to our competitive advantage in a rapidly evolving market landscape.

The board evaluates business strategies and investment decisions through a climate lens, prioritising initiatives that facilitate our transition to a low-carbon, resource-efficient business model. By embedding climate considerations into our strategic planning, we position ourselves to seize emerging opportunities and proactively manage potential risks associated with climate change.

The board is responsible for monitoring and overseeing progress against goals and targets to address climate-related matters.

Metrics and targets used to assess climate-related risks and opportunities are in line with Nedbank's approach to strategy and risk management.

The board's proactive oversight of climate-related risks and opportunities underscores our commitment to sustainable business practices and long-term value creation. By integrating climate considerations into our governance, risk management, and strategic decision-making processes, we aim to navigate the challenges of climate change responsibly while seizing opportunities to drive innovation, growth, and resilience across our organisation.

10th annual ESG shareholder roadshow

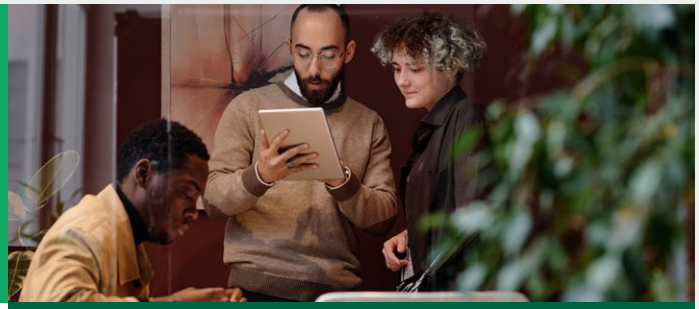
In 2023 we celebrated our 10th annual ESG shareholder roadshow. The meetings were led by Mpho Makwana (Chairperson) and supported by Hubert Brody (Lead Independent Director and Chairperson of our Group Remco and the DAC), Stanley Subramoney [Independent Director and Chairperson of the Group Audit Committee (GAC)] and Daniel Mminele (Chairperson-designate at the time).

While the primary focus of the discussions were centred on succession planning, considering board changes and the anticipated retirement of Chief Executive, Mike Brown, areas of discussion relating to climate-related matters included: Nedbank's planned disclosure of fossil-fuel related glidepaths in 2024, the importance of a Just Transition and its significance in the South African context, the support provided to clients in their own journeys to net zero, and urgent focus on blue finance (water-related matters). The inclusion of ESG considerations in the group's incentive scheme was well received.

The board and management's role in assessing and managing climate-related risks and opportunities continued

The Group Climate Resilience Committee milestones of 2023

- Reported against the requirements of the TCFD.
- Steered the development of the bank's fossil fuel (coal, upstream oil and gas) and power generation glidepaths.



- Disclosure of our power generation and fossil fuel glidepath.
- Expanded our financed emissions disclosure to include vehicle finance and residential mortgage portfolios.
- Reviewed and supported the alignment of sustainability and climate reporting to the IFRS Sustainability Disclosure Standards.

- Provided oversight of enterprisewide roles and responsibilities for environmental and social issues (including climate resilience), which resulted in a proposed programme of work [Purpose Programme of Work (PPOW)] to institutionalise purpose fulfilment across the organisation.

Summary of the key findings and recommendations from the independent evaluation

In 2023 an independent board and leadership advisory services provider undertook a full review of the Nedbank Board, which included the GCRC. The assessment results of the GCRC have improved from the previous independent evaluation conducted in 2022. The GCRC:

- facilitates meetings in a way that ensures robust dialogue, open sharing of ideas and rigorous decision making;
- is a valuable thought partner in shaping the future and transforming the Nedbank Group;
- is well-led to ensure focus on the priorities that matter;
- is agile and nimble and adapts its focus to support the changing needs of the business;
- makes clear recommendations with a clear rationale to the full board;
- has the required mix and depth of capability, skills and experience to add value to emerging strategic issues; and
- is highly effective in fulfilling and delivering value on its responsibilities.

Looking forward to 2024

- Overseeing and facilitating the prioritisation of sectoral glidepath developments.
- Guiding the development of a standardised, consistent carbon accounting approach across the bank's operational, investment and lending activities.
- Overseeing client interactions to support their individual transition processes.
- Reviewing continuously our climate-risk appetite to ensure compliance with board-risk appetite limits and targets.
- Overseeing PPOW institutionalisation across the group.
- Ensuring continuous improvements of our implementation of the ISSB Standards IFRS S1 and IFRS S2 and TNFD recommendations.
- Monitoring climate and ESG risk.

The board and management's role in assessing and managing climate-related risks and opportunities continued

Nedbank Group's governance at executive level is illustrated in the following diagram

Governance at Group Executive level

Nedbank Group Executive Committee (Group Exco) — Strategic planning and decision-making according to our mission, vision, and values.

Climate Risk Committee (CRC)
Under the chairpersonship of the Chief Risk Officer, the CRC provides guidance in identifying, assessing, measuring, managing, and disclosing our sustainability and climate-related risks and opportunities.

The Asset and Liability Committee (ALCO)
Monitors the adequacy of the asset and liability management, and capital management processes in the group, as well as trading market risks, derivatives, and investments.

Group Operational Risk Committee (GORC)
Ensures senior management oversight and the monitoring of operational risk management for the group.

Executive Credit Committee (ECC)
Ensures senior management oversight and the monitoring of credit risk management for the group. Monitors the climate impact on the lending book, in line with the CRMF.

Purpose Programme of Work Steering Committee (PPOW Steerco)*
The PPOW Steerco, established in mid 2023, replaced the Purpose Working Group, which was a pilot structure focused on catalysing new innovative SDF solutions to fulfil on the bank's SDF ambition. The PPOW has a broadened scope focused on the enablement of purpose fulfilment across the enterprise . The steering committee, under the leadership of the Group Strategy Managing Executive, co-ordinates and guides the building of institutional capability and capacity across the bank in relation to climate change and sustainability.

ESG Technology Steering Committee*
This committee supports the ESG partnership between Nedbank and Microsoft, with the objective to extend Nedbank's green aspirations by delivering a 'Green-as-a-Service' Platform which will leverage Microsoft's various enterprise solutions to unlock monetisation, value chain engagement, and ESG reporting opportunities.

Sustainability and climate-related structures — Supporting the board and Group Exco governance structures.

Incorporation of the Climate Data and Systems Working Group into Group Technology
The Climate Data and Systems Working Group was formed in 2021 to provide a platform for learning, sharing, and the standardisation of climate risk data matters, including system developments and cross-cluster data and reporting requirements. In 2023 the working group was dissolved and incorporated into Nedbank's ESG Technology Steering Committee (Tech Steerco). The ESG Tech Steerco has an enterprise-wide mandate to ensure a uniform collection of identified data requirements and to build and enhance impacted systems in a consistent manner without duplication of processes. The implementation of data and systems relating to sustainability and climate is tracked by this steering committee.

Environmental, Social, Governance Data Foundation/ Environmental, Social, Governance Data platform
The ESG platform development sits in Group Technology and is a dedicated team of resources that was established in 2023 to drive an enterprise-wide approach to ESG data. This involves a holistic view of ESG data and developing the necessary architecture and focused solutions to manage ESG data. Recently the team has been focused on identifying, defining and prioritising the various ESG use cases across the bank as well as assisting with identifying system requirements for calculating and reporting scope 1 and 2 emissions based on the banks activities.

Incorporation of the Task Force on Climate-related Financial Disclosures Working Group into Group Finance
The Task Force on Climate-related Financial Disclosures (TCFD) Working Group was established in 2022 to coordinate the annual reporting activities and track the enhancement and progress of the group's alignment to TCFD recommendations as well as the underlying recommended disclosures and guidance to support progressive year-on-year disclosures. In 2023 the working group was incorporated into Nedbank's Group Finance cluster to streamline sustainability and climate-related disclosures with our annual financial and integrated reports.

*Climate focused committees * Newly established committee and working groups.*

The board and management's role in assessing and managing climate-related risks and opportunities continued

Management's role in climate governance across the enterprise

The CRC is a subcommittee of Group Exco. The CRC reports to Group Exco and the GCRC. As a standalone committee of the board, the GCRC focuses on both sustainability and climate-related risks and opportunities.

The GCRC mandate includes functions to adopt additional measures considering changing business, regulatory, strategic, risk and other conditions. The GCRC reports on the committee's progress and decisions directly to the board.

Both the GCRC and the CRC meet quarterly, and additional ad hoc meetings are scheduled as and when needed. As sustainability and climate-related risks and opportunities become further integrated into the business, several other committee charters have been updated to include sustainability and climate-related considerations, and in doing so, has strengthened our overall sustainability and climate governance structure.

The Group Climate Resilience Committee Board members

GCRC Chairperson

Brian Dames

Non-executive Director
South African

Qualifications: BSc (Hons), MBA

Expertise in mining, energy, information technology, resources and infrastructure.

Experience in climate change, large corporates, industrial affairs, human resources, marketing, business strategy and strategic planning, information technology and cyber resilience, corporate governance and stakeholder management, as well as doing business in emerging economies.

Brian joined the board as an independent non-executive director on 30 June 2014. Brian is Chief Executive of African Rainbow Energy and Power and previously served as the Chief Executive of Eskom Holdings SOC Limited. He has extensive experience with global (specifically African and South African) energy and resource issues. Brian serves as a member of the World Economic Forum's Governors of the Electricity Industry, as a trustee of the WWF Trust SA, and as a non-executive director of the Industrial Development Corporation of South Africa Limited.

Board committees

Chairperson: Group Climate Resilience Committee

Member: Group Information Technology Committee, Group Risk and Capital Management Committee, and Group Directors' Affairs Committee.

GCRC Members

Linda Makalima

Independent Non-executive Director
South African

Qualifications: BCom (Hons), HDE, MPhil

Expertise in investment banking, other financial services, mining, energy, resources and infrastructure, human resources, marketing, business strategy and strategic planning.

Experience in large corporates, innovation and digital.

Linda, the founder of Lima Business Solutions Proprietary Limited, was previously a director and the Head of Investment Banking Coverage (SA) at Standard Bank, where she was responsible for business development and origination across a portfolio of sectors, including oil and gas, power, infrastructure and renewables, mining and telecommunications. Before, she was Managing Director of Diners Club SA. Linda left the corporate world to become a career and business coach, providing professionals and entrepreneurs with skills, insights and tools to enrich their careers and businesses. She is also a member of the Board of Governors for Pathcare.

Board committees

Chairperson: Group Transformation, Social and Ethics Committee.

Member: Group Credit Committee, Large-exposures Approval Committee, Group Climate Resilience Committee, Group Risk and Capital Management Committee and Group Directors' Affairs Committee.

Phumzile Langeni

Independent Non-executive Director
South African

Qualifications: BCom, BCom (Hons), MCom

Experience in other financial services, large corporates, mining, energy, resources and infrastructure, macroeconomic and public policy, and corporate governance and stakeholder management.

Phumzile is a cofounder and Executive Chairperson of Afropulse Group Proprietary Limited, an unlisted investment and corporate advisory house, and is also the Vice Chairperson of Imperial Logistics Group (previously Imperial Logistics Limited), Chairperson of Metrofile Holdings Limited and Delta Property Fund. In April 2018 Phumzile was appointed by the President of SA as 1 of 4 special envoys on investment tasked with raising US$100bn over a 5-year period to pursue economic opportunities in SA.

Board committees

Member: Group Transformation, Social and Ethics Committee, Group Audit Committee, Group Remuneration Committee and Group Climate Resilience Committee.

Daniel Mminele *Joined May 2023*

Independent Chairperson
South African

Qualifications: Associate Certificates of the Chartered Institute of Bankers (London) in association with City Polytechnic of London/Guildhall University, German Banking Diploma (Bankkaufmann) from Sparkasse Paderborn, the Chamber of Industry and Commerce in Bielefeld (Germany).

Expertise in banking and financial services, and monetary policy.

Experience in climate finance, macroeconomic and public policy, HR, marketing, business strategy and strategic planning, corporate governance and stakeholder management, climate change and banking and financial services.

Daniel was appointed to the boards of Nedbank Group Limited and Nedbank Limited as an independent non-executive director on 1 May 2023, and as Chairperson on 2 June 2023. He was also appointed to the board of the Youth Employment Service (RF) NPC as a non-executive Director on 1 November 2023. He was Chair of Alexander Forbes Group Holdings Limited and Alexander Forbes Investments Limited, a former Chief Executive of ABSA Group and ABSA Bank Limited, and served two 5-year terms as Deputy Governor of the South African Reserve Bank (SARB) where his responsibilities during his second term included Financial Markets, International Economic Relations and Policy, as well as the Human and Operations Cluster. His committee memberships included the Governors' Executive Committee, the Monetary Policy Committee, Financial Stability Committee, Risk Management Committee and the Prudential Committee. Before joining the SARB in September 1999, Daniel worked for African Merchant Bank and Commerzbank in South Africa, and WestLB in the UK and Germany for 12 years in Corporate Credit Risk Analysis, Project Finance and Structured Finance.

Daniel also served for the most part of 2022 as Head: Presidential Climate Finance Task Team where he led and coordinated the work to give effect to the Just Energy Transition Partnership, as well as the development of the Just Energy Transition Investment Plan, which was launched in November 2022.

Board committees

Member: Group Directors' Affairs Committee and Group Climate Resilience Committee.

Executive remuneration and coordinated assurance

Executive remuneration

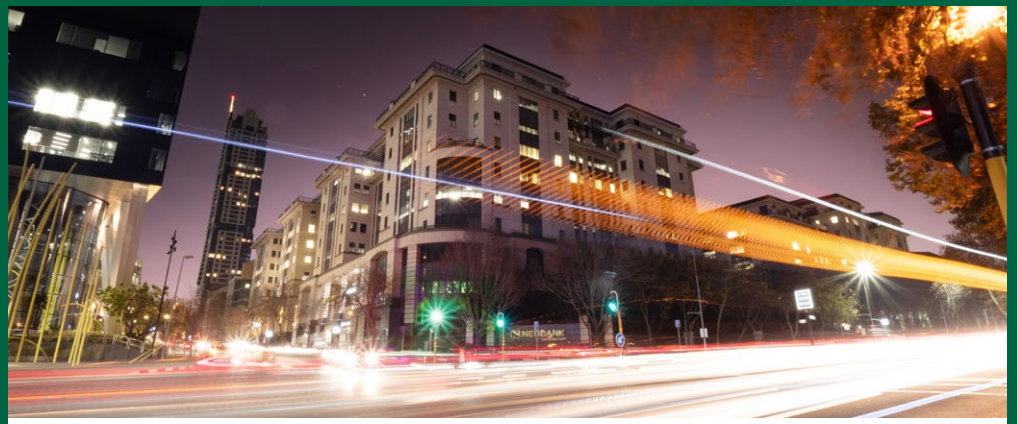
The board strives to ensure that remuneration is fair and transparent, and promotes positive outcomes aligned with the legitimate expectations of all stakeholders. While being mindful of the wealth gap in SA, the remuneration of executives and employees is linked to sustainable value creation objectives in line with the group's strategy and is based on clear performance targets that have adequate stretch and market benchmarking.

Group Remco oversees and approves the Remuneration Policy and reward arrangements. As part of overall governance requirements, Nedbank publishes an annual comprehensive Remuneration Report, which contains the Remuneration Policy and the Implementation Report, and it forms part of the annual Nedbank Integrated Report. Included in the Remuneration Report is Nedbank's public disclosures about its remuneration practices, policies, procedures, and shareholder engagements. Nedbank recognises the increasing importance of ESG factors in ensuring that we create value for our stakeholders. Climate is explicitly (operating within risk appetite, targets and limits) and implicitly (climate as part of ESG considerations) incorporated in executive managers' remuneration and goal commitment contracts. Environmental and social commitments were included for the first time in the group's 2022 long-term incentive scheme, including delivery on its Energy Policy and SDF, and our shareholders received it well.

Executive and employee remuneration is linked to the group's performance on financial, strategic and ESG performance indicators. Short-term incentive allocations incorporate the performance of the group, the clusters, and the individuals in terms of goal performance contracts based on these performance indicators. The assessment of our progress on environmental commitments is based on Group Remco's qualitative evaluation of the board-approved metrics, with input from relevant board committees.

In 2023 we refined these commitments and metrics, which include the following:

- Energy Policy commitments – progress on renewable energy finance [Sustainable Development Goal (SDG) 7] and timelines and targets related to our Energy Policy, including our fossil-fuel-related glidepaths that must be communicated externally in 2024.
- SDF – it is our ambition to increase SDF exposures to around 20% of the group's total GLAA by the end of 2025 (2023: 16%; 2022: 14%), supported by more than R150bn in new SDF that is aligned to the SDGs.



Combined assurance

Coordinated (combined) assurance (CA) integrates and aligns risk, audit and compliance functions related to assurance activities. This enables an effective internal control environment across the group, with assurance focused on critical risk exposures supporting the integrity of information used in internal decision-making (to governance forums) and reporting (to external stakeholders).

In line with the principles of CA, there is a cross-disciplinary approach to monitoring the efficiency and effectiveness of policies and procedures implemented to manage climate-related risks across the 3LoD Model. Various metrics of the Energy Policy are subject to validation by Group Credit Risk (2LoD), and verification work is conducted by Group Internal Audit (GIA) (3LoD).

For the 2023 review of the Climate Report a coordinated approach was followed, including external auditors (Deloitte), GIA, business clusters, the Group Strategy Sustainability division, and Group Risk functions (e.g the Group Credit Risk Assurance and Group Strategic Risk Teams). Examples of coordinated assurance are as follows:

- Climate was included as a 2023 CA theme.
- GIA performed a limited assurance engagement on our climate report by assessing the disclosures against the TCFD recommendations.
- Group Credit Risk Assurance recalculated certain ratios relating to the Metrics and targets section.
- Deloitte provided limited assurance on selected key performance metrics disclosed in the 2023 TCFD Report and the Nedbank Group Integrated Report.

Training, awareness and culture

Knowledge and skills

As a purpose-led business, we ensure that our skills and knowledge profile support our strategy on climate change. We empower our employees with relevant and engaging learning opportunities that help them understand and manage the risks and opportunities arising from climate change. We also align our people and human resource strategy with our climate ambitions, by embedding climate-related goals and achievements in our People Promise messaging and talent-acquisition practice.

Board training

As part of our governance and oversight of climate-related matters, we provided tailored training and awareness sessions for our Board of Directors and senior management through internal specialists and speakers to present their views and opinions on topics related to climate to keep the board and senior management informed on current and upcoming topics relevant to climate change.

In 2023, the following Climate related training topics were presented to board members:

- SA's Just Energy Transition Plan.
- Energy Transition – New Technologies.
- The global state of responsible investing.

Our values and culture

ESG

Good governance is supported by the example the board and management sets and the values and behaviours embraced by all employees in the organisation.

In 2023 the group developed a set of culture principles, 'The Nedbank Way', that will support achieving our strategic ambitions. The Nedbank Way describes our required culture and what we need to shift towards.

Our 'Put purpose into practice' culture principle: Our purpose connects and unites us. It's how we create value, the one constant in a world of change. It focuses our attention and channels our efforts. Our purpose defines how we see our role in society – a catalyst for growth and an unstoppable force for good. We can't be a successful business in an unsuccessful society, and we know that purpose-led business is good business. We make tough decisions to balance short-term profit with long-term value. We have always been the 'green bank' and our commitment to our purpose, people and planet is our key differentiator. We resolutely commit to a green economy, and a thriving, vibrant, healthy, and sustainable African future.

Strategy

Overview of the significant threat climate change poses to the planet and societal well-being, our strategic response, and the trade-offs we make to ensure ongoing value creation for stakeholders.

Understanding our context

Climate change is a significant threat to the planet and societal well-being requiring urgent and coordinated action from a multitude of stakeholders. Banks have an essential role to play in this effort. They can help by financing clean-energy projects and financing measures to help companies and communities adapt to the changing climate.

The Paris Agreement is the international framework for collective action on climate change. Its objective is to limit global warming to well below 2 °C above pre-industrial levels and pursue efforts to limit the temperature increase to 1,5 °C by 2050. At current levels of ambition this seems increasingly unlikely. This requires a finite global carbon budget for GHG emissions from human activity. The Intergovernmental Panel on Climate Change (IPCC) warns that we need to act quickly to avoid the worst effects of climate change. Although the transition has begun, the pace and scale of investment must accelerate, facilitated by the financial sector's efficient allocation of capital. The risks (and opportunities) associated with climate change must be fully embedded in financial sector decision-making to avoid stranded assets and the financial instability that could result from a dramatically warmer climate.

While Africa has low-carbon emissions per capita, it is highly vulnerable to the impacts of climate change, such as more frequent and severe droughts, floods, and other extreme weather events. Many African countries are also highly dependent on agriculture, which makes them particularly susceptible to the impacts of climate change on crop yields and food security. We must meet the Paris Agreement objectives to avoid committing the African continent to a future that is much more challenging and less prosperous.

The relationship between nature and climate change is receiving increasing attention from all stakeholders. At COP 28, nature was a key theme. Negotiations about nature resulted in a number of agreements and commitments dedicated not only to reducing emissions, but also to creating nature positive undertakings.

Nedbank recognises the urgent need to address climate change and its potential impacts on the continent's socioeconomic development. As mentioned, Africa is particularly vulnerable to the effects of climate change, with extreme weather events becoming more frequent and average temperatures projected to rise more sharply compared to global averages. This situation is compounded by country-specific contexts, such as the South African economy's heavy reliance on coal, making SA one of the top 20 global emitters.

The South African government has been expanding its climate policies and laws to address these challenges, with critical national policies including the National Climate Change Adaptation Strategy, the Climate Change Bill, and the Low Emission Development Strategy 2050. These initiatives align with the urgency for climate action, emphasised globally, with the latest IPCC report highlighting that rapid, deep emission cuts this decade are critical to securing a liveable future.

However, the progress of climate-change policy and laws, makes clear the conflicts among some government policies. The Integrated Resource Plan published for comment in the last quarter of 2023 and the stance of the Department of Mineral Resources & Energy on the role of coal are creating significant uncertainty for the private sector and investors. To meet the divergent goals of government policy, significant work is required to map out the journey to net-zero for SA. The work undertaken by the Presidential Climate Commission around the Just Energy Transition goes some way to help with this and has been instructive for Nedbank in how to structure its strategic response to mining, power and energy issues.

According to the United Nations Environment Programme Finance Initiative, developing countries require US$5,8tn–US$5,9tn by 2030 to fund less than half of their outlined climate plans. Increased financial flows to enable the transition to climate-resilient, low-carbon economies will therefore be key. The IPCC notes that finance flows currently fall short of what is needed globally, despite public climate finance having almost doubled from US$38bn to US$73,1bn between 2013 and 2021, and now bolstered by the United Arab Emirates pledging US$30bn for global climate solutions to attract US$250bn by the decade's end. Parties to COP have also pledged US$700m in funding to help lower-income countries cope with climate change damage.

Nedbank is investing time and expertise to understand the synergies between the climate action required and sustainable development finance (SDF) opportunities while emphasising social justice and a Just Transition.

As part of our contribution to the climate agenda Nedbank is committed to enhancing access to adaptation and green finance, managing climate-related financial and reputational risks, and monitoring the climate impacts of its lending portfolio. The bank also recognises the importance of collaborating across sectors and with the government to achieve effective climate action, which requires coordination and multilevel governance.

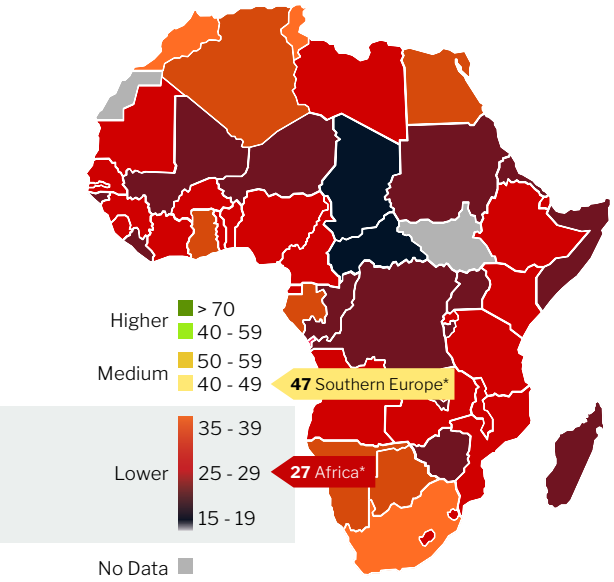
Overall, Nedbank recognises that urgent efforts this decade are critical to securing a thriving climate for future prosperity. The bank is playing an active role in this transition and will continue to work towards achieving a more sustainable and resilient future for all.

Understanding our context continued

Africa needs support to enhance climate resilience and promote a low-carbon development path. Despite challenges, the African region has set a target to reduce GHG emissions by 33% below business-as-usual levels by 2030. It has employed several policies and measures to achieve this goal, including renewable energy targets, energy efficiency standards, and afforestation and reforestation programmes.

SA is one of the largest emitters of GHG in Africa and has set a target to reduce its emissions by 28% below business-as-usual levels by 2025 and by 42% by 2030. It has implemented policies such as a carbon tax, renewable energy targets, and energy efficiency standards to achieve these targets.

Figure 1: Africa is on the frontline of Climate Change
Index scores for climate resilience of African countries in 2022

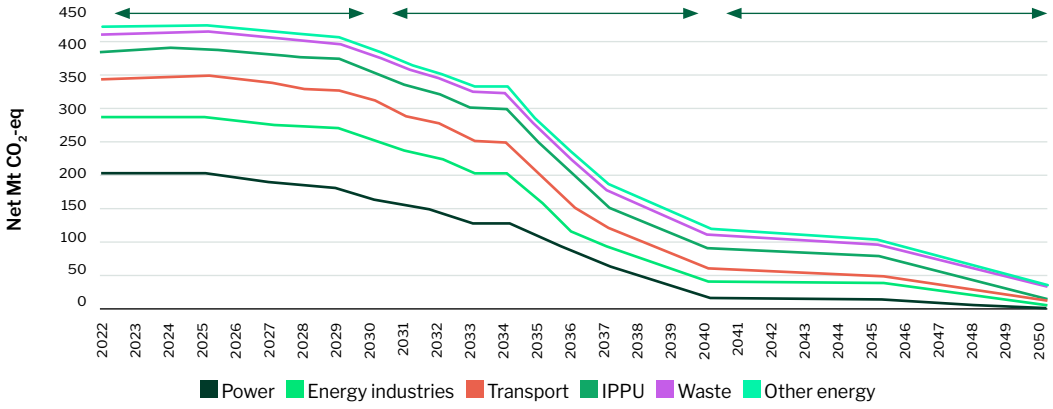


*Based on assessment of 180 countries for readiness, vulnerability and GDP. * Averages based on 10 countries in Southern Europe, 53 in Africa. Sources: Henley & Partners, Statista calculation.*

South Africa's pathway to net-zero emissions by 2050

SA's Country Climate and Development Report outlines an ambitious decarbonisation pathway to reach net-zero emissions by 2050 (Figure 2).

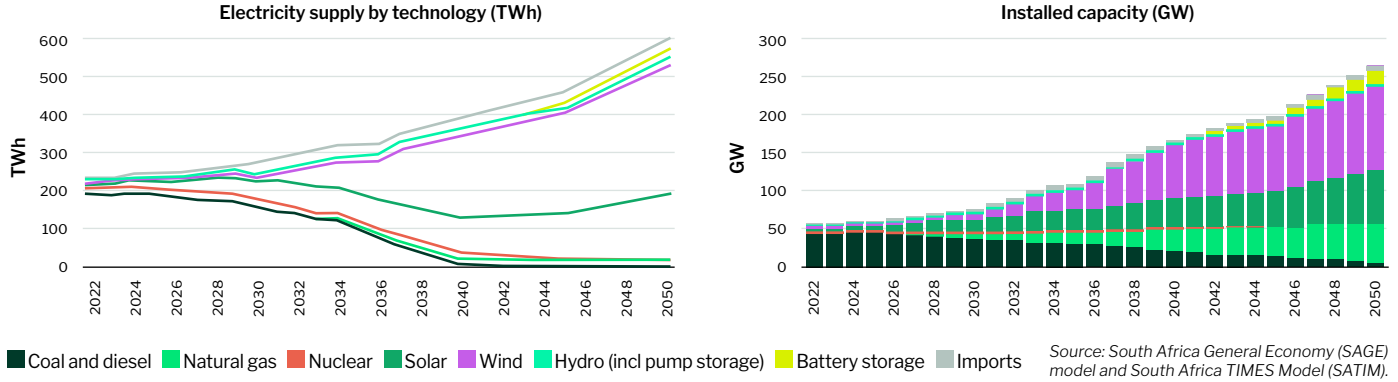
Figure 2: Net GHG emissions (CO_2-eq) by sectors to achieve net-zero by 2050 (including percentage reductions required by decades)



Source: South Africa TIMES Model (SATIM). Note: IPPU = Industrial processes and product use. Excludes Agriculture, Forestry and Other Land Uses (AFOLU)

SA must deeply cut emissions across all high-emitting sectors to meet the net-zero target. By 2030, emissions must fall by 58 $MtCO_2$ and, by 2050, reach net-zero, requiring a 95% reduction from current levels (Figure 2). The power sector will need to radically transform by phasing out coal, which accounts for over 80% of electricity generation. By 2050, solar and wind are set to provide 85% of power, supported by battery storage, pumped hydro, and gas (Figure (3).

Figure 3: Technological transformation in the power sector, 2022-2050

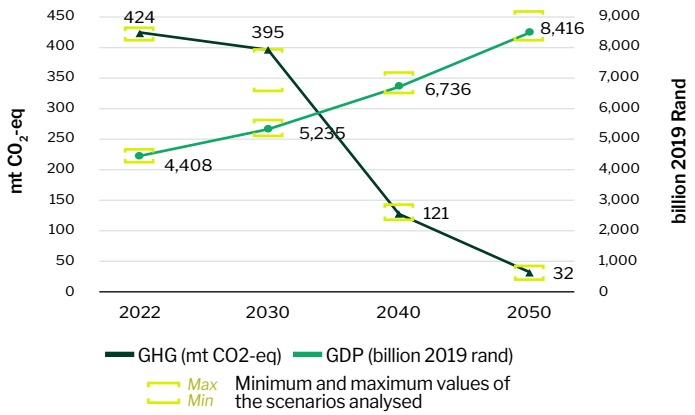


Source: South Africa General Economy (SAGE) model and South Africa TIMES Model (SATIM).

Understanding our context continued

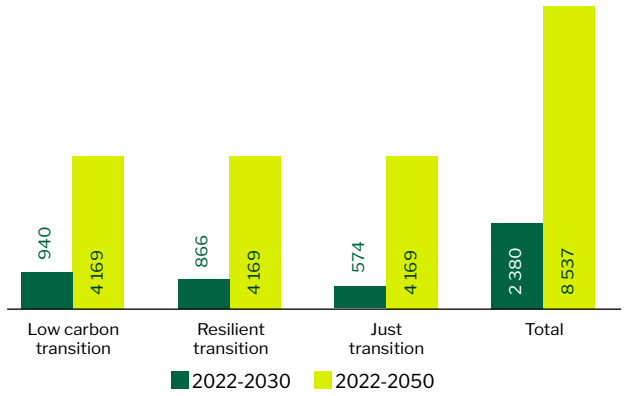
The transport sector shifts will lag slightly, with the number of electric vehicles expected to increase from the early 2030s as the power system decarbonises. Other sectors, such as industry, buildings, agriculture and waste, will also require substantial changes in technology, processes and behaviours. Achieving net-zero could accelerate SA's GDP growth to 2,3% per year up to 2050, over twice the rate of the last decade. Growth benefits stem from ending the power crisis, productivity improvements and increased employment. With the right policies, growth could be higher still. Critical enablers highlighted include energy efficiency, increased external finance, carbon pricing, and developing green hydrogen exports.

Figure 4: The net-zero emissions transition will accelerate GDP growth



Source: SAGE and SATIM models. Note: Data from net-zero refence scenario (exclu. AFOLU)

Figure 5: Projected financing requirements
(R billion in net present value at a 6% discount rate)



Source: World Bank Staff SAGE and microsim models

Reaching net-zero requires total incremental investments of R4,2tn (US$245bn) from 2022 to 2050, equal to 2,1% of GDP per year.
Over 60% of investments are in renewable power generation, batteries and gas, 20% in electric transport, and the remainder in industry and buildings.

Urgent near-term priorities include:

- streamlining approvals for private renewables investments;
- unbundling Eskom transmission;
- enhancing municipal power procurement and efficiency; and
- accelerating energy efficiency schemes.

Critical medium-term priorities cover reforming the power market structure, transmission access rules, tariffs and grid investments.

With solid policies and increased financing, SA can transition to an affordable, reliable and sustainable power system while delivering broader economic and environmental benefits.

The 2023 United Nations Climate Change Conference (COP28)

COP 28 outcomes and implications

The 2023 UN Climate Change Conference (COP 28) concluded in December in Dubai with several key outcomes related to climate action over the next critical decade. High-level COP 28 outcomes and their implications include:

Status and gaps in climate action

The latest IPCC report stresses the urgent need for deep, rapid reductions in emissions to have a chance of limiting warming to 1,5 °C. However, this first Global Stocktake highlighted that current national climate plans are not sufficient. Significant gaps remain between pledges and actual policies and finance flows across all regions and sectors.

The UAE Consensus - key Conference of the Parties 28 decisions

During COP 28, the parties discussed and resolved several critical climate agenda matters including the provision of loss and damage funds for developing nations and the need for consistent efforts towards adaptation due to the current effects of climate change as well as crucial issues such as biodiversity, ensuring a Just Transition, and improving food systems. The final COP 28 agreement unites countries in an ambitious response to the 1st Global Stocktake.

The critical decisions of the UAE Consensus:

COP 28 concluded with a call on parties to transition away from fossil fuels to reach net-zero, encourages them to submit economywide nationally determined contributions, includes a new specific target to triple renewables and double energy efficiency by 2030, and builds momentum behind a new architecture for climate finance.

The COP 28 Presidency took bold and decisive steps to deliver beyond the negotiated text through its '**Action Agenda**,' which spans the 4 pillars of the Paris Agreement: fast-tracking a just and orderly energy transition; fixing climate finance to make it more available, affordable, and accessible; focusing on people, nature, lives and livelihoods; and fostering total inclusivity in climate action.

COP 28 mobilised over US$85 billion in funding for climate action, secured an historic agreement **on Loss and Damage**, advanced the **Global Goal on Adaptation**, and oversaw breakthrough agreements on the energy transition.

This was a significant achievement, as it helped to restore trust between the Global South and the Global North.

COP 28 resulted in unprecedented recognition and momentum for linking efforts to address the **climate and biodiversity crises**. Alongside pollution, these comprise the **triple planetary crisis** – the 3 main, interlinked environmental issues facing humanity. All these efforts are to be aligned with the goals of the **Kunming-Montreal Global Biodiversity Framework**, which was agreed on at the **15th meeting of the Conference of the Parties (COP 15)** to the **UN Convention on Biological Diversity** in Montreal, Canada, in December 2022. Among the 23 commitments of the Biodiversity Framework are protecting 30% of the planetwide land and oceans for nature by 2030 (the so-called 30x30 pledge) and restoring 30% of degraded ecosystems planetwide.

The parties agreed that building a resilient food system that adapts to climate change impacts is vital for people to secure their livelihoods. In this regard, the COP 28 Presidency also launched the **UAE Declaration on Sustainable Agriculture, Resilient Food Systems, and Climate Action**. The commitment includes scaling up adaptation and resilience to reduce the vulnerability of all farmers, fisherfolk, and other food producers to the impacts of climate change and promoting food security and nutrition by increasing efforts to support vulnerable people. Non-party stakeholders contributed to this effort, bringing together more than 200 leading organisations that signed the Call to Action for Transforming Food Systems for People, Nature and Climate.

COP 28 is regarded as one of the most inclusive to date, ensuring broad participation in the processes.

This included the institutionalisation of the role of the **Youth Climate Champion** to mainstream youth inclusion at future COPs.

COP 28 adopted a **Just Transition Work Programme** that aims to achieve the goals of the Paris Agreement through a Just Transition. The programme includes exploring pathways to socio-economic justice, addressing barriers to sustainable development and poverty eradication, enhancing climate resilience, promoting inclusive and participatory approaches to just transitions, and addressing employment matters aligned with nationally defined development priorities.

The 2023 United Nations Climate Change Conference (COP28) continued

Implications for South Africa

The South African government and private sector have welcomed the outcomes of COP 28, with President Ramaphosa applauding the setting up of a loss and damage fund, with pledges already made, as well as the increased financial support for developing nations. It celebrated noteworthy decisions on the Just Transition Pathways Work Programme, the Mitigation Work Programme, and the Global Goal on Adaptation will help SA progress towards its own climate commitments.

The country co-facilitated the decision to implement the new work programme on Just Transition pathways, which underscores the importance of finance, technology development and transfer, and capacity building support to achieve just and equitable transitions, nationally and globally. This all-of-society and all-of-economy transition approach represents a progression and evolution in the international community's collective understanding of just transitions, that in the past tended to focus narrowly on only the energy sector and related workforce issues.

The programme on Just Transition pathways decision also calls for transitioning away from fossil fuels in energy systems by 2050 and greater co-operation to achieve sustainable economic growth and development in all countries, thus enabling them to address the problem of climate change better.

Given the country's reliance on fossil fuels, SA will need to increase its focus on decarbonising the economy to meet its climate commitments and remain globally competitive. This transition offers large lending and investment opportunities for the financial sector.

> "These decisions align with our national framework on Just Transition, in particular the recognition of a country's right to pursue its climate resilience path in the context of sustainable development and poverty eradication.
>
> For the 1st time, language calls for transitioning away from fossil fuels in energy systems in a just, orderly and equitable manner to achieve net-zero by 2050 in keeping with the science."
>
> **Minister of Forestry, Fisheries and the Environment of the Republic of South Africa, Barbara Creecy – 2023**

Opportunities for financial services

Major opportunities exist for financial services to support renewed climate ambition, such as:

- scaling up investment in renewable energy;
- developing products to assist the transition of high impact sectors such as agriculture;
- creating biodiversity and nature-based solutions as a new asset class;
- expanding on financial inclusion strategies to include climate and nature considerations.

Sustainability and financial services

Global, regional and South African perspectives

Sustainable development finance has become more mainstream, with an increase in sustainable bonds, sustainability-related loans, and renewable energy financing. This change is not limited to Europe, traditionally the leader in issuing sustainable debt instruments. Asia-Pacific has recently taken the lead, with Africa also showing increased activity. The initial focus on financing clean energy has expanded to other sectors, and this is expected to increase as clients look to decarbonise their businesses.

Mapping the trends

Recent key trends in global sustainability in the financial sector include:

ESG integration:
Financial institutions around the world are at various stages of incorporating ESG factors into their lending practices, investment decisions, risk assessments and business strategies. Challenges arise from the availability and consistency of data, adequate resources and standardisation, particularly when embedding ESG into traditional credit and lending processes.

The climate and nature nexus:
The intersection of climate change and nature loss is emerging as a critical concern, spanning physical risks and transition risks. Financial institutions have begun to use climate strategies to address nature-related issues and opportunities preparing for a joint climate-nature transition in line with net-zero emissions and positive impacts on nature.

Green finance:
The integration of environmentally friendly products into mainstream, such as green bonds and sustainable investment funds, reflects a broader consciousness about the need for environmentally responsible financing. The sector is expanding into areas beyond renewable energy, like nature-based solutions, but must navigate the complexities of credit risks, scalability, commercial viability and market conditions.

Regulatory drivers:
Recognising the challenges posed by new regulations and standards, there is a growing trend toward collaborative efforts to standardise reporting methods. Policymakers and regulators are actively promoting sustainability disclosures, emphasising frameworks such as the International Sustainability Standards Board (ISSB)'s IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. These standards build upon the widely accepted recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Sustainability and financial services continued

Regional perspectives

Region-specific responses to sustainability highlight the diverse challenges and opportunities faced by financial services.

In Europe, the European Union's Sustainable Finance Action Plan exemplifies a robust approach to sustainable finance regulations, with many institutions committing to net-zero targets in alignment with the Paris Agreement.

The Asia-Pacific region is also seeing a surge in sustainable and responsible investment, with countries like Japan and South Korea developing green finance markets.

The South African perspective

In SA, sustainability considerations continue to gain traction in the financial services landscape against the backdrop of the unique social, environmental, and economic challenges the country faces. South African banks are instrumental in helping clients navigate ESG risks related to climate change and social inequality. However, they need to balance sustainability requirements with the region's reliance on natural resources and fossil fuels.

To this end, South African banks are focused on driving a variety of sustainable development imperatives, including the following:

Financial inclusion: More detailed disclosures on our approach to financial inclusion are available in our 2023 Society Report at nedbankgroup.co.za.

Renewable energy finance: Banks are increasingly involved in financing renewable energy projects, supporting the transition to a low-carbon economy.

Community engagement: Recognising the importance of social impact investments, financial institutions are investing in community engagement initiatives. The South African Just Transition aims for a fair and inclusive shift to a low-carbon economy, with the Just Transition Finance Roadmap offering practical steps to integrate Just Transition principles into financial products and operations.

Overcoming challenges and embracing opportunities

In the coming years, regulatory expectations, market dynamics and stakeholder demands will continue to shape the way forward for financial institutions and require ongoing adaptation and innovation from banks to ensure their operations align with sustainability principles. While progress towards sustainability is evident, challenges remain, especially in measuring ESG impact and navigating countries' particular regulatory environments. However, these challenges also present opportunities for global collaboration, innovation and the creation of standardised frameworks to enhance sustainable practices.

The increasing significance of sustainability in global financial services, including Africa and SA, highlights the vital link between financial activities and broader socio-environmental issues. As legislative measures evolve, the financial sector can play a role in driving sustainable development and diversifying economies. Achieving a responsible and sustainable financial future demands collaboration, innovation, and a commitment to integrating economic goals with societal and environmental well-being.

Eskom, electricity security, and the impact of load-shedding

During 2023 continued levels of state-controlled power outages, known as load-shedding in SA, prompted government to focus on securing increased levels of energy generation.

SA's Just Energy Transition requirements

It is required to add approximately 7 GW of renewable energy every year to 2030, which is more than the total constructed over the past 10 years (6,3 GW built in REIPPPP rounds 1 to 4).

NECOM[1] plan *(optimistic in scale and timeline)*

- Improve existing Eskom generation: **10,4 GW**
- Private investment in generation: **>12,7GW**
- Procurement of new capacity (wind, solar, and battery storage): **>18 GW**
- REIPPPP
  - » Emergency (RMIPPP): **0,8 GW (H1 2023)**
  - » Bid window 5: **1,8 GW (H1 2023)**
  - » Bid window 6: **1,0 GW (of 4,2 GW)**
  - » Battery storage: **0,5 GW (H1 2023)**
  - » Future potential: **>9,5 GW**
- Business and household rooftop solar: **>850 MW**

Grid allocation and capacity constraints

- To be addressed immediately (limiting ability to support new REIPPPP and private generation connections).

Address transmission grid capacity constraints

- Significant investment in power lines and substations are needed to match the change in the geographical location of generation facilities, particularly renewable energy.

Impact of load-shedding

- The SARB estimates that load-shedding alone shaved 1,5% off GDP growth in 2023.
- Load-shedding is estimated to reduce GDP by a less severe 0,6% in 2024 and by only 0,2% in 2025.
- Operations – no material impact on operational activity, ATM[3]s, branches, POS[4] devices.
- Nedbank diesel costs up >100% to R107m.
- Credit growth – significant opportunity in renewable energy finance for private power generation.
- Credit quality – stress becoming more evident in SME[5] segment, while corporates, in general, are better positioned to manage through it.
- Risks – risks increase with higher stages and as loadshedding prolongs.

SA government/NECOM plan to end Load-shedding

In December 2023, the Department of Mineral Resources and Energy released a request for **qualification and proposals** under Bid Window 7 of the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP). Bid Window 7 intends to procure **5,000 MW of renewable energy capacity**, which consists of 3,200 MW of onshore wind and 1,800 MW of solar photovoltaic projects.

More than **100 private** generation projects expected to deliver over **9 GW**.

2 890 km of new highvoltage lines & 60 transformers planned by **2027** (cost of R72bn).

An estimated **10 600 MW** of additional generation capacity is expected to be added from various sources in **2024**.

As outlined in the JET IP[6], over **R200bn worth** of Eskom's project pipeline is to be completed between **2023 & 2030.**

R250bn debt relief package announced to strengthen Eskom's **balance sheet.**

[1] National energy crisis committee (NECOM); [2] Gross domestic product (GDP); [3] Automated teller machine (ATM); [4] Point-of-sale (POS); [5] Small and medium-sized enterprise (SME); [6] Just energy transition investment plan (JET IP)

Eskom, electricity security, and the impact of load-shedding continued

Negative impact of higher levels of load-shedding on our clients, but some opportunities do arise.

SA economy

2023 GDP growth forecast of 1,0%, constrained by lack of reliable electricity supply.

Load-shedding stage	Nominal GVA[1] lost (Rm per day)
1-2	R0m-R1
3	R204
4	R408
5	R725
6	R899

Source: SARB. Impact of load-shedding on weekdays, with weekends and holidays lower. 1. Gross value added (GVA), similar to GDP

Our own operations

- **Higher costs**
  - » Diesel generation costs up >100%, generator usage up >200%.
- **No material impact on ATMs, branches & POS devices**
  - » Leveraging our wide coverage of sustainable backup power solutions. While our physical points of presence remain largely unaffected, call centre & digital channels have seen an increase in utilisation.
- **Flexibility in operations**
  - » No material impact on operational processing (working around load-shedding schedules).
  - » Employees working from home go to the office as a contingency, when needed.

Our clients

Growth

- **Load-shedding increasingly a catalyst for renewable private power generation** (to support SA's Just Energy Transition and for individuals/companies to reduce their exposure to Eskom) – a strong runway for bank advances growth.
- **No immediate signs of delayed capex** spend by corporates, but negative sentiment and negative impact of a weaker economy in 2023 and beyond.
- **Decreasing attractiveness of going into business** (SMEs).

Credit quality

- **Impact on Nedbank not yet material,** but a growing concern.
- **SME & business clients:** Agriculture, manufacturing, restaurants, food services, retail (supply chain) and tourism industries more exposed – will incur some losses and higher operational costs (eg generators).
- **Corporate clients:** Strong balance sheets after deleveraging post Covid-19.
- **Banks well provided** with high levels of coverage.

Our climate approach

Our climate change position statement, sustainable development framework, commitments to sustainable development finance and related policies such as our Energy Policy, as well as our climate focus areas, all serve to guide our approach to climate.

Strategic drivers: aligned for impact

Our climate approach aligns with our overarching group business strategy:

Growth

We believe that sustainable growth is essential. By integrating climate risks and opportunities into our plans, we ensure that sustainable growth occurs along with positive environmental and social outcomes.

Productivity

Efficiency and sustainability go hand in hand. Our commitment to productivity extends beyond financial gains, it encompasses resource optimisation, waste reduction, and responsible practices.

Risk Management and Capital Management

Climate risks are real and significant. We proactively manage these risks by integrating climate-related factors into our risk management framework. This approach helps to ensure resilience and safeguards our stakeholders. Responsible capital allocation is fundamental. We are increasingly allocating resources to initiatives that align with our climate mission, recognising that capital can be a powerful force for positive change.

Strategic value unlock: creating positive impacts

Our climate focus areas:

- Being the impact
- Managing our operations
- Supporting our clients' transition
- Tilting our book
- Managing climate risk

Image source: Pele Energy group

Our climate approach continued

Key insights from our climate approach

Being the impact
Embedding the climate imperative into our culture and decision-making

- We enhanced our client engagement process to incorporate climate impact and an understanding of clients' transition plans.
- 18 377 employees have completed the Climate 101 e-learning module at the end of 2023 (2022:17 603), representing 78% of our employees.
- We hosted a climate and sustainability training series with over 300 participants and produced more than 10 hours of bespoke Nedbank content in addition to the 548 Nedbank employees that received training through the ESG stream of the Nedbank Risk Business School (2022: 934).
- We developed a Physical Risk Assessment Tool, which enables us to identify and communicate with clients who are exposed to the risks of extreme weather events.
- We conducted thought-leadership sessions for Nedbank employees and leadership on climate science, Just Energy Transition and finance sector implications with expert speakers.
- We participated in COP28 to promote SA's climate actions, co-sponsored the South African Pavilion, and engaged in media partnerships to drive broader awareness of the climate change imperative.
- We began a groupwide institutional capacitation programme called the Purpose Programme of Work (PPOW) focused on integrating climate and broader sustainability across the organisation, in key areas like strategy, risk, credit and governance.
- We published our inaugural Nature Position Statement in 2024.
- We joined Principles for Responsible Investment in 2022 and submitted our 1st report in 2023 with positive feedback received on our asset management activities.
- We received numerous industry awards for our role in driving SDF.

Managing our operations
Minimising negative impacts and optimising positive operational impacts

- We actively engaged with our supply chain to address environmental and climate issues, aiming to reduce GHG emissions and improve transparency.
- For over a decade, we have voluntarily disclosed and offset our carbon emissions to maintain operational carbon neutrality.
- We support initiatives to secure renewable energy through energy wheeling supply contracts.
- Over 85% of our office buildings operate according to best practice, adhering to Green Star Building accreditation standards.


Image source: Pele Energy group

Supporting our clients' transition
Providing advisory services and SDF offerings aligned to the SDGs

- We engaged with over 120 prominent clients in climate-sensitive sectors as defined by the Net Zero Banking Alliance.
- We launched a groupwide ESG data and systems multi-year project to enable Nedbank to better manage climate-related risk and identify climate-related opportunities.
- We continued to use our ESG advisory capability for Corporate and Investment Banking (CIB) clients to assist with their transition to a low-carbon economy using sustainable finance solutions for both adaptation and mitigation efforts.
- We partnered with clients to drive climate impact objectives through sustainability finance solutions including:
  - provided over R3,4bn in private power generation funding (2022 R1,6bn);
  - raised R2bn in green bonds; and
  - remained a leading funder of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) in SA, with funding of 4GW across 50 projects with exposure of R28,8bn.

Tilting our book
Building towards a transition to net-zero by 2050

- We disclosed financed emissions across fossil fuels, power generation, home loans and motor vehicle finance. This included the following:
  - Disclosing the financed emissions of our fossil fuel portfolio for the 2nd time with a 31% thermal coal emissions and 4,7% upstream oil and gas reduction noted for 2023. This results from deliberate strategic choices during the year and in particular the disinvestment from the highest emitting investment in this portfolio.
  - Expanding our financed emissions disclosures to include baseline calculations for power generation, including avoided emissions from the renewable energy portfolio, residential home loans, motor vehicle finance and sovereign.
  - Starting the work required us to understand the data and related systems required to disclose financed emissions in other high impact areas.
- We implemented the use of our fossil fuel and power generation glidepaths internally and we will begin institutionalisation of glidepath management into business, credit, and risk processes.
- We disclosed our fossil fuel and power generation glidepaths, which are aligned to achieving net-zero by 2050 and keeping global warming below 1,5 °C and are informed by the 2050 International Energy Agency (IEA) scenario.

Managing climate risks
Integrating climate-related risks into our risk management frameworks

- We are actively evaluating and enhancing our business's ability to withstand and adapt to the effects of climate change.
- Being proactive in addressing climate-related risks and opportunities to be better positioned in the long term and achieve success in a rapidly changing global economy.
- We are actively progressing with the execution of our Climate Risk Management Framework (CRMF) via our Climate Risk Programme.
- We conducted a Climate Risk Materiality Assessment (CRMA) during 2023 to enhance our understanding and management of climate-related risks from a quantitative perspective, covering both physical and transition risks across our lending portfolio.

Our climate approach continued

Being the impact

In this era of transition banks have a renewed mandate to be the effective engines of inclusive economic growth and stability. As a bank that operates at the heart of Africa's economy, we are cognisant of the role we must play. This means that our role must evolve beyond traditional banking: leveraging our acumen and influence to drive sustainable development. Our purpose informs our strategic direction, ensuring that our business decisions are aligned with the goal of creating a more sustainable economy and a Just Transition.

We aim to lead in enabling the Just Transition, being responsive to local contexts, and supporting green job creation. We recognise that transitioning to a net-zero and nature-positive economy requires collective action across sectors, which is a guiding force for our collaboration with partners to drive systems-level change. We are on a journey to transform our business, creating shared value with our clients and communities.

Training

Employee training and awareness: Nedbank Risk Business School

In 2023 our commitment to climate change education and sustainability remained steadfast. Throughout the organisation we diligently strengthened our training and awareness initiatives. These efforts were designed to empower our team members with knowledge and insights that contribute to a greener and more resilient world. To achieve this, we customised learning experiences by collaborating with both local and international experts.

Our offerings included:

- CRMA;
- climate scenario analysis application;
- climate and ESG risk management;
- carbon accounting;
- ESG frameworks;
- climate risk analytics; and
- 4 - part training intervention on sustainability and climate change fundamentals with ERM.

We regularly evaluate our training and awareness activities to measure their quality and effectiveness, to ensure our offerings remain fit for purpose and to contribute to employees' continuous learning and development in climate science, risk management and regulatory developments.

We also hosted several climate-related thought-leadership sessions through the year, with speakers from the PCC and the Global Change Institute at the University of the Witwatersrand. Topics included the science of climate change and its regional impact, the Just Energy Transition and the Just Transition, and implications for the finance sector.

2023 in numbers: ESG

11
climate-focused training and awareness sessions held.

548
Nedbank employees received training through the Nedbank Risk Business School's ESG stream (2022: 934)

Since the launch in 2021, a total of
18 377
employees have completed the Climate 101 e-learning module (2022: 17 603).

Of that, **2 529** employees completed it in 2023 alone.

Since the launch in 2022, a total of
19 420
employees completed the sustainability 101 training programme.

Of that, **2 154** employees completed it in 2023 alone.

Our climate approach continued

Being the impact continued

Purpose Programme of Work

The need for banks to understand, adapt to and support the climate and broader sustainability agenda is a defining trend that is shaping the financial sector. The pace of change, driven by the climate reality of limited time, demands from stakeholders, ensuing regulation and growing disclosure requirements has seen many banks scrambling to keep pace. It is crucial to address the expected changes and responses across all aspects of banking, from strategy and compliance to product innovation, data systems, analysis, and client onboarding and evaluation.

Nedbank's ongoing commitment to sustainability has laid a strong foundation. While our commitment to institutional capability and capacity building has been steadfast, we acknowledge the imperative for transformation across diverse areas within the bank. Effective coordination of efforts is crucial to achieving this transformation.

Late 2023 saw the start of a more formal and integrated approach to this challenge with our PPOW being established and endorsed by both the board and Nedbank's Group Executive. The programme will guide and coordinate the bank's efforts to enhance fulfilment of our purpose. It is centred on (1) defining the correct focus, content and extent of work to be accomplished; (2) the capabilities required to do so and (3) delivering greater coordination to ensure group return on investment is optimised, risks are managed more effectively, broader commercial opportunities are successfully captured, and business time and resources (including related expenditure) are used optimally.

The programme involves embedding sustainability and climate considerations through 8 workstreams as highlighted in the graphic.

The workstreams focused on fast tracking ESG data and systems, embedding decisions in credit and lending processes as well as building capability on financed emissions in support of Nedbank's transition plan are being prioritised initially.

Structure of the PPOW

Purpose Intent
Elevate our purpose as a key differentiator in attracting and retaining talent, solving for client needs, sustainability and profitablity, making us a sustainable finance leader on the continent

Programme Delivery Office
Purposefully resourced and skilled to methodically manage workstream outcomes and dependencies ensuring effective program execution.

Strategy Overall strategic guidance of purpose fulfillment and coordination of Purpose Programme of Work.	Group Strategy Sustainability
Value Proposition Commercial strategy including differentiating product and service offering.	Business Clusters
Risk and Compliance Identify, assess, mitigate and monitor environmental, climate change and other ESG risks.	Group Risk and Group Compliance
Reporting and Disclosures Internal and external disclosures including commitments and benchmarks.	Group Finance and GMCA
People Dedicated human resources and skills enhancement, including training plans.	Group HR and Change Management
Governance and Organisation Establishment of governance structures, committees and working groups to enable the implementation of purpose policies and frameworks.	Group Strategy Sustainability
ESG Data and Infrastructure The identification of purpose-related data, and the development, implementation of suitable management, reporting and product systems, and the value adding analysis.	Group Technology
Embedding through processes and decision-making Enabling purpose aligned business and credit risk processes.	Group Risk, Business Clusters and GSS

Primary Responsibility

Our climate approach continued

Being the impact continued

Developing our Nature Position Statement:
Protecting and restoring nature and biodiversity requires a profound societal and economic shift, wherein the financial sector can have a powerful positive influence. Currently, Nedbank strives to protect nature by applying risk screening before we make lending and credit decisions. This is done through our Social and Environmental Management System and applies to all clients and related activities in high impact, climate sensitive sectors.

In 2023 we have undertaken additional actions to move our Nature journey forward, including the following:

1 Nature Position Statement

We have published our 1st Nature Position Statement. It builds on our Climate Position Statement, acknowledging that nature and climate are inextricably linked. It explains how Nedbank understands nature, nature's current state, and what must be done to restore it. The statement guides the group to a path that is aligned with global best practice, forms the basis for our related strategies and the foundation from which policy and related nature commitments and targets can be set. It has been approved by Nedbank's Executive Committee and the Nedbank Board, which will also approve and monitor future commitments stemming from it.

Our Nature Position Statement commits us to:

- Over the medium-term, develop the internal capacity to assess and disclose nature-related dependencies, impacts, risks, and opportunities. We will disclose our progress in this regard annually;
- advancing our risk-screening processes; and
- monitoring nature-related policy developments and working with our conservation partner WWF and other industry experts to remain abreast of latest nature developments and testing how those can be applied in our business.

2 Taskforce for Nature-related Financial Disclosure pilot

In 2023 we participated in a UN Development Programme Taskforce for Nature-related Financial Disclosure pilot that yielded a 1st view of our nature impacts and dependencies, and the resulting risks and opportunities that arise from this nature interface with a particular focus on our agriculture portfolio. A heatmap was developed that considers risks and dependencies on land, in fresh water and the atmosphere, as well as physical and transition risk. Subsectors include dairy, beef, poultry, aquaculture and game farming; field crops; horticulture; and secondary production such as packaging, storage, abattoirs, and food processing. This work will now be incorporated into our risk and credit processes where appropriate.

3 Partnerships

We have a long-standing conservation partnership with World Wide Fund for Nature (WWF) and will expand our work with them to focus more on nature and biodiversity. We have also joined the African Natural Capital Alliance to help us learn and to guide our nature journey.

Our climate approach continued

Managing our operations

In our own operations we focus on tracking, managing, and disclosing our Scope 1 emissions directly attributable to our facilities and assets; our Scope 2 or indirect emissions, such as purchased electricity; and our upstream Scope 3 emissions emanating from our employees' commuting as well as the emissions relating to the goods and services we procure from our suppliers for our own use. Nedbank continually improves the management of energy and GHG emissions across its business by setting emission reduction targets in line with its commitments and investing in renewable energy generation for its own operations.

In Nedbank facilities we 1st minimise our impact through reduction efforts and then offset our carbon footprint. We are working towards further reducing and eventually eliminating Scope 1 and Scope 2 GHG emissions from our own operations. Further details on our operational carbon footprint, and how we manage our own energy generation, are set out in the metrics and targets section.

Green procurement ESG

The group's Procurement Policy includes as primary criterion in our assessment and selection processes (eg when issuing tenders), the assessment of the environmental impact of suppliers' products and services. Suppliers are further required to complete a comprehensive Supplier Profile Questionnaire (SPQ) at the onboarding stage and suppliers are encouraged to update their profile at least annually.

A series of 10 questions is asked of our suppliers, specifically about environmental practices. We have 39,2% of our annual procurement cashflow spent with 18,4% of our supplier base who have an environmental policy in place. We aim to increase our spending with environmentally responsible suppliers to greater than 66% of our supplier base by the end of 2025.

During 2023 we participated in the CDP's inaugural Supplier Engagement Rating (SER). The CDP SER evaluates an organisation's engagements with its suppliers on climate change and recognises best practice in this regard, as well as aiming to accelerate global practices on supply chain or scope 3 upstream emissions. In our 1st submission, Nedbank achieved a B rating, which means that we are actively managing our supplier engagement which compares favourably with the C ratings that the Financial Services Sector achieved and the global average for corporates that participated in this rating.

We offer our suppliers support in the development of an environmental strategy and policy. This is done through our quarterly newsletters, formal and informal engagements, supplier briefing sessions during tenders, and our Supplier Relationship Management (SRM) programme for strategic and critical suppliers.

As part of our branch refurbishment project, we have replaced 256 generators with efficient inverter and battery systems. These are solar ready and will be activated during the next phase of deployment, depending on the specific sites where this is possible. A further 52 are planned for 2024. Further initiatives implemented includes stipulating the use of recyclable and reusable materials in the design specifications for refurbishing branches. Also, we were able to reuse or recycle 20% of our fixtures and fittings from our Branch of the Future project. In addition, and to our satisfaction, all of our water fittings are water reduction units. Finally, our branch appliances are C category in terms of energy efficiency. The targets that we set for ourselves are set out in the metrics and targets section.

The fact that 85% of our campus portfolio has a Green Star rating is a source of pride. The group has contracted about 14% of its energy requirements for delivery in 2024 and 27% for delivery in 2025, from renewable sources. While we achieved 6% in 2023, measures are in place to improve this to 16% in 2024, on our journey to 30% by 2025. However, significant improvements are required in the ability to wheel energy into municipalities and improvements are required to grid connectivity and grid capacity. We continue to work with landlords, municipalities, private power producers and government to unlock these constraints.

We have measured our carbon footprint from a travel and paper usage perspective for some time now and are establishing baselines for our scope 3 emissions from our suppliers for high impact products and services. These include courier services, cash-in-transit services and cloud computing.

As part of our commitment to improving our scope 3 reporting, we incorporated emissions from our cloud computing and digital platform service providers, one of our primary cash-in-transit service providers, courier services and our distributed workforce (employees working from home) into our carbon footprint. This step aims to deepen our understanding of emissions within our supply chain, facilitate meaningful engagement with our suppliers, and foster collaborative efforts toward reducing emissions.

Engaging with our suppliers

The group has implemented an SRM programme. There are just over 50 strategic and critical suppliers that have been included in the pilot programme. All the elements of ESG are part of the agenda, with performance and innovation being its key aims. These suppliers constitute about 20% of the group's procurement spend. Plans are in place to increase the number of strategic suppliers and increase the spend under the programme to at least 60%.

Our climate approach continued

Supporting our clients' transition

Involving clients in the bank's sustainability journey is key in achieving our net-zero goal. Engagement with clients on their decarbonisation journeys helps to deepen relationships with our clients as we better understand their businesses. In addition to the conventional lending channels that facilitate the transition, decarbonisation empowers Nedbank to create and provide sustainable lending and investment solutions. We refined our client engagement process during 2023, integrating considerations of climate impact into our conversations and facilitating a deeper understanding of our clients' plans to transition towards more sustainable practices. This has fostered robust discussions with many prominent clients, over 120 of whom operate within climate-sensitive sectors, which is more than our initial 2023 goal of 100 clients.

We initiated a comprehensive ESG data and systems project across our entire group as part of our PPOW. This multi-year initiative, once landed, will give us important insight into managing the climate risk of our lending portfolios and ability to use data to develop innovative products to help our clients in their transition journey as well us assist us in meeting the growing disclosure requirements of our stakeholders.

We also introduced an ESG advisory service specifically tailored for CIB clients. The aim is to empower our clients to succeed in a low-carbon economy by arming them with sustainable finance solutions that support both adaptation and mitigation efforts.

Our partnership with our clients extends beyond the provision of advice. We actively collaborate with them to achieve tangible climate impact objectives through finance solutions. We remain a leading role player in renewable energy and have maintained our role in SA's REIPPPP, funding 3 517 MW through 50 projects since the programme's inception. At 31 December 2023 the group's total renewable energy exposures across REIPPPP and private power generation in CIB, RBB and NAR was around R30bn, with client facilities (limits) increasing by 22% to R46bn. Our unwavering support for this programme not only highlights our commitment to renewable energy, but also solidifies our position as a critical contributor to SA's transition to a green economy.

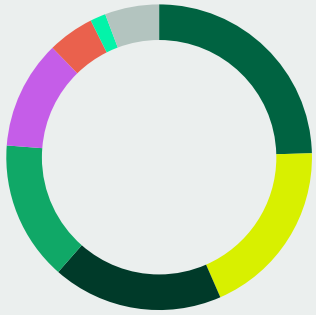
Client engagement insights

In 2023, the Group set out to deepen our engagement with at least 100 clients from climate-sensitive sectors in terms of their climate impact and transition plans. As part of our ongoing client engagement strategy, these sessions were aimed to strengthen our understanding of how we, as a bank, could aid our clients in decarbonising their businesses through financing solutions. Moreover, we sought to proactively collect insights and data to inform the management of carbon impacts and risks within our lending portfolio.

Our efforts were fruitful, resulting in 122 engagements with clients in climate sensitive sectors such as Oil and Gas, Power Generation, Real Estate, Mining and Agriculture. We have begun to extend these conversations beyond our climate sensitive sectors with an additional 40 CIB clients having been engaged to date.

Below is a summary of the clients in climate sensitive sectors that Nedbank met during 2023:

2023 client engagement split by sector



Our climate approach continued

Supporting our clients' transition continued

While these engagements are only the start of an on-going process, we noted varying levels of awareness among our clients regarding their climate change impact with those clients that are listed generally having a more robust understanding of the transition process required and having allocated more resources to manage it effectively.

We recognise that our clients risk profiles will change over time dependant on their vulnerability to climate and dependence on nature. In order to better understand and support our clients transition to net-zero, we have developed an approach to group our clients into three categories:

1. Leaders – companies and organisations that are aware of and committed to transitioning to a low carbon economy.

2. Progressive – companies and organisations that are aware of the need to transition but with limited or no action on their transition.

3. Business as usual – limited awareness of the need to transition or limited desire to transition.

We conducted an initial analysis of 122 clients, in order to categorise their transition journeys and maturity levels to inform how we engage with them in the future. We will use this to inform our client engagements going forward.

	Leaders	Progressive	Business as usual
Track Record:	Consistent reduction of emissions over time.	Recent start on decarbonisation journey.	No track record. Emissions increasing.
Renewable Energy:	Increasing renewable energy % of total electricity.	Limited transition. Relying mostly on energy efficiency.	No visible transition.
Visibility:	High visibility of Scope 1,2,3. Started green value chain partnerships.	Room for improvement. Gaps don't allow for accurate forecasting.	Low visibility of emissions.
Targets:	Aggressive RE targets and emissions reduction dates for 2025, 2030, 2035.	Limited RE budgets set aside & longer time horizons 2030-2040.	Long decarbonisation time horizons.
Decarbonisation Budgets:	Significant % budget allocation towards decarbonising.	Low visibility and low % RE capex .	Low adoption of decarbonisation projects.
Technology:	Early adopters of multiple decarbonisation technologies that enables faster transitioning / diversification.	Longer timelines for adoption of decarbonisation technologies.	Mismatch with Nedbank's sustainability goals. These clients would need to clearly demonstrate diversification strategy to more sustainable practices.

The availability of data to support and report on climate impact is still in its infancy and our methodology will evolve along with our data collection abilities, regulatory requirements, and our clients' needs.

We identified a significant number of **lending opportunities** through our engagements that will enable us to assist clients with their transition with an unsurprising focus on renewable energy and energy security activity.

We will expand our transition and climate impact engagement efforts in 2024 to engage with at least 300 clients.

Image source: Pele Energy group

Our climate approach continued

Supporting our clients' transition continued

Leveraging climate change opportunities

The Nedbank Sustainable Development Framework guides our sustainable development activity and serves to identify business opportunities, risks, and cost savings. While the precise value of these opportunities and savings may vary across different global regions, they are substantial, with numerous local and international organisations estimating them to be worth trillions of rands annually. Research conducted by the Boston Consulting Group and the National Business Initiative, as part of the Climate Pathways and a Just Transition for SA Project, indicates that opportunities within the South African power sector alone are projected to exceed R500bn by 2030 and R1tn by 2050. This framework serves as a foundational element of our business strategy and is closely monitored through our strategic value unlock of creating positive impacts.

While we acknowledge the equal importance of all 17 Sustainable Development Goals (SDGs), we have prioritised 9. For those we believe we can make the most meaningful impact through innovative banking products, lending and investment practices. Among prioritised SDGs, the following 6 address climate change directly:

- **SDG 6 –** Clean water and sanitation
- **SDG 7 –** Affordable and clean energy
- **SDG 9 –** Industry innovation and infrastructure
- **SDG11 –** Sustainable cities and communities
- **SDG 12 –** Responsible consumption and production
- **SDG 15 –** Life on land

The climate opportunities we have identified have influenced our business strategy and related financial planning in that we have developed and continue to develop sustainable-finance products and services specifically aimed at promoting the green-energy transition, reducing our impact on climate change, and building climate resilience in the African region. The following pages provide some examples of how Nedbank is leveraging climate change opportunities and how these have impacted our business strategy and financial planning.

These SDGs guide our climate change response.

Our climate approach continued

Supporting our clients' transition continued

Leveraging Climate Change opportunities continued

To achieve net-zero emissions in Africa and in the global economy, substantial capital investment in low-carbon alternatives is essential. As a key component of our climate-change approach, Nedbank has implemented a diverse range of initiatives aimed at facilitating the transition to a low-carbon economy. These efforts are closely aligned with the SDGs. In 2023, continuing with activities from the prior year, our sustainability focused solutions addressing climate change encompassed initiatives such as integrating clean-energy projects into the grid, promoting more sustainable building practices, and assisting farmers in adapting to evolving climate conditions.

Strategic focus	Our initiatives	2023 Highlights	SDG

Electricity serves as the cornerstone of a low-carbon economy, facilitating reductions in emissions across various sectors.

Financing opportunities:

- Utility-scale renewable energy and small-scale embedded generation (eg rooftop solar photovoltaic (PV).
- Energy storage technologies.
- Energy-efficient technologies and processes in residential, commercial, and industrial facilities.
- Grid upgrades, including smart grids and microgrids.
- Off-grid renewable energy solutions for communities lacking grid access.

Utility-scale renewable energy finance
Nedbank, through its investment bank, is a leading funder of renewable energy in SA. We identified the opportunity to participate in the REIPPPP in its early stages and have grown our book successfully through all the rounds to date.

Private power generation finance
The private power generation market includes embedded energy generation and wheeling by commercial and industrial businesses, as well as small businesses and residences.

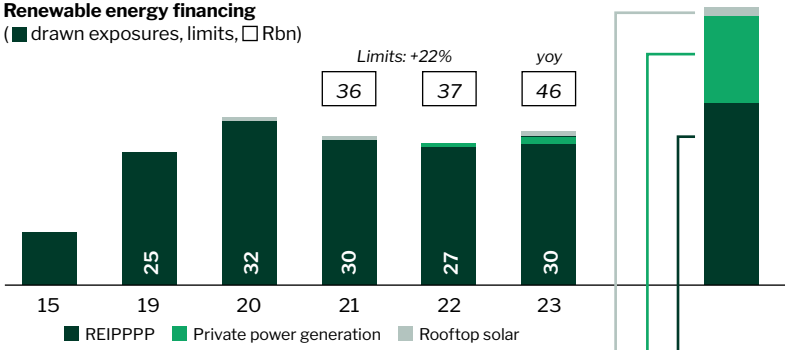
Private power generation for medium enterprises
Nedbank continues to improve its renewable energy-finance offering for clients with annual turnovers of R50m to R1,5bn. On average, these installations produce up to 1 MW of power and cost between R3m and R4m.

Private power generation for small business and individuals
Private power generation for small businesses and individuals has witnessed a surge in demand at the residential level. This demand is driven by the need for hybrid power backup systems that allow households to manage the escalating duration of load-shedding. However, the cost of these systems poses a significant obstacle for many South African households. In response, Nedbank has 2 financing solutions aimed at enhancing accessibility.

As part of our commitment to funding alternative energy solutions, we offer an array of financial products to individuals and businesses. These include home loans with up to 110% loan-to-value (LTV) to finance the purchase of property and the installation of solar panels, finance options through Motor Finance Corporation (MFC) for solutions acquired from Nedbank-approved solar providers, and our own Avo Solar offerings. Additionally, we provide alternative energy loans that cater to purchases from any provider.

Nedbank Africa Regions Innovations
In Namibia, a bespoke solar offering was launched in 2023 where we can readvance or offer a further loan on a home loan or asset-based finance for solar purchases and installations.

Renewable energy financing
(■ drawn exposures, limits, □ Rbn)



Renewable energy financing opportunities to date

RBB renewable finance

- Strong growth in Commerical Banking & Retail. MFC solar finance in place with HL solar CVP & Avo Solar launched in H2 2023.

>R2bn

CIB mandated on 1,9 W of new commercial private generation (from **<1 GWat 31 Dec 2022)**

- 3 projects closed in 2023 (168 MW)
- 15 projects anticipated to close in 2024 (1,9 GW)

R16bn

CIB mandated 0,8 GW of Government projects

- 6 projects closed in 2023 (0,3 GW)
- 5 projects expected to close in 2024 (0,5 GW)

R7bn

Our climate approach continued

Supporting our clients' transition continued

Strategic focus	Our initiatives	2023 Highlights	SDG
Energy-efficient and sustainable buildings bring future climate targets within closer reach. They also alleviate strain on the electricity grid by reducing demand, ultimately contributing to more affordable consumer bills. **Financing opportunities:** · **Upgrading informal settlement areas** with affordable green housing, enhancing access to basic services such as energy, water, sanitation, transport, and communications. · Investing in **mass-transit infrastructure,** electric vehicles, and improved non-motorised transport options. · Supporting **green buildings** and municipal waste collection, which encompasses reprocessing and recycling facilities.	**Green buildings** Nedbank invests in environmentally friendly and efficient buildings. These structures not only enhance residents' quality of life but also mitigate negative environmental impacts, including carbon emissions. Our evaluation criteria for properties include their green certifications (such as EDGE and Green Star) and the incorporation of sustainable features such as solar PV, wind or hydro power, rainwater harvesting, and black- and grey-water systems, among others. **Sustainability-linked property finance** In 2023 we strengthened our position as a leading South African provider of innovative sustainable finance, actively contributing to the green transformation of the country's commercial property landscape.	Our commitment to sustainability in this space is reflected in our financial exposure, with R15bn invested in green-certified properties and R13bn in properties with sustainable features, termed 'green aspects'. Particular sustainable-property-finance highlights in 2023 included the following: · **EDGE Expert Value Added Services** - Nedbank Commercial Property Finance has established a team of green-accredited experts in the IFC EDGE certification, an important global green building standard. This certification emphasises energy and water efficiency and the use of low-carbon materials in construction. The team successfully facilitated the EDGE Advance certification for Attacq's Nexus 1 building within the Waterfall precinct, a landmark achievement in green building. · **Greening affordable-housing opportunities** - Access to adequate housing is one of the key challenges of democratic SA, given lingering backlogs in the provision of housing amid steadily rising demand. To help address this issue, in 2023, we approved R1,9bn (2022: R952m) in funding for the development of affordable housing for lower-income households · **Fortress/Capital Propfund Refinance** - In a significant move towards environmental stewardship, we incorporated elements of ESG in our R4,4bn portfolio refinance for Fortress. Specifically, R1,1bn of the refinanced amount is sustainably linked, underlining Fortress's commitment to produce 8 MW of power via solar PV installations. This initiative reflects a strategic shift towards renewable energy within their portfolio, aligning with their, and our, commitment to sustainable development. · **Burstone Green Bond** - Burstone Group's entrance into sustainable financing was marked by the release of their first use-of-proceeds green bond, which is listed on the JSE's Sustainability Segment. The R550m raised by the instrument is earmarked for refinancing a selection of eligible green buildings, defined by a 4 Green Star rating or higher from the Green Building Council South Africa. Buildings that achieve this rating significantly contribute to reducing carbon emissions and enhancing resource efficiency.	11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION
The agricultural sector plays a significant role in contributing to GHG emissions in southern Africa. Additionally, this sector is highly susceptible to the impacts of climate change. Strengthening supply chains and promoting sustainable farming practices can enhance resilience in the face of a warming climate. **Financing opportunities:** · Investment prospects exist for enhancing the food supply chain, which involves upgrading storage facilities, optimising cold-chain logistics, and establishing local distribution centers. These measures aim to mitigate post-harvest food losses.	**Financing sustainable agriculture** Nedbank provides a funding programme aimed at addressing the challenges encountered by farmers due to climate change. These challenges include rising temperatures and decreased rainfall. Through direct channels or financing cooperatives, this programme offers sustainable farming solutions to farmers. These solutions encompass water conservation and storage, enhancements to soil health, adoption of advanced irrigation techniques, and implementation of shading strategies to mitigate evaporation.	Nedbank has financed a broad range of sustainable agriculture projects and initiatives. Some of our recent financing and support activities include the following: · **Shade Netting Finance** - Our shade-netting finance offering is available to agriculture clients in the horticulture sector. In 2023 shade-netting finance deals totalling R15,5m (2022: R43m) were completed and a further R14m identified opportunities. The significant reduction in shade netting finance is reflective of the challenges experienced by citrus producers in the same year, which included poor infrastructure (ports and roads) and energy shortages and associated costs. · **Partners in Agri Land Solutions (PALS)** - Nedbank partnered with agricultural transformation specialists, PALS to provide them with Enterprise Development (ED) funding until 2025. Over a three-year period, Nedbank will provide R7m to PALS for capacity building and an additional R3m for training and mentorship of new farmers. During 2023 PALS, hosted over 30 training events for more than 337 farmers in the Western Cape, Mpumalanga, and the Free State.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

Our climate approach continued

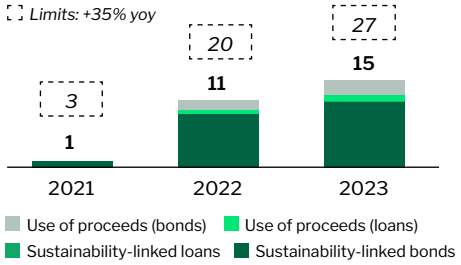
Supporting our clients' transition continued

Strategic focus	Our initiatives	2023 Highlights	SDG
Various drivers are prompting businesses to adopt circular business models that not only generate and safeguard enterprise value, but also contribute positively to the environment. **Financing opportunities:** · Technologies and processes aimed at reducing material consumption per capita and per unit of GDP. · Technologies and interventions focused on preventing or minimising waste while promoting recycling and reuse is aligned to sustainable consumption.	**Supporting the recycling sector** Nedbank remains committed to supporting several prominent recycling businesses in SA. These enterprises play a crucial role by not only eliminating waste such as glass, paper and plastic from the environment (and thereby reducing GHG emissions), but also by generating employment opportunities for numerous families involved in waste collection and sales	**Nampak** - Nampak is focused on enhancing its packaging solutions, with a particular focus in South Africa on business streamlining, product complexity reduction, and mitigating environmental impact. Through initiatives like the Enviromark campaign and adhering to the FSC (Financial Sector Code) Chain of Custody Certification programme, Nampak promotes responsible sourcing and the UN's Sustainable Development Goals. The glass division's collaboration with over 4 000 SMME (small, medium and microenterprises) suppliers, recycling more than 80 000 tons of waste glass, exemplifies Nampak's dedication to environmental stewardship and social upliftment. In 2023 Nedbank CIB acted as Joint Financial Adviser and Joint Transaction Sponsor to Nampak Limited ("Nampak") on their successful R1bn Rights Offer.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
Climate change is exerting significant pressure on water resources, affecting various sectors that rely on water access. Investments in infrastructure can assist companies in adapting to the challenges posed by a hotter and drier climate. **Financing opportunities:** · Investing in water-efficient solutions for residential, commercial, and industrial facilities. · Supporting ecological infrastructure, which includes initiatives such as wetland restoration and catchment area preservation.	**Water finance solutions and partnerships** · Nedbank provides a financing solution for clean water and sanitation. This solution includes term debt financing for capital expenditure projects aimed at expanding public access to safe drinking water and sanitation facilities. · Nedbank maintains enduring and strong partnerships with several of SA's most notable and accomplished water entities. We take pride in assisting them in their essential efforts to expand and safeguard our water supply and infrastructure.	Access to appropriate water development funding is imperative, and Nedbank places a priority on investing in, and facilitating, partnerships that support water development, acknowledging that these efforts are often dependent on government's readiness to enable private sector investments. As such, Nedbank remains prepared to support government programmes aimed at accelerating water and sanitation infrastructure delivery. Given the reliance on the public sector and business readiness, investing continues to be a challenge. Despite droughts, water shortages, water restrictions, shutdowns and looming day zeros in many metros, the public sector and private businesses are still struggling to recognise the risks that operations are exposed to concerning reliable water supply and invest accordingly. This is evidenced in the levels of water support business that was achieved in 2023. While we have over R1,1bn of exposure to water projects across the group, during the 2023 financial year, Nedbank completed funding transactions to the value of R38,6m (2022: R514m) in the water sector.	6 CLEAN WATER AND SANITATION 13 CLIMATE ACTION

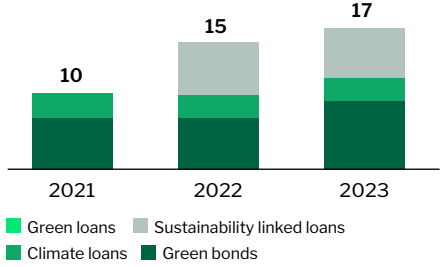
Growing our exposures by refining our solutions supporting our clients to achieve their strategic objectives

35% increase in facilities
36% increase in utilisation

Sustainable finance (exposures, Rbn) ESG



Sustainable fundraising in issue (Rbn) ESG



Our climate approach continued

Supporting our clients' transition continued

Case Study: Attacq and Nedbank achieve dual milestone with SA's first EDGE and Green Star Certification for a commercial building

Waterfall City's Nexus 1 building achieves prestigious global recognition.

Attacq Limited, the JSE-listed REIT and strategic development partner of Waterfall City, is pleased to announce the certification of Excellence in Design for Greater Efficiencies (EDGE) for its Nexus 1 building in Waterfall City, which also serves as the Group's headquarters. Introduced by the IFC - International Finance Corporation in 2014, EDGE empowers developers to assess environmental impact and make informed design decisions, globally championing green building practices.

The certification represents a double milestone for Attacq, as Nexus 1 becomes the first Green Star Certified building in South Africa to also attain EDGE certification through the Green Building Council South Africa (GBCSA). Partnering with Nedbank CIB, it also marked the first instance of a bank collaborating with a developer and acting as an EDGE Expert in a green building certification.

Attacq's Head of Sustainability, Lourens du Toit, says that the Group's focus on Environmental Sustainability is at the core of its business strategy:

"Attacq doesn't see the implementation of a sustainability strategy as ancillary to its business. Rather, we incorporate best practises and principles into our decision-making processes. This certification in particular underscores our steadfast commitment to environmental responsibility, potentially setting a new standard for green building practices in South Africa and beyond."

The Nexus 1 building, spanning 7,363m^2, was Attacq's first Net-Zero Carbon Level 1 development, which now also meets a global benchmark set by the World Bank's IFC, achieving an 88 percent on-site energy saving.

Nedbank CIB Property Finance's involvement dates back to 2021 when it partnered with the IFC to issue a R1 billion green residential development bond, emphasising its commitment to EDGE-certified residential developments, particularly those focused on affordable housing.

Genevieve Naidoo, Divisional Executive for Property Finance Project Management, Valuations, and Sustainability at Nedbank CIB, lauded Attacq's collaborative approach as a catalyst in the project's success:

"We are proud to have worked with the Attacq team on the certification of their Nexus 1 building. Nedbank CIB shares Attacq's vision to promote green building practices and contribute to sustainable development by encouraging environmental sustainability and resource-efficient construction, and our collaboration with Attacq demonstrates our commitment to fostering environmentally responsible practices in the real estate sector."

The Nexus 1 building, spanning 7,363m^2, was Attacq's first Net-Zero Carbon Level 1 development.

Our climate approach continued

Tilting our book

Given our focus on the African continent and our geographic positioning, both Nedbank and our clients are particularly susceptible to the negative impacts of climate change. In the context of the net-zero transition, we see our key role as supporting our clients in their own transition through providing financing, investment, insurance products and related services for climate change mitigation and adaptation measures. SA's context, with its ongoing energy supply and economic constraints, makes the net-zero transition particularly challenging.

Our strategy is to commit increasing levels of our capital to sustainable development activities that support the decarbonisation of the economy and inclusive growth and cater to the changing needs of our clients and society.

In 2021, leveraging our track record in climate and environmental leadership and our Climate Position Statement, we published our Energy Policy. This includes a pledge to eliminate exposure to fossil fuels by 2045, acknowledging the urgency for a zero-carbon energy system by 2050 and the necessity for an orderly withdrawal from fossil fuel financing well in advance.

In 2022 we defined our glidepath methodology for fossil fuels and power generation, which was piloted internally in 2023, and began to embed glidepath management within our business, credit, and risk frameworks.

In 2023 we focused on the further building of a strong foundation of net-zero capabilities and commitments. We have prioritised building financed emissions baselining capabilities and glidepath development for our carbon intensive sectors while developing scenario analysis capabilities to better understand our exposure to climate risks. This is evidenced through the 1st-time disclosures of financed emissions for our motor vehicle finance, home loans and power generation sectors. We have also disclosed sectoral transition glidepaths for our thermal coal, upstream oil and gas, and power generation portfolios. These glidepaths will outline the initial steps we are taking to embed our net-zero commitment into our business practices. To deliver on the components outlined above will require investment in key enablers, including expanding data access in high-impact sectors and developing our physical and transition risk management processes – these are being addressed through our PPOW.

As our climate capabilities mature, we will be able to disclose a net-zero transition plan, which will outline the key actions Nedbank is taking to implement our net-zero commitment across our entire business. This plan will clearly demonstrate the linkages between our climate strategy, broader sustainable development finance commitments, intermediate decarbonisation targets, and our overall 2050 commitment. It will provide a comprehensive overview of how we are integrating these initiatives into our bank's strategy, processes, policies, and governance. The plan will emphasise our transition financing goals with clients in key sectors, along with steps towards comprehensive risk and impact mitigation at a client level. To ensure transparency and accountability in our efforts, we will provide regular progress reports on how we are progressing with the development of our net-zero transition plan and how, in time, we are able to expand its scope to include nature as our understanding further matures of the interdependencies and the importance of natural capital.

Transition building blocks

Financed emissions baselining	After disclosing financed emissions for upstream fossil fuels in 2022, we calculated our financed emissions for additional material sectors in the South African context guided by the shape of the Nedbank book. Baseline results will inform glidepath development and risk management.
Building glidepaths and setting decarbonisation targets	Develop targets for the short, medium and long term along with glidepaths to quantify the path to net-zero by sector, and flag material deviation. Targets to date include a 26% reduction in upstream oil & gas and Coal, and a 40% operational emissions reduction commitment.
Delivering on our SDF targets and commitments	Increase our SDF exposure towards our target of 20% of gross loans and advances equivalent to an additional R150bn of SDF by 2025 to contribute to client transition efforts through both risk and impact mitigation and opportunity maximisation.
Managing physical and transition risk	Integrate comprehensive processes to identify, assess, manage and report on physical and transition risks into the broader net-zero strategy.
Embedding nature in transition planning and risk management	As our understanding of natural capital in SA matures, embed nature-related targets and risk mitigation measures into broader transition planning.

Our climate approach continued

Tilting our book continued

Glidepaths

In 2021, building on a history of climate and environmental leadership, we released our Energy Policy, including a commitment to zero fossil fuel exposure by 2045. The policy recognises the need for a zero-carbon energy system by 2050 and that an orderly exit from fossil fuel financing is necessary well before then.

In line with our Energy Policy, our reduction targets will initially focus on the emissions related to our lending in the upstream fossil fuel and power generation sectors. For our fossil-fuel-related lending, a methodology encompassing Scopes 1, 2, and 3 client emissions (on a limits basis) is most appropriate for managing the full impact of the industry in the long term. For our generation pathway, we will use a physical intensity metric (gCO_2e/kWh) encompassing Scope 1 emissions of generated electricity (on exposure basis).

Nedbank will use the widely adopted IEA Net-zero Emissions by 2050 scenario (NZE) as a basis for our first targeted commitment date of 31 December 2029 for our fossil fuel and power generation pathways. This science-based pathway aligns with the goals of the Paris Agreement, keeping global warming well below 2 °C by 2050 and pursuing efforts to limit the temperature increase to 1,5 °C. This will result in targeted reductions from 2022 to 2029: thermal coal 47% and upstream oil and gas 26%. Nedbank's power generation financing activities are largely dominated by renewable energy, which has kept our CO_2e intensity well below the 2030 IEA NZE target. To align with the latest available updates from the IEA, Nedbank has adopted a cap which aligns with the 2030 IEA NZE target of 165 gCO_2e/kWh.

The scenarios adopted consider the latest available science, our African context, and the African Just Transition. We will regularly review the latest science to ensure that our pathways remain aligned, and targets beyond 2030 will be considered and communicated closer to 2030.

After disclosing these sector pathways, the group plans to set targets for other segments of its portfolio, if data permits. These plans will be prioritised based on materiality regarding emissions to the country and Nedbank.

Our journey to net-zero exposure to fossil-fuel-related activities by 2045

Our Journey to net-zero

2020 **Climate change resolutions passed** with 100% votes of approval at our 53rd AGM.

2021 Adopted and disclosed our market-leading **Energy Policy** and inaugural **TCFD Report.**

2024 Disclose net-zero-aligned glidepath for **upstream fossil fuels & power generation.**

2025
- **No provision** of project financing for **new thermal coal mines.**
- Reduce Nedbank's own **operations' carbon emission by >40%** (from 2019 levels).
- **Generate >30% of Nedbank's own energy needs** from renewable sources.

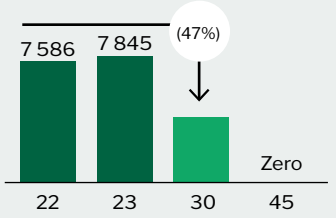
2030 **Thermal coal funding** to be < 0,5% of gross loans & advances.

2035 **No new finance** for oil production.

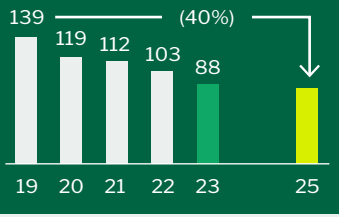
2045 **Zero exposure** to fossil-fuel-related activities.

2050 **100% of lending and investing** supporting a net-zero carbon economy.

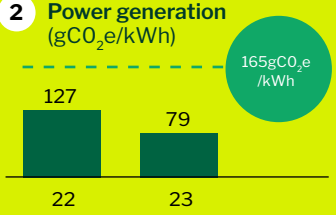
1 Thermal coal glidepaths[7] ($ktCO_2e$ financed)



Own operational GHG emissions ($ktCO_2e$)

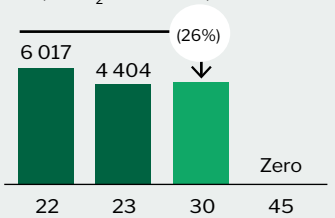


2 Power generation (gCO_2e/kWh)



Adopted a **cap** aligning to 2030 NZE target of **165gCO_2e/kWh**

3 Upstream oil & gas glidepaths[8] ($ktCO_2e$ financed)



1. Whilst thermal coal limits decreased in the period, the thermal coal emissions increased. The rise in thermal coal emissions is linked to an increase in the attribution factor for a client in 2023 due to a reduction in the client's total debt and equity. The attribution factor represents the ratio between a client's limits and their total debt and equity. Since glidepath emissions are calculated based on these limits, the reduction in the client's total debt and equity, while keeping the limits unchanged year-on-year, results in more emissions being attributed to Nedbank. However, it is anticipated that emissions will gradually decrease over time as limits and exposures decline.

2. The average book intensity decreased primarily due a reduction in non-renewable power generation limits and associated exposure resulting from client repayments over the period and an increase in the size of our renewable energy book.

3. The attributed emissions of the upstream oil & gas glidepath decreased by 27%, going from 6,017 $ktCO_2e$ to 4,404 $ktCO_2e$. The reduction was a result of strategic portfolio tilt, combined with our clients' decrease in their own emissions. We based our calculations on the latest available client financial information for both years.

[7] *The coal glidepath is calculated using limits, rather than the exposures used in the 'carbon accounting'. On balance sheet disclosed limits for term debt are included in these limits.*
[8] *The upstream oil & gas glidepath is calculated using limits, rather than the exposures used in the 'carbon accounting'. On balance sheet disclosed limits for term debt are included in these limits.*

Managing climate-related risks

Climate risk governance and management requires strong objectives and accountability across the 3 LoD in the business to ensure that climate risk drivers and risk assessment outcomes get embedded into decision making, strategy development, and frontline business execution. Guided by the CRMF, climate risk integration is supported by robust central climate support, development of the appropriate skills within the organisation, and the use of clear assessment and reporting targets and metrics.

When considering the physical and transition climate risk impact on our portfolio, we consider different time horizons based on the objective of the exercise. For strategy planning purposes Nedbank considers short-term (1–5 years), medium-term (6–10 years), and long-term (from 11 years up to 2050) horizons. For risk assessment purposes, we need to consider time horizons far enough into the future to have tangible effects of climate change and close enough to generate relevant impacts. For this reason we use multiple time horizons to test the impact of climate scenarios on our portfolio.

The graphic below illustrates the time horizons used for risk assessments and the rationale for the selection of each year.

2025	Provides insights for immediate decision-making, relevant for the short-term exposure, which are a significant portion of the portfolio
2030	Provides medium-term insights relevant for managerial consideration, and often used as the reference year for intermediate targets (eg in NDCs)
2040	In line with long-term bank exposures (typically 15-20 years)
2050	Often used as time horizon by standards and regulators (eg in net-zero commitments)

Nedbank has taken an integrated approach to become climate resilient. This impacts how we mitigate risks through our financing and pursue opportunities related to adaptation financing. Through our ERMF we have established a comprehensive process to identify and assess climate and related risks and integrate these risk considerations within our business across the group.

Our 1st CRMA, conducted in 2023 on our lending portfolio, enables us to identify the climate-sensitive and GHG intensive sectors that Nedbank is exposed to over various time horizons and science-based climate scenarios. Through identifying and assessing Nedbank's exposure to these sectors, we can take appropriate steps to mitigate and reduce this risk exposure over time.

Managing climate-related risks continued

Scenario and stress testing

A tool Nedbank uses to assess the potential business implications of climate change is climate-related scenario analysis. This analysis informs us how we need to strategically transform our current lending book. Scenario analysis can help us better frame the strategic impact, assess the range of potential management actions, engage more productively in strategic conversations, and identify indicators to monitor the external environment.

Nedbank continued to evolve its process of incorporating climate risk scenario analysis into the bankwide stress testing and scenario framework in 2023. This has enabled Nedbank to better identify and understand the geospatial physical climate risks that affect one of its market-leading portfolios, commercial property finance (for more details, see the Risk management section). The bank aims to use the outcomes of these scenario analyses to proactively manage the relationships with clients who may have been affected by climate-related events. This can inform risk management decisions, property evaluation, and underwriting decisions, and help the bank support its clients in financing mitigation efforts.

In addition to the physical climate risk assessment the bank has enhanced its scenario analysis and risk management capability by conducting a CRMA during the 2nd half of 2023. The assessment covered both physical and transition risk assessments and involved both qualitative and quantitative analysis, as well as scenario-based testing, which assessed the bank's exposure and resilience to different climate scenarios. This assessment used internationally recognised scenarios aligned with global best practice from leading organisations such as the NGFS and IPCC. The results of the assessment will be further analysed and incorporated into risk management and strategic processes during 2024. More detail can be found in the Risk management section.

The table illustrates a subset of high-risk sectors identified through the CRMA as well as the strategies Nedbank will seek to develop to reduce the impact of these risks on our business.

	Physical risk		Physical and transition risk	Transition risk	
Description	Physical risks consist of acute and chronic risks. Acute physical risk includes changes arising from extreme weather events, such as drought and floods, and can affect our own operations and our clients. Chronic physical risk includes increases in the average temperature, and the variability in weather patterns.		Certain sectors will be impacted by both physical risk and transition risk.	Risks arising from changes to climate-related policies and technological developments, which may impact Nedbank's purpose-led objectives and decision-making as well as shifts in the preferences of clients and potential clients, employees, the media, investors, competitors, regulators, and the public.	
Climate scenario	Under a 2,7 °C warming climate scenario (IPCC SSP2-4,5) Nedbank has identified agriculture and water, and sanitation as some of the most vulnerable sectors to climate physical risk over the short, medium and long term (2025–2050).		Under a 2,7 °C warming scenario (IPCC SSP2-4,5) for physical risk and a 1,5 °C warming scenario [Network for Greening the Financial System (NGFS) Divergent Net-zero] for transition risk, Nedbank identified construction as a high-risk sector over the medium to long term (2030–2050).	Under a 1,5 °C warming scenario (NGFS Divergent Net-zero) Nedbank identified oil and transport as at-risk sectors to transition risk over the medium to long term (2030–2050).	
Impact on the lending portfolio	**Agriculture** The agriculture sector(livestock and crops) in SA faces significant physical risks because of climate change. Crops are most at risk driven mainly by the critical vulnerability of the sector to several physical climate hazards: wildfire, acute and chronic drought and flooding.	**Water and sanitation** Water and sanitation is one of the sectors most exposed to climate physical risk and has been identified as a high-risk sector in Nedbank's current lending portfolio, which is expected to increase in risk by 2030 until 2050. This is mainly driven by high vulnerability and hazard exposure to wildfire and drought, both acute and chronic.	**Construction** According to the materiality assessment, the construction sector is projected to have a high physical risk score by 2050, due to its susceptibility to climate hazards, such as wildfires, wind, storms, and chronic drought. In the short term, by 2030, the sector is expected to face moderate transition risk, primarily due to the potential increase in operational expenses. However, cement prices are anticipated to stabilise in the long run, in line with the NGFS scenarios, resulting in a lower overall risk score over time.	**Oil** The oil sector (downstream) in SA has one of the highest transition risks by 2050 driven by critical vulnerability to carbon tax, carbon capture utilisation and storge investment costs, and low-carbon process adoption.	**Logistics** While the logistics (road, rail, aviation, and shipping) sector faces critical transition risks by 2050, it has minimal outstanding exposure relative to Nedbank's assessed portfolio. The high transition risk score is largely driven by carbon tax and operational expense increases expected over the medium to long term.
Time Horizon	S-M-L	M-L	S-M-L	M-L	M-L
Management Response	We proactively work with clients to understand, identify, and help enable their Just Transition pathways. We identify high-risk clients, sectors, and regions and take the necessary steps to reduce the risks identified. For physical risk we will engage high-risk clients to understand current or planned adaptation and resilience measures, and to understand any financing opportunities. In the agriculture sector for example, these opportunities may relate to climate-resilient agriculture practices and technologies, such as precision farming, irrigation efficiency, renewable energy, and carbon sequestration.			Our medium- to long-term focus will shift to the harder-to-abate sectors. Nedbank has set targets to reduce the amount of investment in non-renewable energy sources (including thermal coal, upstream oil and gas). Nedbank has also joined industry initiatives that seek to support the transformation of industries such as the transportation sector.	

Risk Management

Overview of how we manage risk through our risk management processes, a strong risk culture, sound governance and a robust enterprisewide risk management framework.

Climate change is one of the most significant challenges facing the world today. It poses serious threats to the environment, society, and the economy, and has implications for the stability and resilience of the financial system. As a responsible and forward-looking bank, Nedbank is committed to understanding and managing the risks and opportunities arising from climate change, and to support the transition to a low-carbon and climate-resilient economy.

Climate risk management is an integral part of our overall risk management framework and strategy. We recognise that climate change affects both our existing and potential clients, as well as our own operations and investments. We identify and assess the physical and transition risks associated with climate change, and this year we have disclosed our approach to assessing climate risk materiality, aligned with international standards and best practices. We also seek to align our lending and investment portfolios with the goals of the Paris Agreement, and to provide innovative and sustainable solutions for our clients and stakeholders.

Nedbank has a robust climate risk strategy in response to the new era of risk and the challenges and prospects which the fast-changing global landscape brings. We see climate change as a risk and an opportunity, which requires a deep knowledge of our clients' and suppliers' exposure, vulnerabilities, and related climate risks or issues. Furthermore, we see climate resilience as one of our main strategic goals that will support us in mitigating the impacts of climate risk and contributing meaningfully to the broader socioeconomic landscape in which we operate.

Our climate risk management process

Our Climate Risk Management Framework

As we navigate the dynamic landscape of climate risks, Nedbank remains steadfast in its commitment to proactive and transparent risk management practices. Our risk management approach reflects our dedication to fostering sustainable financial resilience while contributing to a global movement towards a low-carbon, climate-resilient future. The Nedbank CRMF provides an overarching structure which supports the climate risk management process. The CRMF outlines the risk management principles and objectives that enable the group to identify, assess, manage, monitor, and report on climate-related risks. This enables more effective decision-making at the strategic, tactical, and operational levels of the group. Collaboration is a cornerstone of our risk management approach, as we actively work towards building a resilient financial ecosystem that addresses climate challenges collectively. The CRMF applies to all geographic regions across the group, including its subsidiaries, as well as to the selection of clients, investments, transactions, and 3rd-party vendors and suppliers.

Nedbank is committed to the continuous evolution of our CRMF by benchmarking our practices against internationally recognised thought-leading organisations, such as the International Energy Association (IEA), Intergovernmental Panel on Climate Change (IPCC), the Network for Greening the Financial System (NGFS), and the Basel Committee on Banking Supervision (BCBS). Emerging legislation is proactively considered to evaluate the possible impact on the group and stakeholders, set out as follows:

Emerging legislation	Description
The South African Reserve Bank Prudential Authority (SARB PA)	The SARB PA published 4 proposed guidelines in August 2023 aiming to enhance the governance and risk management of climate-related risks by banks and insurers. The guidelines are based on the recommendations of the Task Force on Climate-related Financial Disclosures and the ISSB. The guidelines cover four areas, namely: (1) governance and strategy; (2) risk management; (3) scenario analysis and (4) disclosure. The SARB PA expects banks and insurers to integrate climate risks into their existing frameworks, policies, processes, and systems, and to report on their progress and performance in a transparent and consistent manner. We welcome the SARB PA guidelines on climate-related risk practices and disclosures, and we appreciate the opportunity to provide feedback on the draft guidance notes. We are confident that our risk management practices are closely aligned with these guidelines, and we are proactively preparing to ensure we meet the anticipated disclosure requirements.
Climate Change Bill	The Climate Change Bill, which is anticipated to be passed in 2024, provides a framework for SA to transition to a low-carbon economy and to mitigate the effects of climate change. It further aims to ensure that SA can adapt to the impacts of climate change and to promote the sustainable use of natural resources. Nedbank has reviewed the bill and is aware of its implications on high GHG-emitting industries and carbon sector budgets, which will impact our portfolio and own operations.
International Financial Reporting Standards (IFRS) S2 Climate-related disclosures	The IFRS S2 Climate-related disclosures is a standard that was published by the ISSB in June 2023. The objective of IFRS S2 is to enable users of financial reports to understand the impact of climate-related risks and opportunities on the entity, the resilience of the entity and the metrics and targets used by the entity to assess and manage climate-related risks and opportunities. The South African Reserve Bank (SARB) Prudential Authority (PA) guidance notes on climate-related disclosures are also based on the IFRS standards. Nedbank has analysed the S2 disclosure requirements to enhance its climate-related disclosures to align with international and domestic standards.
BCBS Consultative Document on the Disclosure of Climate-related Financial Risks	The BCBS released a consultative document in November 2023 seeking views on whether the introduction of a Pillar 3 framework would help to promote comparability of banks' risk profiles and enable market participants to access key information relating to a bank's risk exposures in relation to climate-related financial risks. The preliminary proposal for bank-specific Pillar 3 disclosure requirements is intended to complement the ISSB framework and provide a common disclosure baseline for internationally active banks. Nedbank actively participated in the BCBS consultation process around a climate-focused Pillar 3 framework.

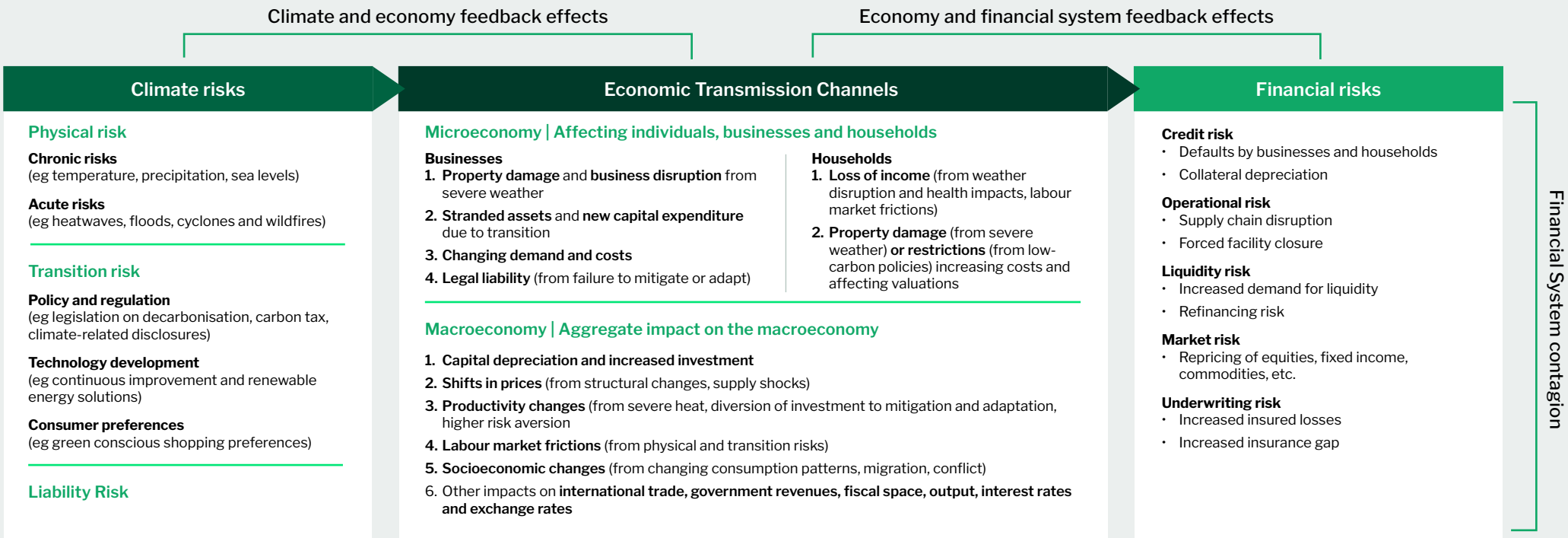
Our climate risk management process continued

Process for identifying and assessing climate-related risks

The bank's ongoing climate risk management process continues to encompass the identification of climate-related risks, the measurement and assessment of exposures to those risks (where possible), continuous monitoring of exposures and corresponding capital needs, implementation of control or mitigation measures, and regular reporting to senior management and the board on the bank's climate-related risk exposures and capital positions. We have identified the fundamental building blocks to ensure our management of climate risk is science-based, robust and reliable. During 2023 the group concluded its 1st Climate Risk Materiality Assessment (CRMA), which is a significant leap forward in improving the quality and reliability of our climate risk process for both physical and transition risks.

Climate change is identified as a risk driver which influences Nedbank's exposure to various sectors and regions susceptible to the consequences of the increase in global temperature due to anthropogenic activity over the course of the last century. Climate-related risks can manifest in financial and non-financial risks for the bank, such as credit risk, market risk, operational risk, and reputational risk (see figure 6). Climate risks can be categorised as 1 of 3 risk types, namely physical risk, transition risk and liability risk. Physical risk refers to the direct and indirect effects of climate change, such as extreme weather events, natural disasters, water scarcity and health issues, on Nedbank's assets, operations and clients. Transition risk refers to the potential losses or opportunities, such as changes in regulation, technology, consumer preferences, and market conditions arising from the shift to a low-carbon economy. Liability risk, which refers to the potential financial and legal consequences that may arise from the failure to adequately address and mitigate the impacts of climate change, may arise from both physical and transition risks.

Figure 6: Key climate impacts, economic transition channels and financial impacts Nedbank considered



Our climate risk management process continued

Due to the transmissive nature of climate-related risks, they are integrated into the existing Nedbank enterprisewide risk universe and frameworks and are managed according to our 3LoD model (figure 7).

Figure 7: How the 3LoD aid in the execution of strategy and risk management in the group

1LoD: ensuring; implementing

Management, as the first line of defence, does its duties by:

- Ensuring that climate-related risks are identified, assessed, controlled, monitored and reported consistently through the climate risk management processes; and
- Implementing responses identified through policies, and processes.

2LoD: Risk oversight, monitoring and advisory

Compliance:

The compliance function ensures that the group continuously manages its compliance risk, that is the risk of legal or regulatory sanctions, material financial loss and reputational risk that the group may suffer because of its failure to comply with applicable regulatory requirements

2A: Client-facing clusters

2B: Group risk and compliance functions

Monitors the business and its compliance officers to ensure that the policy, manuals, and methodologies are applied consistently so that risks can be identified, assessed, managed, monitored, and escalated.

3LoD: Independent assurance

Provides independent and objective assurance on the effectiveness of the management of climate risk across the group.

The board and senior management consider the incorporation of material climate-related financial risks into Nedbank's overall business strategy and risk management frameworks and whether these risks may warrant changes to its compensation policies, considering that these policies should be in line with the business and risk strategy, objectives, values and long-term interests of the bank.

Our climate risk management process continued

Climate risk assessment[1]

a The Climate Risk Materiality Assessment at a glance

Nedbank recognises that climate change poses significant challenges and uncertainties for the financial sector, as well as for its clients and stakeholders. The group uses both qualitative and quantitative approaches to assess climate risk. To enhance its understanding and management of climate-related risks from a quantitative perspective, Nedbank conducted a CRMA during 2023, covering both physical and transition risks across its lending portfolio. A comprehensive and robust exercise was completed to quantify and assess the potential impact of climate change on Nedbank's lending portfolio under different climate scenarios and time horizons. The CRMA provides a more scientific basis for the identification and assessment of climate risks from Nedbank's operating context, thereby advancing our risk management capabilities. The risk assessment was developed following scenario guidance from the NGFS[2] and the United Nations IPCC, leveraging best practices, methodologies, and knowledge on exposure and vulnerability from leading climate risk experts, and aims to support current and future compliance with climate-related requirements of international standards, such as IFRS S2. The CRMA will be included as a risk assessment tool within the bank and work has begun to understand and integrate the process into current risk management processes. As we develop our capabilities in implementing the requisite processes, updating our models, and analysing the results of the CRMA, we will continue to report on the outcomes, thereby enhancing the details of our future disclosures.

Physical risk assessment

Approximately two thirds of the portfolio in-scope, prone to the physical hazards of climate change, was assessed for the physical risk assessment, including corporate, commercial and retail exposures across all sectors. This covered the majority of Nedbank's counterparty sectors which enabled a robust view of physical risk exposure. The remaining lending portfolio was considered out of scope as the counterparties were in sectors where there is limited visibility on the underlying assets, such as financial intermediaries, community, social and personal services, and traders. Credit cards (which have no underlying assets that can be assessed) and retail vehicle finance (which are movable assets) were also excluded.

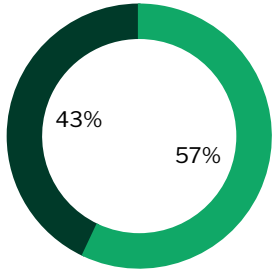
Transition risk assessment

The assessment of transition risk was conducted on high emitting and hard-to-abate sectors (aligned to Net-zero Banking Alliance) within the lending portfolio which represent the highest risk for the bank. Additionally, only medium- to long-term exposures were included (ie those with a maturity of more than a year) as transition risk generally materialises over the longer term. This translated into approximately a quarter of the lending portfolio qualifying for the transition risk assessment and included counterparties in sectors such as real estate, manufacturing, logistics, and mining (among others) which would be impacted by climate transition risks such as policy changes (eg carbon tax). These sectors represent the bulk of GHG emissions within the portfolio and represent the highest transition risk.

Sectors excluded include low or non-emitting sectors (eg renewable energy) and easier-to-abate sectors (eg wholesale, retail and trade). Traders and financial institutions were excluded as the credible quantification of risks is not yet possible given the limited visibility of underlying assets. Similarly, retail mortgages and retail vehicle finance were excluded as guidance on regulatory, technological or market transition impacts on these portfolios remains nascent. Short-term loans and advances were also excluded from the assessment.

The following figure 8 shows the percentage of the total lending portfolio assessed for climate physical risk and transition risk, as well as the portion of the portfolio assessed for the 1st CRMA.

Figure 8: Scope of the materiality assessment



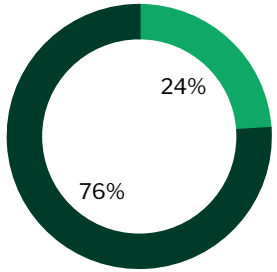
Physical Risk Assessment

In-Scope: physical risk

Excluded from scope

R495bn

Excluded sectors include financial intermediaries, personal services, retail vehicle finance and credit cards



Transition Risk Assessment

In-Scope: transition risk

Excluded from scope

R210bn

Excluded sectors include retail mortgages, retail vehicle finance and traders and financial institutions

[1] *The CRMA is conducted for the sole purpose of informing our climate risk management process, with due consideration to the limitations that could arise from the method, projections and data that were used in the assessment.*
[2] *NGFS scenarios were updated in 2023 post the completion of the CRMA. These updates will be taken into account for future risk assessments.*

Our climate risk management process continued

b The Climate Risk Materiality Assessment approach

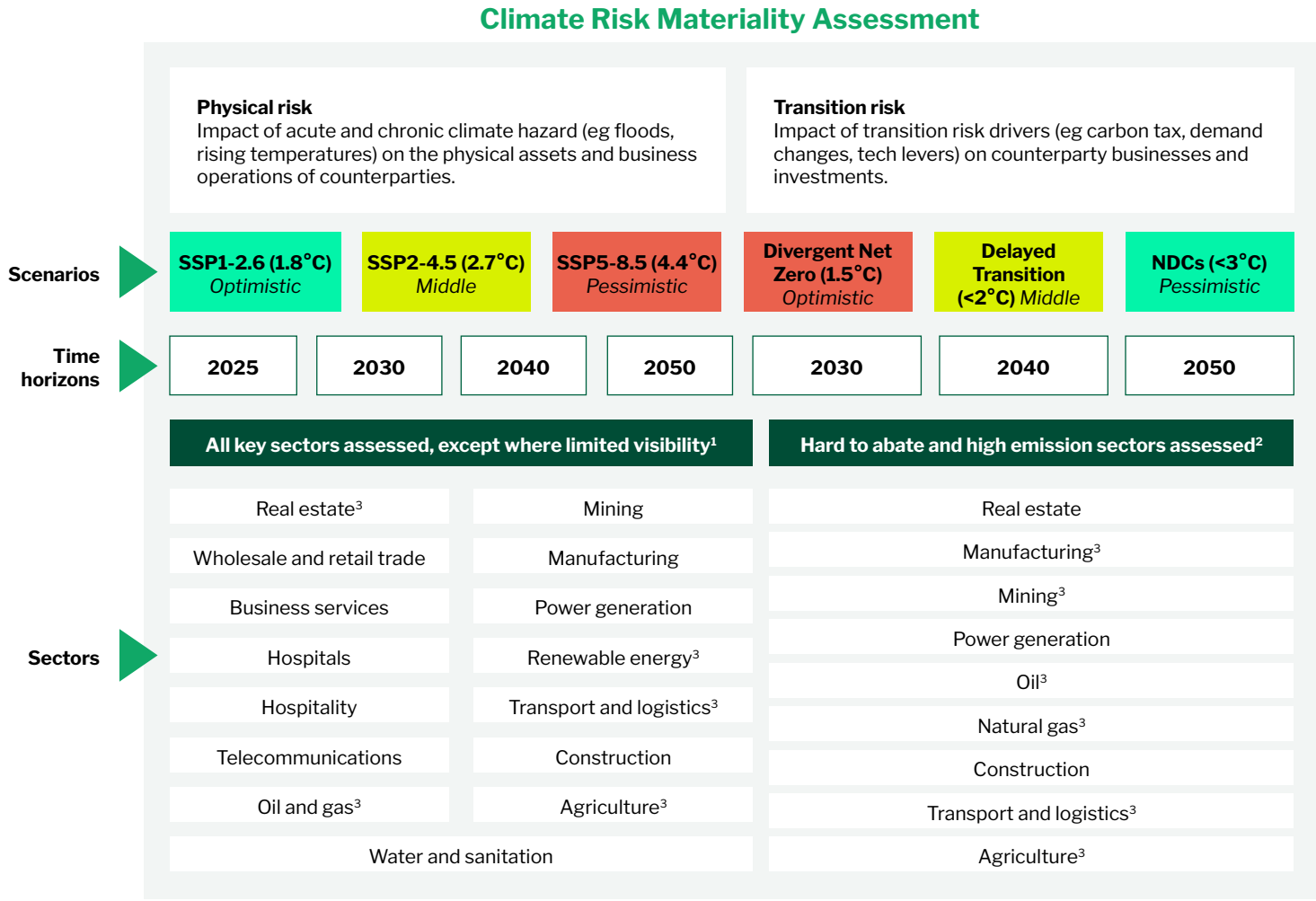
To identify the material sectors Nedbank is exposed to within its lending portfolio from a climate risk perspective, the CRMA followed a bottom-up approach using data at a client level that combines the assessment of exposure and vulnerability, which allowed for the computation of an overall risk score for each segment of Nedbank's lending portfolio.

A consistent and transparent process was followed across physical and transition risks, while allowing for sector-specific and hazard-specific adjustments as needed, based on the relevant time horizons and climate scenarios for each risk type, as is illustrated in figure 9. Using Nedbank's internal data, as well as external data from leading climate data providers and expert analysis, the geographic footprint and sector classification of Nedbank's clients and assets were mapped and assessed.

The IPCC scenarios are based on shared socioeconomic pathways (SSPs) and representative concentration pathways (RCPs), which describe plausible alternative trends in the evolution of society, the economy, and environment.

We deliberately selected a range of scenarios (from 'optimistic', 'middle of the road' to 'pessimistic') to ensure that our approach to risk management is robust and adaptable to enhance Nedbank's resilience to climate risk.

Figure 9: Framework of the 2023 Nedbank Climate Materiality Assessment on the lending portfolio



[1] *Sectors excluded: Financial intermediaries and insurance; Community; Social and personal services; Traders and governments*
[2] *Aligned with Net-zero Banking Alliance (NZBA)*
[3] *Assessed at sub-sector level*

Our climate risk management process continued

Time horizons applied

The assessment applied various time horizons to model the impact of climate change on Nedbank's lending portfolio. Four-time horizons were used for physical risk and 3 for transition risk. Long-term horizons were used to assess the impact of tangible effects of climate change while short-term horizons provide insights for short- to medium-term decision-making, often used for target setting (eg net-zero commitments). Please see "Managing Climate Risk" in the Strategy section for more on time horizons used in Nedbank for strategy and risk management planning.

Each IPCC climate scenario used for the physical risk assessment is described in Table 1; NGFS climate scenarios used for transition risk assessment are described in Table 2.

Table 1: IPCC Scenarios used for the physical risk assessment

Scenario	Description	Temperature increase	Scenario outcome
SSP1-2,6 Optimistic scenario aligned with a 1,8 °C temperature rise by 2100.	This is an optimistic scenario that assumes a sustainable development pathway, with low challenges to mitigation and adaptation.	**1,8 °C**	The scenario implies a rapid and coordinated transition to a low-carbon economy, with high social and environmental awareness, low inequality, and high technological innovation.
SSP2-4,5 Middle-of-the-road scenario aligned with a 2,7 °C temperature rise by 2100.	This is a middle-of-the-road scenario that assumes a continuation of current trends, with medium challenges to mitigation and adaptation.	**2,7 °C**	The scenario implies a moderate and uneven transition to a low-carbon economy, with some climate mitigation actions, but also some inertia and resistance from some sectors and regions.
SSP5-8,5 Pessimistic scenario aligned with a 4,4 °C temperature rise by 2100.	This is a pessimistic scenario that assumes a conventional development pathway, with high challenges to mitigation and adaptation.	**4,4 °C**	The scenario implies a delayed and disorderly transition to a low-carbon economy, with high reliance on fossil fuels, high energy demand, low environmental awareness, and high inequality.

Table 2: NGFS scenarios used for the transition risk assessment

Scenario	Description	Temperature increase	Scenario outcome
Divergent Net-zero Optimistic scenario aligned with a 1,5 °C temperature rise by 2050.	Divergent Net-zero reaches net-zero around 2050, but with higher costs due to divergent policies introduced across sectors leading to a quicker phase-out of oil use.	**1,5 °C**	The scenario implies a disorderly and divergent transition to a low-carbon economy. The scenario explores higher transition risks due to policies being divergent across countries and sectors. It implies low physical risks.
Delayed transition Middle-of-the-road scenario aligned with 2 °C or less temperature rise by 2060.	Delayed transition assumes annual emissions don't decrease until 2030. Strong policies are needed to limit warming to below 2 °C. Negative emissions are limited.	**<2 °C**	The scenario implies a disorderly and delayed transition to a low-carbon economy. The scenario explores higher transition risks due to policies being delayed across countries and sectors. It implies a slight increase in physical risks.
Nationally determined contributions (NDCs) Pessimistic scenario aligned with 2,5 °C temperature increase by 2080.	All pledged policies by a country are included, even if they have not yet been implemented.	**~2,5 °C**	The scenario assumes a hothouse world where some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenario results in severe physical and transition risks.

Our climate risk management process continued

Figure 10: Climate scenarios used in relation to physical and transition risks

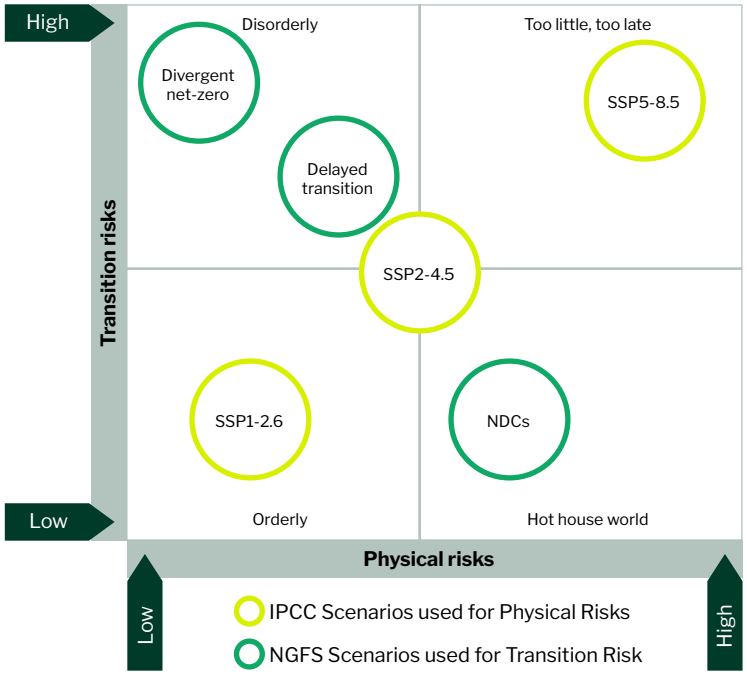


Figure 10 illustrates the various climate scenarios in relation to transition risks and physical risks. Under the NDC's scenario, countries follow their current commitments under the Paris Agreement, but do not raise their targets over time. This results in a global temperature rise of ~2,5 °C, with high physical risks and low to medium transition risk, leading to its position on the matrix. Conversely, in the Divergent Net-zero scenario, some regions reach net-zero emissions by 2050, while others are delayed.

This results in a global temperature rise of 1,5 °C, but also high transition risks in some countries due to inconsistent policy actions and trade restrictions. In the middle is the SSP2-4.5 scenario, which represents a medium GHG transition pathway and assumes that climate protection measures are being taken, but not enough to limit global warming to well below 2 °C above pre-industrial levels. This scenario presents a range of possible changes to physical risk hazards and a moderate shift towards a low-carbon economy with medium transition risk.

Climate risk drivers

Climate risk drivers were selected for physical risk as well as transition risk. For transition risk, the most relevant risk drivers based on the potential impact on client's underlying business, and which were present in the NGFS scenarios, including carbon tax (regulatory risk driver), share of renewables (technological risk driver), and demand for products (market risk driver), were selected. For the physical risk assessment acute and chronic climate hazards, which where relevant to SA, were selected including precipitation, storm, heat, wildfires, drought and flooding – these are captured in table 3.

Table 3: Climate risk drivers selected for the CRMA

Physical risk	**Acute hazards** • Wildfire • Storm • Cold • Heat • Winds • Drought • Flooding • Hail • Lightning	**Chronic hazards** • Precipitation • Cold • Heat • Drought • Sea-level rise	
Transition risk	**Regulatory** • Scope 1 and 2 carbon tax • Scope 3 carbon tax	**Technology** • Non-fossil fuel power generation investment costs • Low-carbon energy or process adoption investment costs • Carbon Capture, Utilisation and Storage (CCUS) investment costs	**Market** • Demand reduction (local and export) • Energy or raw material cost increase • Energy or raw material supply shortage

Scope 3 carbon tax not currently available within scenarios; included to present a complete picture of potential future risk, but not scored given no underlying scenario data. Source: NGFS

Our climate risk management process continued

Exposure assessment

Exposure to physical risk was assessed by considering the presence of client operations at a specific location that is affected by climate hazards. Transition risk exposure reflects the presence of businesses or operations that could be adversely affected by the disclosed transition risk driver in a specific country. Sectors in Nedbank's lending portfolio were assessed in terms of their exposure and vulnerability to the chosen physical climate hazards or transition risk drivers. For example, for physical risk assessment of the agriculture sector, the exposure reflects the location and distribution of Nedbank's clients' agricultural activities across SA, and the frequency and intensity of climate hazards that affect them, such as precipitation, droughts and floods.

Vulnerability assessment

Vulnerability was defined for Nedbank's clients' assets and operations as the predisposition to be adversely affected by the physical hazards and transition risk drivers to which they are exposed. For transition risk, a qualitative vulnerability score was assigned for each sector, considering the main sources of risk per sector, the sensitivity of sector or sub-sector to the risk driver, and the ease of mitigating risk driver impact. These key insights were derived from internal and external sector experts and formed a critical component of the vulnerability assessment. Similarly, physical risk sector vulnerability to physical risk hazards was assessed along 2 dimensions: impact on assets and impact on operations. In the agriculture sector, for example, the vulnerability reflects the sensitivity and adaptive capacity of crops and livestock to cope with the impacts of climate hazards, such as reduced yield, quality, increased water demand, pest and disease outbreaks and damage to infrastructure and equipment. When considering transition risks, fossil fuel industries face high risks driven by the vulnerability to carbon tax, demand reduction and technology related costs.

Risk impact

The impacts of physical risk and transition risk were assessed through three components: i) physical hazard modelling or transition risk drivers based on various scenarios and time horizons; ii) exposure of client assets to climate risk drivers based on location or region, and iii) the vulnerability of asset archetypes to physical hazards and transition risk drivers to which they are exposed. The above components were combined to determine a total synthesised risk score for each asset, with assets then categorised into risk profiles to provide a relative view of risk levels within Nedbank's assessed lending portfolio.

Key findings and insights

The CRMA results provide a comprehensive and granular view of the potential impact of climate change on Nedbank's lending portfolio under different scenarios and time horizons. The key findings and insights from the CRMA are summarised as follows:

- **Physical risk:**
  The results of the 2023 CRMA show that Nedbank's portfolio is exposed to various physical hazards, with different levels of severity and frequency, depending on the location, sector and scenario. The assessment identified the most material physical hazards for Nedbank's portfolio (eg floods, droughts, heatwaves and storms) per sector or location which could potentially cause significant damage and disruption to Nedbank's clients and assets in future. The assessment highlighted the tendency for hazards, and consequently, to increase over time. High-risk sectors and regions in Nedbank's portfolio were identified and will be used to inform risk appetite and client engagements going forward.

- **Transition risk:**
  The CRMA shows that Nedbank's portfolio is exposed to various transition risk drivers, which can affect the financial performance and resilience of Nedbank's clients. The CRMA identified the most material transition risk drivers for Nedbank's portfolio such as carbon tax, renewable energy adoption and demand reduction for each sector or client which can affect the revenues, costs, and profitability of Nedbank's clients. Clients, sectors and lending portfolios were categorised into risk profiles and this will inform our transition financing approach.

Use and next steps

The CRMA results provide a valuable input for Nedbank's climate risk management, disclosure, and strategic planning. The CRMA results may be used to:

- enhance Nedbank's understanding and awareness of the potential impact of climate change on its portfolio and identify the key drivers and sources of climate risk;
- inform Nedbank's climate risk appetite, policies and frameworks, and align them with SARB expectations and NGFS guidelines;
- further enable Nedbank's climate risk monitoring and mitigation, by identifying the high-risk segments of the portfolio, and developing appropriate risk mitigation actions and plans;
- inform the development of Nedbank's climate risk strategy areas of growth and innovation in the low-carbon transition; and
- alignment between the CRMA and the bank's physical risk assessment tool - please refer to page 65 for further information on the bank's physical risks assessment tool.

The CRMA is an addition to our risk toolkit and will be continuously refined and subjected to periodical updates. The CRMA will also be complemented by other climate risk assessment tools and approaches, such as scenario analysis, climate stress testing and sensitivity analysis. The next steps for the CRMA process include the following:

- Validating and refining the CRMA results and methodology by engaging with internal and external stakeholders, and incorporating their feedback and inputs.
- Conducting a deeper analysis of the CRMA results by analysing risk profiles by client, sector, region and product, and extracting more granular and actionable insights.
- Integrating the CRMA results into Nedbank's risk management systems and processes across the group, including developing key risk indicators to monitor the risks identified at various levels, also at board level.
- Expanding the scope and coverage of the CRMA by including more of Nedbank's portfolios, and addressing the data gaps and limitations.
- Enhancing the approach and data quality of the CRMA by leveraging leading practices and standards as climate science evolves, and collaborating with climate data providers and experts.

Our climate risk management process continued

c Scenario analysis and stress testing

Nedbank conducts periodic physical risk assessments on its mortgage portfolios, and our process of incorporating climate risk scenario analysis into the bankwide stress testing and scenario framework has continued to evolve.

Nedbank aims to enhance its capacity in this field to evaluate the possible climate-related outcomes that are highly uncertain and potentially disruptive over different time horizons. These exercises can help the bank to better understand the strategic impact, identify the range of potential management actions, engage more effectively in strategic conversations, and monitor the external environment indicators.

The group recognises that climate change can affect the bank in various ways, such as increased physical and transition risks. Scenario analysis is a useful tool to assess these impacts. In 2023 Nedbank improved its ability to identify geospatial physical climate risks and understand their effects on one of its market-leading portfolios, the commercial property finance portfolio.

Physical risk assessment tool

There is a range of transmission channels through which increased physical risk from climate change can impact a bank. The 4 selected physical risk drivers (floods, wildfires, hail and lightning) were assessed in 2023 during the analysis. The analysis was then visually depicted using a tool that is easily accessible on an electronic device, such as a tablet, to assist frontline teams.

The output on the functionality of the tool included the following:

- A visual depiction of each of the commercial properties based on geospatial coordinates.
- A risk rating score was assigned to each property based on an internally developed rating methodology and a set of risk metrics that allowed for the identification of the properties that would be at an elevated level of risk under the physical risk events.
- A risk score was created for each property for each climate risk event based on the relevant fields , ranging from 0 to 10 with 0 being low risk and 10 being high risk.

A point-in-time extract of the commercial mortgage portfolio was obtained, which included geospatial fields, an on-balance sheet exposure field, and property description fields. Together with this, climate data was sourced from an external service provider, which included various metrics relating to physical climate risks for each of the properties.

For example, the flood risk data included fields such as the distance and elevation of a property in relation to the nearest water body, while the number of wildfires, hail day frequency and lightning flash density were fields provided for wildfire risk, hail risk and lightning risk, respectively.

The climate analysis conducted on the commercial mortgage portfolio has improved Nedbank's understanding of the exposure of its portfolio to physical climate risk events.

The tool is used by the CIB teams to proactively manage the relationships with clients that may have been affected by climate-related events, such as the flooding in the Western Cape in September 2023 and KwaZulu-Natal (KZN) over December 2023 and January 2024.

The tool has further use cases, such as informing risk management decisions, property evaluations, and underwriting decisions, and can help the bank's efforts in supporting its clients through the financing of mitigation efforts. These use cases will be evaluated as we continue to mature our CRMF.

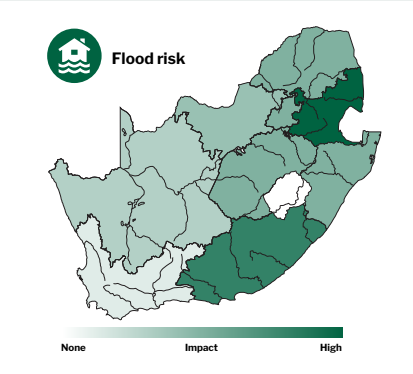
The use of climate-related scenario analysis to assess the potential business implications of climate change, is progressing and will be complementary to the CRMA initiated in 2023. We will continue to grow our capacity in this field to assess possible climate-related outcomes that are highly uncertain and potentially disruptive over time. The analysis presented here forms part of Nedbank's climate scenario toolbox, and we aim to continue exploring more internationally recognised scenarios from leading organisations such as the IEA, IPCC and NGFS.

Our climate risk management process continued

Visualisation of the results

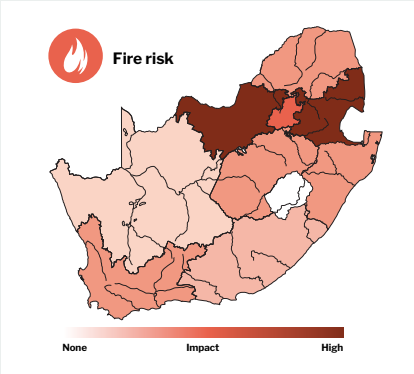
Geospatial mapping was used to visualise each property on a map of SA. In addition, various pieces of information were provided for individual properties such as the climate risk metric, the property descriptor, and the outstanding exposure value. In addition to the individual property analysis, zonal analysis (ie per province and suburb) was conducted to identify the areas of the country that were more exposed to a particular physical climate risk.

For the purposes of this report, the maps illustrated below reflect the average climate risk rating of Nedbank commercial mortgages according to province. The shading is done in line with the consequential impact of the physical climate risk event based on the average climate risk score that Nedbank's internal rating methodology indicates. A short description of each of the climate risks follow.



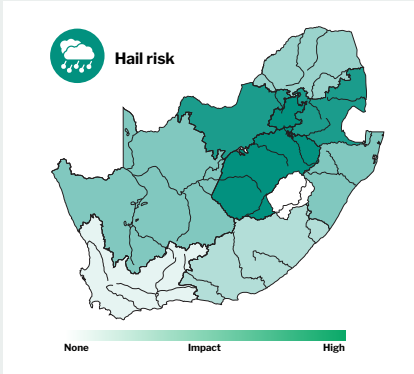
1. Flooding

The frequency and severity of flooding in SA has increased over the past decade. The floods that affected the Western Cape in September 2023 and KZN in December 2023 and January 2024 were examples of such events that caused significant social and economic losses.



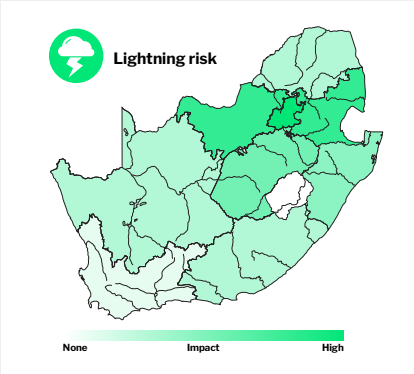
2. Wildfires

Wildfires are a common occurrence in SA and often cause extensive damage. The most devastating wildfires in the country's history were those that ravaged parts of the Garden Route (especially Knysna) in the southern Cape in June 2017. Nedbank used a geospatial mapping to conduct an analysis of the properties that might be at risk due to frequent wildfires.



3. Hail

Hail occurrences are higher in the interior of KZN, the northern and western parts of the Eastern Cape, the central and eastern Free State, Gauteng, and Mpumalanga than in other areas of SA. This stretch of land is sometimes called a hail belt. Nedbank was able to identify the properties that were located in this hail belt and at a higher risk of hail.



4. Lightning

Lightning activity is more prevalent in the Highveld and in parts of Mpumalanga, Northwest and the Free State. These regions have a higher risk of thunderstorms, which can cause damage to property and infrastructure. To evaluate the impact of lightning on our commercial mortgage portfolio, Nedbank used the lightning flash density metric, which measures the number of lightning flashes per square kilometre per year.

Regulatory climate risk assessment

The Nedbank compliance function (Compliance) continuously tracks the evolving regulatory landscape in relation to climate-related regulatory requirements as one of the key aspects included in its regulatory universe and plays an advisory role to business. While most climate-related regulatory requirements may not have a direct compliance impact on Nedbank, our compliance function monitors regulatory developments to stay abreast of domestic climate-related regulatory developments and to understand international trends that may influence local regulators to mandate climate risk disclosures and other practices in the form of standards or codes.

Climate-related regulatory requirements impacting Nedbank are identified, categorised and assessed to determine the compliance risk exposure and the consequences of non-compliance. Compliance monitoring is aligned to the risk exposure ensuring that controls are adequate and effective, and that the outcomes are reported to the relevant governance structures. Compliance has strategically evolved its approach to climate-related regulatory developments by establishing an internal working group to ensure immediate identification and proactive assessment of the impact of ESG regulatory developments applicable to Nedbank. The working group works closely with business to understand their imperatives, including new initiatives, which we need to ensure meet the standards of relevant regulatory requirements.

During 2023 SA policymakers provided guidance and communicated their stance on climate-related risks, most notably the SARB PA's guidance on climate-related risk practices and disclosures for banks and insurers, published in August 2023. These regulatory requirements were assessed to determine areas of applicability, including any gaps that must be addressed, including the Climate Change Bill.

The Climate Change Bill is likely to be passed in 2024. The bill will provide a framework for establishing governance at national, provincial and local level. The bill will set a GHG threshold to determine which companies would be allocated a carbon budget. Nedbank is aware it would impact the high-emissions industries, such as fossil fuels, and is therefore monitoring the exposure in compliance with our Energy Policy as well as measuring and reporting the related financed carbon emissions. Nedbank is monitoring the progress of the bill to develop internal sector policies, to enable our clients to (i) respond to carbon budgets when allocated; and (ii) develop GHG mitigation plans.

Compliance also participates in industry committees established by the Banking Association South Africa to identify and manage both climate risks and sustainability proactively. These committees steer the industry response to climate-related risks and sustainability, serve as a platform for debate, ventilate common concerns, gives recommendations and proactively engage regulators and policymakers.

Image source: Pele Energy group

Climate risk opportunities identified – physical risk

The inaugural CRMA was used by Nedbank to assess climate risk on its lending portfolio. In doing so the bank was able to identify opportunities where adaptation and resilience financing is required using science-based climate scenarios to project plausible climate futures. The results of the 2023 CRMA show that Nedbank's lending portfolio is exposed to various physical hazards, with different levels of severity and frequency depending on the climate scenario, time horizon and sector or region assessed.

The risks and opportunities identified through the risk assessment are highlighted in the table along with the climate and financial impact.

Risk category	Risk drivers	Climate impact	Financial impact	Opportunities
Acute physical risks	• Wildfires • Storms • Cold temperatures • Heat • Strong winds • Drought • Flooding • Hail • Lightning	• Supply chain interruptions, resulting from extreme weather events. • Extreme weather events can lead to physical injuries, human settlement displacements, and loss of life. They can also cause mental health problems, such as anxiety, depression, and heat-related illness. • Crop failure and food shortages due to changes in weather patterns and/or extreme weather events, such as droughts.	• Reduced revenue from decreased production capacity (eg transport challenges, and supply chain interruptions). • Increased capital costs (eg damage to facilities). • Inflation of food prices due to climate impact-induced shortages.	• Nedbank has an opportunity to support its clients to help build their climate resilience through engaging high-risk clients to understand their existing or planned climate adaptation and resilience strategies, and explore financing solutions for with them. Additionally, Nedbank may identify and engage smaller clients in sectors such as agriculture to understand and support their reduction to exposure to physical hazards.
Chronic phyiscal risks	• Precipitation • Cold temperatures • Heat • Drought • Sea-level rise	• Changing weather patterns and movement of climate belts causing geographical, long-term climate changes, such as increased temperatures and reduced rainfall. • Loss of biodiversity and ecosystem collapse due to the impacts of climate change.	• Increased insurance premiums and potential for reduced availability of insurance on assets in 'high-risk' sectors and most vulnerable locations identified by the 2023 CRMA. • Increased operating costs. • Reduced revenue and higher costs from negative impacts on the workforce (eg health, safety, and absenteeism).	• Enhancing Nedbank's own operational climate resilience by continually improving resource efficiency, energy, water and waste management through our green-building initiatives and sustainable supply chain. • Financing sustainable adaptation solutions such as Nedbank's sustainable-agriculture programme that offers sustainable-farming solutions, like water conservation and storage, improved soil health, advanced irrigation techniques, and shading. • Providing finance solutions to conserve and protect biodiversity and ecosystems (eg water purification and conservation, sustainable-forestry practices, and investing in nature-based solutions).

Climate risk opportunities identified – policy and legal, technology, market and reputation

The CRMA shows that certain of Nedbank's portfolios, may be exposed to various transition risk drivers that could affect the financial performance and resilience of Nedbank's clients. The risks identified through the risk assessment are highlighted in the table along with the financial impact and opportunities.

Risk category	Risk drivers	Risk description	Financial impact	Opportunities
Regulatory	Scope 1 and 2 carbon tax.	• Increased pricing of GHG emissions (ie carbon tax, cap-and-trade schemes). • Mandates on, and regulation of, existing products and services. • Increased regulation around energy efficiency, water usage, and waste management. • Exposure to climate-related litigation. • Increased disclosure requirements from regulators (eg Pillar 3), enhanced emissions reporting obligations.	• Increased profit for the bank through our sustainable finance and investment activities. • Write-offs, asset devaluation, and early retirement of existing assets due to policy changes. • Increased costs and/or reduced demand for products and services resulting from fines and judgments (fossil fuels, including coal, are a major export for SA, so this would have an adverse impact on the economy). • Increased costs due to more stringent policies creating a financial burden on the bank.	• Financing the energy sector's transition to net-zero through a variety of Nedbank products and services, including the following: » Renewable-energy and embedded generation. » Energy storage technologies. » Energy-efficient technologies and processes in residential, commercial and industrial facilities. » Grid upgrades, including smart grids and microgrids. » Off-grid renewable-energy solutions for communities lacking grid access.
Technology	• Non-fossil fuel power generation. • Low- carbon energy or process adoption investment costs. • CCUS investment costs.	• Replacement of existing products and services with lower emissions options. • Client revenue loss due to reduced demand from substitution with low-carbon alternatives. • Increased financial pressure on clients driven by upfront costs of deploying CCUS to decarbonise operations. • Unsuccessful investment in new technologies. • Costs to transition to lower-emissions technology.	• Abrupt and unexpected shifts in energy costs. • Inability of clients to decarbonise Scope 2 emissions – losing licenses to operate in a net-zero economy or having significantly higher costs. • Increased financial pressure on clients driven by upfront costs of switching to low-carbon energy alternatives to decarbonise. • Reduced revenue from decreased demand for goods and services. • Higher operating costs for more carbon-intensive clients.	• Supporting our clients in their investments in new sustainability linked technologies and structures through increasing volume of Nedbank's sustainable development finance. • Providing financing for waste recycling and waste management projects, including technologies and processes to reduce material consumption per capita as well as technologies and interventions to prevent or reduce waste and increase recycling and reuse.

Climate risk opportunities identified – policy and legal, technology, market and reputation continued

Risk category	Risk drivers	Risk description	Financial impact	Opportunities
Market	• Demand reduction (local and export). • Energy or raw material costs increase. • Energy or raw material supply shortages.	• Increased financial pressure on clients due to transition to net-zero driving higher operating costs (energy or raw materials). • Uncertainty in market signals. • Decrease in demand in products from non-renewable sectors. • Increased costs or reduced ability to operate, driven by shortage of key raw materials or limited availability of net-zero energy.	• Increased market share for being known as a green and sustainable bank and offering sustainable finance, investment products, and services to our clients. • Increased operating costs (eg higher compliance costs and/or increased insurance premiums). • Reduced revenue due to the loss of existing clients and an increase in revenue due to potential new clients. • Impact of climate-related trade tariffs in reducing competitiveness in overseas markets and a decrease in worldwide demand for high-carbon products. • Change in revenue mix and sources resulting in decreased revenues which will impact the ability to service loan interest and capital repayments. • Re-pricing of assets (eg fossil fuel reserves, land evaluations and securities evaluations).	• Increasing our portfolio of sustainable investments specifically linked to reducing climate change and building climate impact resilience through our Nedgroup investment activities. • Investing and financing 'green real estate' – environmentally friendly and sustainable buildings and properties with green certifications (such as EDGE and Green Star) supporting the green transformation of SA's commercial property landscape.
Reputation or consumer pressure	• Exposure to capital market.	• Stigmatisation – Nedbank acting contrary to its purpose. • Changes in reputation and consumer behaviour. • Shifts in the perceptions and preferences of clients, employees, the media, investors, competitors, regulators, and the public. • Increased stakeholder concern or negative stakeholder feedback (elevated by the media, including social media and activism). • Stakeholder and investor trust being impacted.	• Supporting the climate resilience of our clients will in the long term decrease the banks financial risks and support its long-term financial sustainability. • Reduced revenue from negative impacts on workforce management and planning (eg employee attraction and retention). • Reduced demand for goods and/or services due to a shift in consumer preferences (eg internal combustion engines and platinum converters are a major export for SA and the shift to electric vehicles will have an adverse impact on the economy). • Reduction in capital availability and shareholder interest.	• The development of sustainable products. • Adapting swiftly to bottom-up demands from consumers and stakeholders for enhanced sustainability in products and practices.

Climate risk manifesting in existing risk types

Management of credit risk

In the future, the group will assess the impact of climate-related risk drivers on its credit risk profiles and incorporate significant climate-related financial risks into the credit risk management systems and processes.

We are formulating well-defined credit policies and establishing robust processes to address significant climate-related credit risks. The understanding of material climate-related risks is evolving, and strategies for their potential future integration are being explored, including client due diligence as part of the onboarding management of credit risk process and ongoing monitoring of clients' risk profiles. Mitigating options to control or minimise material climate-related credit risks have been implemented.

The group also considers setting limits on (as it has done for its fossil fuel portfolio) or applying appropriate alternative risk mitigation techniques to its exposures to companies, economic sectors, geographical regions or segments of products and services that do not align with its business strategy or risk appetite.

Management of market risk

Processes for identifying, assessing, and managing climate-related risks within market risk are integrated into the overall Nedbank Risk Management Framework, specifically the CRMF, which includes a periodic review of material climate-related concerns and entails reducing exposure to, or avoiding, high-risk climate-sensitive industries.

The impact of climate-related risk drivers that result in volatility in macro-financial variables (interest rates, foreign exchange rates, equities, commodities and credit spreads) is captured by the trading market risk value-at-risk (VaR) measure.

Climate-related risk on banking book market risk (eg equity investment risk) is assessed on deal initiation and through the investment valuation committees.

Management of operational risk

Nedbank's asset insurance programme and our business continuity plans (BCP) are duly informed by climate risks. The analysis of material physical risk drivers and their potential impact on our business continuity model underpins our BCP process. Additionally, we recognise the paramount importance of operational resilience in today's dynamic environment. Operational resilience encompasses our ability to adapt, withstand, and recover from disruptions, whether they arise from climate risks, technological shifts or other unforeseen events.

To bolster our operational resilience, we continuously assess and monitor climate risk drivers affecting our own operations. This includes evaluating the impact of extreme weather events, resource scarcity and changing regulatory landscapes. By integrating these insights into our BCP, we ensure that our critical operations remain robust and agile.

Our commitment extends beyond mere continuity – it aims to strengthen our ability to thrive in adversity. We foster a culture of adaptability, empower our teams, and align our risk appetite with the principles for operational resilience issued by the BCBS. Through risk-based approaches, consistent implementation of risk management frameworks, and diligent management of 3rd-party dependencies, we fortify our organisational fabric.

Management of underwriting

Underwriting involves assessing and pricing risks, as well as issuing policies to provide coverage for them. At Nedbank Insurance we recognise that climate risk is a critical factor affecting our operations in the following ways:

- **Increased frequency and severity of natural disasters:** We have observed a rise in the frequency and severity of natural disasters, such as the KZN floods, Gauteng storms, wildfires, and droughts. These events lead to higher claims and losses for our Non-Life Business.
- **Long-term impacts on mortality and morbidity patterns:** In the medium to long term, we anticipate changes in mortality and morbidity patterns due to climate-related factors. Heat stress, vector-borne diseases and respiratory illnesses are likely to affect our life insurance portfolio.

Challenges and adaptation: These manifestations of climate risk pose significant challenges for Nedbank Insurance. We must thoroughly assess the current and future impacts of climate change on the risks we cover. Accordingly, we will adjust our pricing and product and/or policy terms to address these evolving risks.

Seizing opportunities: While climate risk presents challenges, it also offers opportunities. Nedbank Insurance will explore new avenues, including innovative products and services, to help our clients adapt to or mitigate the effects of climate change.

Management of liquidity risk

Nedbank remains vigilant in assessing the influence of climate-related risk drivers on our liquidity risk profile. As stewards of financial stability, we recognise that funding and liquidity risk management systems and processes must adapt to account for these evolving factors.

Our ongoing analysis considers the impact of climate-related financial risks on net-cash outflows. This includes factors such as increased drawdowns of credit lines and accelerated deposit withdrawals. Additionally, we scrutinise the valuation of assets that constitute our liquidity buffers.

When deemed material and relevant, we seamlessly integrate these insights into the calibration of our liquidity buffers. Furthermore, they inform the very fabric of Nedbank's liquidity risk management frameworks. By doing so, we fortify our resilience and ensure the continued stability of our operations.

Image source: Pele Energy group

Geopolitical developments

The World Economic Forum meeting was held in Davos from 15th to 19th January 2024. Key takeaways from the meeting include discussions on climate action, digital technologies transformation, global economic growth, geopolitical developments and health resilience in terms of lessons learned from the 2020 global pandemic. However, the current geopolitical developments overshadow all other meeting outcomes since they impact the global landscape most significantly.

The ongoing conflict between Russia and Ukraine, coupled with the Israel–Hamas war and challenges at the Suez Canal, contributes to heightened geopolitical tensions. This scenario poses risks of global political instability, constraints on trade and capital flows, and potential impacts on economic growth, particularly in countries facing stagnation.

The Red Sea crisis is poised to affect global trade substantially. Attacks on container ships in the Red Sea have led to predictions of a significant increase in ocean freight shipping rates. Supply chain disruptions and a surge in commodity prices are already evident. Carriers are adjusting services, but early indications suggest that rates will continue to rise, underscoring the potential impact on global trade.

Africa has a busy election calendar in 2024, with 19 countries slated for presidential or general elections, and two-third of these elections are scheduled towards the last quarter of the year. SA is one of those countries and will head to the polls in May; and amidst economic challenges, there is consensus among researchers and economists that the country is stagnating.

Climate change issues have not been a mainstream political agenda in the manifestos of major political parties in SA, however, the government has made promises such as promoting renewable energy, acknowledging the country's dependence on coal and the lack of adaptation planning. SA's Just Energy Transition Investment Plan (JET-IP) that outlines the necessary investments and strategies to achieve decarbonisation commitments in SA's NDC is one of the efforts made to overcome the adaptation planning. Furthermore, opposition parties have also made proposals that stressed mitigation actions as well as adaptation measures. Therefore, the upcoming elections are significant events that can potentially impact the country's climate transition when taking into consideration the public demand for climate action and climate-related policy decisions. The political party that will emerge victorious in these upcoming elections will be responsible for implementing the 10-year National Climate Change Adaptation Strategy (1st introduced on 6 May 2019) that serves as SA's National Adaptation Plan and fulfils the country's international obligations as outlined in the Paris Agreement under the United Nations Framework Convention on Climate Change.

For financial institutions this creates a complex situation in terms of stagnating economic growth that adversely impacts lending practices and investments, trade risks in terms of capital flows, and political instability for most sensitive and high-risk sectors. These global tensions and failure in governance may trigger a push towards renewables as battling nations try to diversify their respective energy mixes to adapt and build their resilience.

Operational risk management

Operational risk related to climate change

Nedbank recognises climate risk as both a key risk, as well as a causal factor affecting operational risks.

Operational risk refers to the risk of loss resulting from inadequacy or failures in its people, processes, 3rd-party arrangement controls and technology, or it can be triggered by external events such as natural disasters and/or pandemics.

The increased likelihood, and potential impact of business disruption events, potential stresses arising from increasing legal and regulatory compliance risk associated with climate-sensitive investment and business, together with the growing new and changing financial reporting requirements remain top of mind. In assessing the significance of climate change risk, consideration is given to the bank's contribution, as well as the potential impact of and our responses to climate change.

Integration of climate risk as a key consideration and impact on operational resilience

Transmission between climate risk drivers and traditional banking risks.

The potential connections between climate change risk drivers and the materialisation of operational risk are presented in the diagram below.

Climate-related risk drivers

Physical drivers

- Acute – such as floods, wildfires, cyclones.
- Chronic – such as increase in temperature, shifts in precipitation, sea-level.

Transition to low-carbon economy risk drivers

- Policy changes.
- Technology changes.
- Behavioural/Consumer preference changes.

Climate change – related liability risk driver

Transmission channels

- Property damage or destruction.
- Injury and/or loss of lives.
- Operational disruption.
- Supply chain disruption.
- Litigation exposure.

Operational risk scenarios

- Risks associated with disruptive incidents that can impact premises, staff, equipment, systems and key business processes.
- Damage to physical assets.
- Supply chain or 3rd-party risk disruption.
- Increasing legal and regulatory compliance risk associated with climate-sensitive investment and business.
- Health issues and human resources safety risks.
- Information communication and technology (disruption) risk.
- Insurance – increased insured losses, increase insurance gaps.

Noting the above, the bank remains resilient by proactively identifying and protecting itself from threats and potential failures, responding and adapting to, as well as recovering and learning from, disruptive events to minimise the impact on the delivery of critical operations through disruption.

Climate risk drivers shaping strategy

As money experts who do good, Nedbank continues with its journey to make a meaningful contribution towards the transition to a low-carbon economy through execution of its core business activities and its association with clients and other stakeholders with similar ethos. The transition is an imperative also recognised through the regulators, climate activists, clients, investors, shareholders, and the broader community. Failure to conduct business, demonstrated through our products, services, advisory capacity, and via management of our own operations in a climate-sensitive approach, could attract legal, litigation and reputational risk exposures to the bank.

Relationship between operational risk management and operational resilience

Nedbank views operational resilience as a capability that benefits from the effective management of operational risk. An effective operational risk management system and a robust level of operational resilience work together to reduce the frequency and the impact of operational risk events. This is achieved through performing activities such as risk identification and assessment, risk mitigation and the monitoring of risks and control effectiveness to minimise operational disruptions and both the financial and non-financial exposure and effects.

Nedbank's approach to operational resilience accepts that disruptions are inevitable and, in response, ensures that established and matured processes exist across the environment to monitor, plan, respond and adapt accordingly.

Operational risk management continued

The integration into the bank's overall operational risk management of the identification, assessment and management of climate change risk
Operational risk exposures related to climate change (including physical and transition risks) are captured within the bank's operational risk management and measurement processes, as part of the Operational Risk Management Framework (ORMF). The ORMF is aligned with advanced regulatory standards and emerging best practice.

The ORMF contains comprehensive operational risk management policies and processes for identifying operational risk profile shifts, assessing, measuring, and monitoring operational risks including climate-related physical risks that could disrupt our business operations and transition risk that could potentially increase the bank's litigation risk exposure.

Our operational risk assessment processes ensure that climate-related physical and transition risk exposures are identified, analysed and managed within acceptable levels as part of the day-to-day business operations. The bank's operational risk management process further caters for the continuous assessment of existing and emerging climate-related risks and the implementation of robust controls and mitigation strategies for material climate-related risks that could negatively impact the sustainability and resilience of our business operations.

The bank's approach to managing operational risks arising from climate change is continually evolving as we improve our understanding of this complex and interconnected risk. The group uses the following sources to identify and assess operational risk related to physical and/or transition risks: expert input, academic literature, industry, national and global working groups, and emerging legislation such as BCBS Principles for the effective management and supervision of climate-related financial risks dated June 2022.

Effects of climate change on the operational risk profile
Given the importance of forward-looking assessments, scenario analysis is an important and useful tool for the bank to identify and assess risks and opportunities as well as explore response mechanisms. Nedbank's annual scenario analysis process uses expert judgement to estimate the operational risk exposure of the group and focuses on operational risks that may impact the solvency of the bank.

To identify and assess the magnitude of potentially emerging and/or unknown risks like the complex and interconnected operational risk related to climate change, the bank makes use of external loss data as a key element of its scenario analysis construction process.

SAS Global loss data and the Operational Risk data eXchange Association (ORX) loss and scenario library data are considered by subject matter experts in their analysis, interpretation and guides the expert judgement in their final assessment of the exposures. Nedbank is a member of and actively participates in international consortiums, such as the ORX, which accumulates data submitted quarterly by each of the member banks. The ORX global consortium membership consists of more than 100 leading international and local banks as well as insurance companies. The group also subscribes to the SAS global database, which contains data sourced within the public domain and media.

From Nedbank's Operational risk profile perspective, climate risk is measured as part of its operational risk scenarios.

Scenario	Scenario description
Damage to Physical Assets Scenario (Physical risk)	The Damage to Physical Assets Scenario covers events in which the bank might, in part or in total, experience the loss of its property portfolio (ie its buildings, including contents) because of disastrous weather events or other circumstances (terrorist attacks, arson, etc). The scenario looks at the impact of exposure to physical (acute and chronic) climate consequences eg changes to precipitation patterns and increasing maximum temperatures on our corporate real estate portfolio.
Litigation Scenario (Transition risk)	The **Litigation Scenario** considers regulatory bodies, market sentiment and demand, or third parties instituting legal action against the bank that could arise from intentional or unintentional process deviations, contractual breaches, unacceptable business and/or market practices resulting in subsequent financial losses and reputational risk. Potential legal ramifications for lender liability include amongst others, fines and penalties, 3rd-party claims and rehabilitation costs that forms part of litigation within the ambit of operational risk management. Climate risk within the bank is managed in accordance with specific climate risk governance frameworks. Separate climate risk project steering committees (CRP Steercos) are in place to oversee climate risk matters in the bank. In relation to products or deals, the Climate and Sustainability Committee Steercos or relevant CRP steercos are leveraged for advise on the approval of green and sustainable finance deals. Products and deals, mostly relating to finance deals, are assessed for climate risk impact and measures are taken to bring the residual risk to acceptable levels.

Going forward the operational risk scenario analysis process will be continuously enhanced to incorporate other risk types and transition climate risk assessments that consider various sectors and time horizons to seek opportunities to leverage, mature and capture potential secondary exposures relevant to operational risk.

Operational risk management continued

Mitigating or managing operational risk related to climate change

The effects and impacts of climate change on operational risk may be mitigated through the crafting of sound operational resilience capability, adequately investing in effective insurance programmes, with limited reliance being placed on holding regulatory capital to provide relief in scenarios of business disruption caused by climate change.

As part of the Nedbank's operational risk Organisational Resilience Programme, building resilient capabilities enables us to anticipate, prepare for, and respond and adapt to incremental change and sudden disruptions.

Nedbank's operational resilience overview

Operational Resilience

Operational resilience is viewed by Nedbank as a coordinated and integrated approach across various disciplines.

Focus is on continuously enhancing adaptive capabilities and ability to manage change.

This approach enables a culture of proactiveness, and lessons learned.

As a result of this approach Nedbank is better prepared for potential future operational disruptions.

Operational disruptions include, but are not limited to, pandemics, cyberincidents, technology & infrastructure failures and natural disasters.

Operational Resilience Policy and Framework and business continuity planning

The comprehensive board-approved Operational Resilience Policy and Framework formalises the operational resilience and business continuity principles and programme in the group.

This policy and framework apply to all of the group's business operations, departments, divisions, clusters and campus sites. Nedbank leverages established, mature, and effective functions and processes to operationalise the bank's Operational Resilience Policy and Framework.

Nedbank has defined the following 3 pillars in its Operational Resilience Policy and Framework to support an integrated approach to the management of operational resilience and related risks. These 3 pillars underpin Nedbank's approach in developing and maintaining a resilient organisation.

Technology and data, people and resources, premises, 3rd parties

Anticipate and prepare

Maintain a state of informed preparedness to forestall compromises of critical operations.

Respond and adapt

Continue critical operations despite a disruption or critical outage, limiting significant impact and downtime.

Recover and learn

Execute response procedures and restore critical operations. Leverage knowledge from previous disruptions to enhance resilience.

Operational risk management continued

Nedbank has a comprehensive BCP and Resilience Plan (the plan) that is managed as an integral part of its ERMF to ensure the effective implementation of business continuity planning and resilience. The plan complies with all relevant regulations and legislation, including the regulations stipulated in the group's ORPF.

The BCP provides Nedbank with the ability to effectively respond to threats such as natural disasters, disruptive events and/or data breaches and to protect the business interests of the organisation.

As part of the bank's operational resilience and emergency response procedures, Nedbank has implemented the below levels of operational resilience and continuity plans to enable an effective response based on the nature and complexity of the disruption to manage risk events or emerging situations that could threaten the group. There is overarching reliance on the different levels of plans depending on the scenario at hand. Nedbank's plans adopt a more general planning approach that allows the plans to be flexible enough to adapt to any changing situation.

Levels of BCPs

Nedbank Crisis Management Plans	Emergency Management Plans	Business and IT Continuity Plans
Strategic response planning to ensure that the bank's strategic objectives are identified and prioritised given the situational assessment of the crisis or disruption.	Emergency tactical planning that forms the tactical response layer between the Crisis Management Plan and Business and IT Continuity Plans.	Operational resumption planning that focuses on operational recovery aspects.

Nedbank has primary and secondary disaster recovery sites and dedicated alternate work area sites in three of the major provinces (Gauteng, Western Cape and KZN) with appropriate backup utilities (in case of a disruption of the electricity and/or water supply) in place to allow for the continuation of operations. Nedbank has a hybrid working model with employees working from home or the office to ensure the continuation of operations due to any incident or disaster, including climate change risk events resulting in physical damage to primary sites.

Integration of climate risk into Operational Resilience Strategies and business continuity planning

Nedbank's readiness to deal with potential adverse impacts, which includes climate-related impacts, are addressed and operationalised via the BCP measures that consider the scenarios below.

The bank's operational resilience strategies and business continuity plans consider the potential impacts that severe weather conditions could have on business operations. Even though climate change or climate-related impacts have not had a material impact on the bank's ability to remain operationally resilient as seen during the recent floods in the Western Cape, it is closely monitored due to the adverse effect it may have on the bank's operational resilience risk profile.

The asterisk (*) denotes the climate change factors incorporated into the Business Continuity Management scenarios

Managing climate- and environmental-related risks within Nedbank lending practises

The year 2023 has been a year of driving environmental, climate and – especially nature – considerations in business in alignment with global best practice.

Nedbank has taken an integrated risk management approach toward becoming climate resilient.

Through our ERMF we have established a comprehensive process to identify and assess climate- and environmental-related risks and integrate these risk considerations within our business across the group. This approach impacts how we mitigate risks through our financing and pursue opportunities related to adaptation financing.

Nedbank's approach to climate-sensitive industries is guided by its Energy Policy

Nedbank's Energy Policy*

January 2025

- Not to provide financing to thermal coal mines outside of South Africa.
- Not to provide project financing for new thermal coal mines, regardless of jurisdiction, from 1 January 2025.

January 2035

- Not to finance new oil exploration projects directly, regardless of jurisdiction.
- Not to provide any new financing for oil production, regardless of jurisdiction, from 1 January 2035.

Nedbank will continue to support natural gas in upstream development and production given its role as a transitional fuel. However:

January 2030

- Not to finance new gas exploration projects directly, regardless of jurisdiction.
- Not to provide financing for new utility-scale or embedded oil-fired power generation, unless it is integrated as backup supply to renewable generation projects.

2045

- We aim to have zero exposure to all activities related to fossil fuels addressed within this policy by 2045.

** Consult the Energy Policy on Nedbank's website for more detail.*
*** Unless certain criteria are met.*

Managing climate- and environmental-related risks within Nedbank lending practises continued

Aligned to our focus on nature, Nedbank adopted a new exclusion in 2023, prohibiting finance for any activities prohibited by national legislation or international conventions. This is in relation to the protection of biodiversity resources or conversion or degradation of protected areas or critical habitat regardless of technology or country or to any project or operation that may destroy or degrade South African protected and conservation areas listed in the South African Protected Areas Database and South African Conservation Areas Database.

Nedbank's key objectives in managing social and environmental risk (including climate risk) include the following:

- Reducing the social and environmental impacts of our own operations, also in the facilities we occupy.
- Managing our indirect impacts through responsible lending by ensuring that the social and environmental risks of the projects and investments our clients undertake are adequately assessed and addressed.
- Anticipating risk through developing scenarios, monitoring and managing the impact of climate risk on our operations, our business activities, the activities conducted by our clients and the communities in which we operate, in accordance with our CRMF.
- Ensuring alignment and mapping with the group's strategic goals and supporting the business objectives linked to the SDGs as set out in the Nedbank strategy.

Climate-related risks associated with the lending process involving funding for projects are managed through the Social and Environmental Management Systems (SEMS) process. We continually transform and mature our SEMS from learnings taken from regular interactions with the Taskforce on Nature-related Disclosures, the African Natural Capital Alliance, peer learning sessions organised by the Embedding Project, and the United Nations Environment Programme Finance Initiative (UNEPFI)'s Africa and Middle East Regional Coordination Programme. The materiality of social and environmental issues was further guided by the various indices that Nedbank participates in, such as the FTSE4GOOD, Dow Jones World Sustainability Index and Sustainalytics.

All transactions in high-impact sectors, such as mining, oil and gas, agriculture, waste, property and water infrastructure, must receive social and environmental sign-off before the credit committee considers financing in line with the SEMS governance process, industry best practice and environmental, social and human rights benchmarks. We continue with our partnership approach to all sensitive investments, working closely with our clients and relevant authorities to maximise benefits and minimise the negative impacts of these activities.

Nedbank developed policies, procedures, workflows and appropriate governance for lending activities across the bank which support the effective implementation of SEMS. The SEMS supports the operationalisation of the Nedbank Energy Policy to ensure deals honour the limits set for the funding of new thermal coal projects, ie thermal coal mining, thermal coal-related infrastructure, and thermal coal-related trade. Nedbank has set a restriction on total coal mining lending to 1% of total group gross loans, with the intent to reduce the exposure to 0,5% by 2030.

During 2023 the SEMS process was applied across various business units within our organisation. The most significant applications of SEMS were as follows:

- In our CIB divisions all new applications and credit-risk reviews of high-risk transactions were included in the SEMS assessment process, which was externally assured.
- A total of 579 deals (excluding property finance) were assessed in CIB, compared to 610 in 2022. In Property Finance, 1 805 deals were assessed, compared to 1 345 in 2022.

- A risk-based approach was adopted in Retail and Business Banking (RBB) due to the large number of clients. Clients are required to disclose any negative environmental or social impact their activities might have, and such disclosures are assessed through the SEMS process. If necessary, mitigating actions are taken.
- In our RBB Commercial Banking operations we have identified and defined environmental and social high-impact industries. In 2023, 1 695 clients involved in these sectors were assessed, compared to 1 174 in 2022.
- In the Nedbank Wealth business most of our social- and environmental-risk exposure results from clients' acquisition of industrial and commercial properties that could present asbestos or land contamination concerns. The total number of clients assessed in 2023 was 161 compared to 129 in 2022.
- We extended the coverage of our SEMS process to our African regions during 2023.

Managing climate- and environmental-related risks within Nedbank lending practises continued


Image source: Pele Energy group

Applying the equator principles to our lending practices

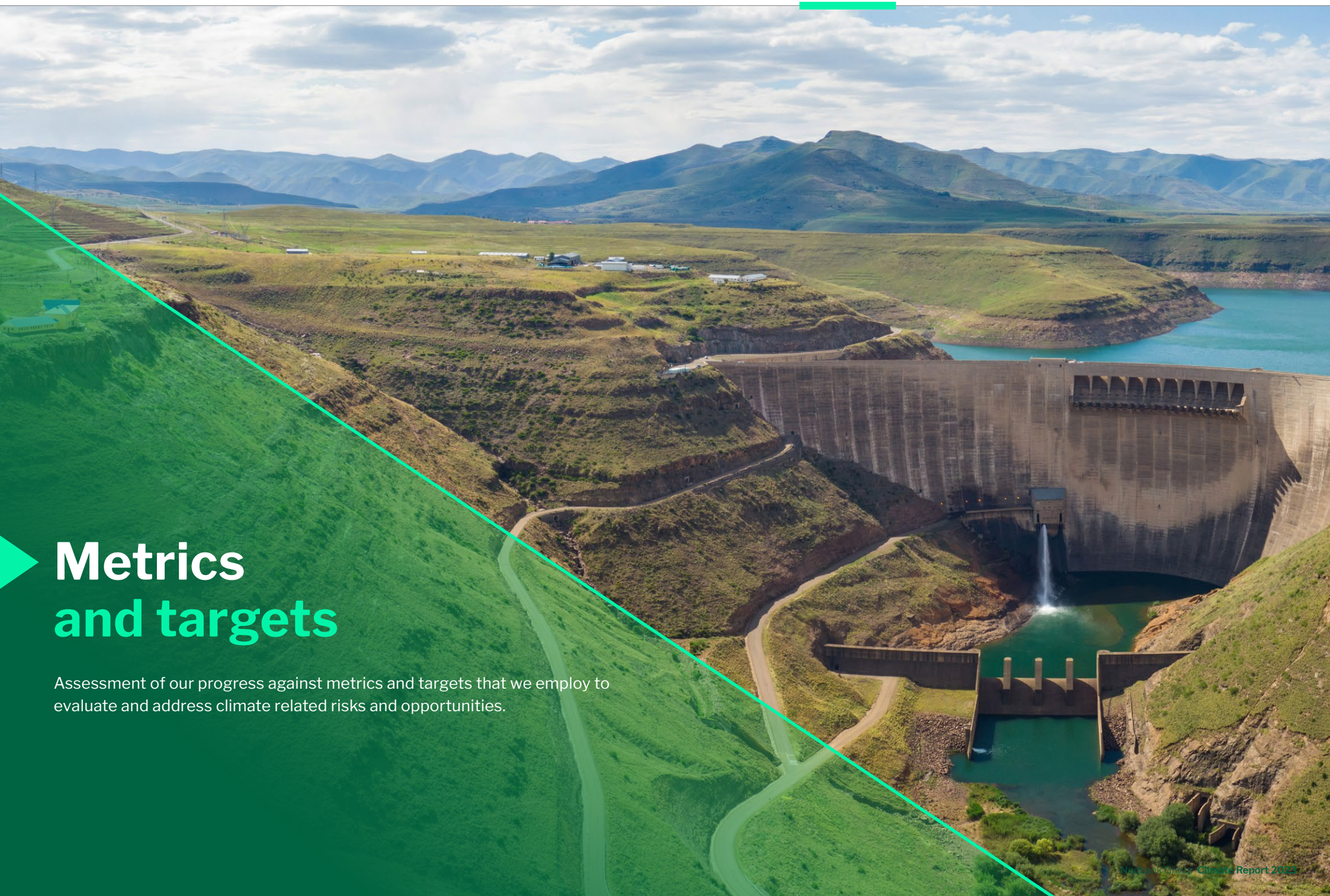
As a leading provider of project finance in SA, we carefully align with international best practice, including the Equator Principles, and International Finance Corporation (IFC) Performance Standards and Principles for Sustainable Banking when considering all prospective project finance transactions, project-related corporate loans, project finance advisory services and specific bridge loans.

Nedbank has integrated the fourth version of the Equator Principles (EP4) in its social and environmental assessment for transactions where the EPs are applied. All affected transactions continue to be evaluated on both physical and transitional risk.

EP and the IFC Performance Standards are applied within the lifecycle of CIB's lending transactions even if they fall outside the scope of EP, ie regardless of the quantum. This process is operational in the CIB team. The steps in the CIB SEMS review process are as follows:

- Screening and categorisation: considers the operations/projects in high-impact industries (eg mining, manufacturing, construction, oil and gas, public infrastructure), the product type (eg term loan facility, revolving credit facility, general banking facility, letter of guarantee) as well as climate physical and transition risk.
- Risk evaluation: the following is considered when completing an Environmental and Social Risk Assessment:
  - » Understanding the deal structure, evaluating the transaction against EP4.
  - » IFC Performance Standards and the host country's laws and regulations.
  - » Obtaining an independent environmental and social report for project-related deals.
  - » Reputational risk scan.
  - » Climate Change Risk Assessment (transition risk and physical risk).
- Consideration: mitigation of identified risks, including clients' responsibility to develop Environmental and Social Action Plans, where applicable, and the inclusion of specific environmental and social clauses or covenants in the facility agreements.
- Monitoring: Annual SEMS review of existing transactions which involves evaluating the independent environmental and social monitoring reports received for project-related deals. For corporate related deals, the review process involves evaluating the clients' environmental and social risk disclosures as well as reputation scans on environmental and social risk.
- Reporting: EP deals are disclosed in the Nedbank Climate Report, on the Nedbank website, the Integrated Report and to the EP Association. SEMS evaluated deals are disclosed in the Nedbank Climate Risk Report and the Integrated Report.

In the 2023 financial year, 10 Equator Principles deals (compared to five deals in 2022) to the value of US$910m had their first drawdown. Of the 10 deals, 3 were category A, and 7 were category B.



Metrics and targets

Assessment of our progress against metrics and targets that we employ to evaluate and address climate related risks and opportunities.

Managing impacts from our own operations

Progress on targets ESG

In 2019 (the baseline year) Nedbank set new reduction targets for our own operations in South Africa for 2020 to 2025, as the previous targets set had been achieved prior to the target deadlines. Currently, our progress towards these targets is outlined in the table below.

Target	2023 status
Paper We set a target of 40% reduction in the mass of paper used by the end of 2025, based on 2019 levels (2019: 826 tonnes), which equates to a target level of paper use of 495 tonnes, reduced over the period by the end of 2025.	**Achieved target** For the 2023 financial year, paper consumption decreased further from the previous year by 4 tonnes, with consumption for 2023 at 67 tonnes. This is a 5,6% decrease from 2022 (71 tonnes) and highlights Nedbank's continuous efforts to achieve our target by the end of 2025. The significant reduction (well ahead of target) has been supported by new-ways-of-work. The paper consumption target represents an absolute reduction rather than an intensity-based target. This is driven by the fact that a substantial portion of our paper consumption is tied to client communication and regulatory compliance, rather than individual employee usage.
Water* A 40% water reduction by the end of 2025, based on 2019 levels (2019: 254 801 kℓ). This equates to a target annual consumption of 152 881 kℓ or 8kℓ per FTE, whichever is met first.	**Achieved target** The total water consumption of our campus sites increased by 9,76% to 159 105 kℓ (2022: 144 954 kℓ). With the current consumption level at 9,02 kℓ per FTE we are still on track toward our water-intensity target. Despite an increase in our absolute consumption in 2023 (driven by encouraging more staff to return into office), compared to 2022, we remain dedicated in our commitment to water efficiency in operations and to return to target consumption levels.
Waste* A 40% reduction of waste sent to landfill by the end of 2025, based on 2019 levels (2019: 183 tonnes). This equates to an annual target waste to landfill generation of 110 tonnes or 5,75 kg per FTE, whichever is met first.	**Ongoing** The waste sent to landfill has increased slightly, due to the corporate real estate optimisation project, from 142 tonnes in 2022 to 154 tonnes in 2023, which is an 8,45% increase for the year. The overall waste reduction since 2019 (baseline) is 16% (29 tonnes). Our ongoing employee awareness and education campaigns can continue to drive our aim of achieving our target in terms of waste management, as does our zero-to-landfill policy.
Recycling* Recycling can increase only up to the point where waste sent to landfill is zero. This is the goal and target. A new target was set to achieve a recycled waste to landfill waste mass ratio from 2,50 to 3.*	**On track** In absolute terms the recycling increased from 338 tonnes to 427 tonnes (26,33%). Our onsite recycling banks have proven very effective in ensuring maximum recycling and good levels of waste sorting at source. In terms of the ratio-based target set in the previous year, 70,42% of our total waste was recycled in 2022 which equates to 2,77 times more waste being recycled than what was sent to landfill. We continue with our rigorous recycling efforts and constantly consider increasing our use of recyclable materials.

** Water, waste and recycling figures are based on campus FTEs equal to 17 647.*

Key highlights

Nedbank is fully committed to monitoring and effectively managing its operational emissions, as well as assessing the effects of its lending and investment activities. In the following section we delve into the specific metrics and targets that Nedbank employs to evaluate and address climate-related risks and opportunities.

Nedbank has set up an ESG technology steering committee (steerco) focused on implementing the necessary systems and infrastructure for collecting climate-related data. This steerco operates as a workstream within the PPOW. We remain intent on enhancing our understanding of the latest climate science and industry best practices, which inform continuous improvements in our metrics and targets disclosures.

Climate-related targets

Nedbank has set the targets to assist in managing the risks and opportunities that have been identified. The key risk that is being managed through these targets is the transition to a low-carbon economy, with an opportunity arising in supporting renewable energy projects.

	Current performance against target
2025 Sustainable development finance (SDF) exposures to around 20% of the group's total gross loans and advances (GLAA) by the end of 2025.	**On track:** At December 2023, we had exposures of R145bn supporting SDF (16% of the group's total gross loans and advances) and it is our ambition to increase SDF exposures to around 20% of the group's total GLAA by the end of 2025.
2025 Not providing project financing for new thermal coal mines, regardless of jurisdiction, from 1 January 2025.	**On track:** We remain committed to ceasing all financing of new thermal coal mines in all jurisdictions from 1 January 2025.
2025 Nedbank's target is to reduce emissions from electricity by 30% by the end of 2025, based on 2019 levels. Nedbank is accordingly targeting annual electricity emissions below 97 000 MWh (absolute target) or 3 320 kWh per FTE (intensity target), whichever is met first.	**On track:** The 2023 results indicate good performance against our absolute electricity target. our consumption of grid electricity decreased by 18,21%.
2025 In our own operations, a 40% reduction in GHG emissions by the end of 2025 based on 2019 levels. This implies a total carbon footprint (Scope 1 and 2 emissions) of ~83 000 tCO_2e.	**On track:** From 2022 to 2023 our reported total GHG emissions have decreased by 4,29% in absolute terms.
2030 Restricting total financing for coal-mining companies, infrastructure related to therma-coal, and trade related to thermal coal to less than 1% of our group total advances, with this decreasing to 0,5% by 2030.	**Achieved for 2023:** At December 2023, the thermal coal limit was at 0,3% of GLAA (2022: 0,3%). The drawn exposure was 0,1% of GLAA in 2023 (2022: 0,1%).
2035 Not providing new financing for oil production, regardless of jurisdiction, from 1 January 2035.	**On track:** 31 December 2023 limit and exposure are within the target range in terms of new upstream oil production projects financed. Facility limits for upstream oil production went from R19,6bn in 2022 to R18,9bn at 31 December 2023 Exposure for upstream oil production increased by R1,3bn to R12,4bn at 31 December 2023 (2022: R11,1bn). The increase in exposures was mainly due to the 9% depreciation of the rand from year end 2022 to year end 2023.
2045 Having zero exposure to all fossil fuel-related activities by 2045. Fossil fuels considered in this instance includes thermal coal and, oil and gas.	**On track:** According to these targets, we are on track to reduce our exposure to fossil fuel-related projects, after which we can advance to refining our lending and investing activities to support a net-zero economy. Facility limits for non-renewable power generation decreased by R1,8bn to R8bn at 31 December 2023 (2022: R10bn). The exposure decreased by R1,4bn to R4bn at 31 December 2023 (2022: R5,4bn).

2050 Having 100% of our lending and investment activity supporting a net-zero carbon economy by 2050.

Our Scope 3 financed emissions

As a financial institution, our primary impact on the economy and society stems from our loans and investments. To better understand our climate impact, it is essential to quantify the emissions linked to the activities we finance.

It's important to recognise that climate emissions contribute to a portion of the overall climate impact, but they do not account for the entirety of it. To better understand and quantify our emissions, we have adopted the methodology developed by the Partnership for Carbon Accounting (PCAF), which aligns with the GHG protocol and aims to standardise the reporting of Scope 3 Category 15 emissions (commonly known as financed emissions), although Nedbank is currently not an official member of PCAF. This methodology allows us to create clear, transparent, and comparable measures of financed emissions within the banking industry.

We have expanded our financed emissions across fossil fuels, power generation, home loans, motor vehicle finance and sovereign. Following PCAF recommendations, we combined internal data with information published by our clients, along with relevant and appropriate emission factors, always striving for the highest data quality score. As our portfolio clients enhance their disclosures, we will continue to refine these estimates. Our aim is to expand our calculations over time to include larger portions of our overall portfolio.

The basic principle to calculate financed emissions is the following formula:

$$\text{Financed emission} = \sum_i \text{Attribution factor}_i \times \text{Emissions}_i = \sum_i \frac{\text{Outstanding amount}_i}{\text{Total equity} + \text{debt}_i} \times \text{Emissions}_i$$

Note that the PCAF methodology requires the use of on-balance sheet exposures only in the outstanding amount.

PCAF data quality score scale

Uncertain → Certain

Score 5 | Score 4 | Score 3 | Score 2 | Score 1

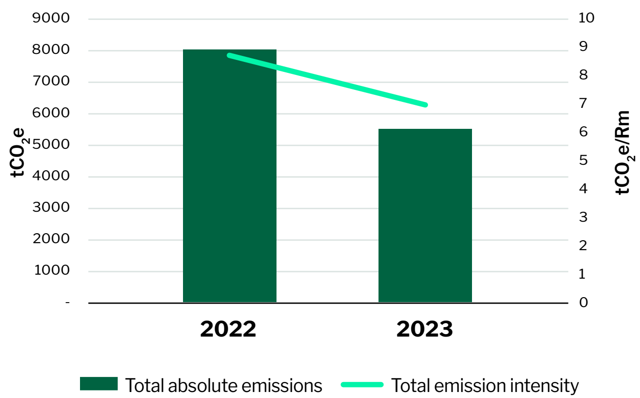
Financed emissions: Thermal coal ESG

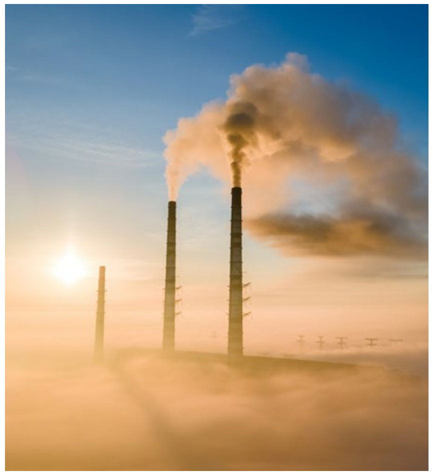
As most GHG emissions related to thermal coal are emitted when the coal is burned, it is therefore essential that Scope 3 emissions are included for this sector. The thermal coal reported includes only the Nedbank CIB portfolio. Our thermal coal emission intensity decreased by 19% year on year. This graph illustrates the trend since our first disclosure in 2022.

Total thermal coal emissions

	2023	2022	Unit of measure
On-balance sheet exposure	776,98	910,97	Rm
Absolute emissions (Scope 1)	10 560	12 450	tCO_2e
Absolute emissions (Scope 2)	19 340	22 780	tCO_2e
Absolute emissions (Scope 3)	5 488 420	7 991 840	tCO_2e
Total absolute emissions	5 518 330	8 027 060	tCO_2e
PCAF Data quality score (Scope 1)	2,00	1,34	
PCAF Data quality score (Scope 2)	2,00	1,34	
PCAF Data quality score (Scope 3)	2,39	1,69	
Emission intensity (Scope 1)	13,59	13,67	tCO_2e/Rm
Emission intensity (Scope 2)	24,89	25,01	tCO_2e/Rm
Emission intensity (Scope 3)	7 063,79	8 772,89	tCO_2e/Rm
Total emission intensity	7 102,28	8 811,55	tCO_2e/Rm

Thermal coal emissions comparison 2022 to 2023
('000s)





Our Scope 3 financed emissions continued

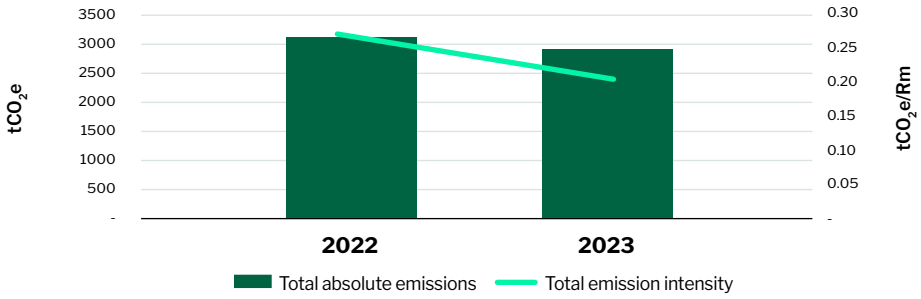
Financed emissions: Upstream oil and gas ESG

Upstream oil and gas is one of the main sectors that is considered high emission sectors and it is essential that Scope 3 emissions are included for this sector. This table represents our upstream oil and gas financed emissions. This graph illustrates the trend since our first disclosure in 2022.

Total emissions for upstream oil and gas

	2023	2022	Unit of measure
On-balance sheet exposure	13 695	11 445	Rm
Absolute emissions (Scope 1 and 2)	195 620	288 050	tCO_2e
Absolute emissions (Scope 3)	2 750 950	2 804 760	tCO_2e
Total absolute emissions	2 946 570	3 092 810	tCO_2e
PCAF Data quality score (Scope 1 and 2)	3,00	3,00	
PCAF Data quality score (Scope 3)	3,00	3,00	
Emission intensity (Scope 1 and 2)	14,28	25,17	tCO_2e/Rm
Emission intensity (Scope 3)	200,87	245,06	tCO_2e/Rm
Total Emission intensity	215,16	270,22	tCO_2eRm

Upstream Oil and Gas emissions comparison 2022 to 2023
('000s)



Our emissions intensity for upstream oil and gas declined by 22% year on year, which is commendable as our on-balance sheet exposure increased during the same period.

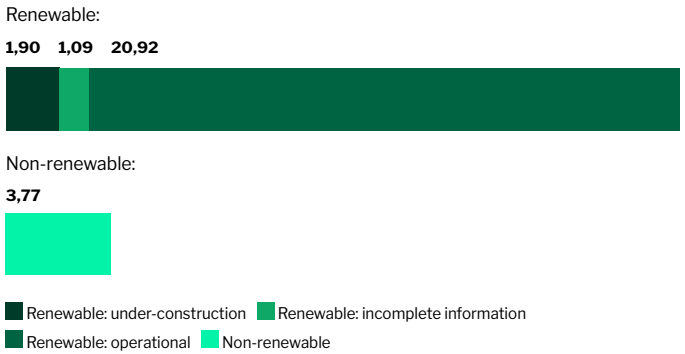
Our Scope 3 financed emissions continued

Financed emissions: Power generation ESG

The CIB Power generation portfolio is split into non-renewable energy generation, where absolute GHG emissions are calculated, and renewable energy generation, where avoided GHG emissions are calculated. Non-renewable energy focuses on fossil-fuel related activities that include thermal coal, upstream oil and gas and thermal power plants to generate electricity. Renewable energy – focusing on power generation from energy sources that are not depleted when used, such as wind, solar, hydro, geothermal and tidal.

On this basis, we track total financing for non-renewable power generation exposure to ensure that we continue to adhere to our emission reductions commitments. Our renewable on-balance sheet exposure of power generation portfolio is 6,4 times greater than our non-renewable.

On-balance sheet exposure of Power generation portfolio at 31 December 2023 (billions)



The power generation portfolio on-balance sheet exposure is divided as follows:

- Approximately 12% of the on-balance sheet exposure is in non-renewable energy generation.
- The remaining portion is dedicated to renewable energy generation:
  - » 7% represents renewable energy projects currently under construction.
  - » 4% corresponds to renewable projects with incomplete information.
  - » A significant 76% are already operational renewable energy projects.

Non-renewable energy

The following table shows the emissions for the non-renewable energy portfolio:

Total absolute emissions for the non-renewable energy portfolio

	2023	Unit of measure
Total on-balance sheet exposure	3 769	Rm
Total absolute emissions attributed	445 020	tCO_2e
Portfolio data quality score	2,9	
Emissions intensity of non-renewable energy	118	tCO_2e/Rm

Absolute power generation emissions intensity

	2023	Unit of measure
Total on-balance sheet exposure (renewable and non-renewable)	30 934	Rm
Total absolute emissions attributed (for power generation portfolio)	445 020	tCO_2e
Emissions intensity of power generation portfolio	14,39	tCO_2e/Rm

Renewable energy

PCAF describes avoided emissions related to renewable power projects as the reduction in emissions of the financed project compared to what would have been emitted in the absence of the project (the baseline emissions). Avoided emissions are calculated based on the GHG Protocol for Project Finance and are a separate category compared to the calculation of absolute emissions based on the GHG Protocol for Corporate Accounting. Reporting avoided emissions is a way to demonstrate a quantifiable positive contribution to decarbonisation. Approximately 77% of the power generation portfolio are in operational phase and were therefore included in the calculation of avoided emissions. 7 % of the renewable energy projects were still in construction phase (and construction emissions are not included), therefore they were not included in the calculation of the avoided emissions. Furthermore, the required information was not available for 2 transactions (representing 4% of our exposure) and was also excluded from the calculation of avoided emissions. The following table shows the avoided emissions for the renewable energy portfolio.

Total avoided emissions for the renewable energy portfolio

	2023	Unit of measure
Total on-balance sheet exposure	27 165	Rm
On-balance sheet exposure included in the calculation	23 313	Rm
Total avoided emissions attributed	10 350 780	tCO_2e
Portfolio data quality score	3,00	

Our Scope 3 financed emissions continued

Financed emissions: Vehicle finance (MFC portfolio) ESG

Calculation methodology

According to PCAF, the financed emissions from motor vehicle loans can be calculated in several ways depending on the availability of data to derive the financed vehicle's emissions. Overall, PCAF distinguishes three options to calculate the financed emissions from motor vehicle loans depending on the data used, these are actual vehicle-specific emissions, estimated vehicle-specific emissions and estimated vehicle-unspecific emissions.

As a basic attribution principle, the financial institution accounts for a portion of the borrower's annual motor vehicle emissions as determined by the ratio between the outstanding amount and the value of the motor vehicle at loan origination as the denominator. This ratio is called the attribution factor.

The financed emissions from a motor vehicle loan are calculated by multiplying the attribution factor by the emissions of the motor vehicle. The total financed emissions from multiple motor vehicle loans are calculated as follows:

$$\text{Financed emission} = \sum_{v} \frac{\text{Outstanding amount}_v}{\text{Vehicle value at origination}_v} \times \text{Vehicle mileage}_v \times \text{Carbon emission factor}_v$$

Due to data limitations, financed emissions were calculated with the following assumptions:

- The vehicle classes financed are passenger vehicles and light commercial vehicle (LCV).
- The carbon emission efficiencies of the vehicles are derived from manufacturer specifications for each make and model.
- An average distance driven has been obtained via TransUnion data based on the age of the vehicles.

Our exposure in the motor vehicle portfolio, along with the corresponding calculated absolute emissions and emissions intensity is presented in the table below.

	Gross loans and advances - On-balance sheet exposure (Included in Calculation 31 December 2023 R'm)[1]	Gross loans and advances - On-balance sheet exposure (Reported 31 December 2023 R'm)[2]	Absolute emissions (tCO_2e)	Emissions intensity[3] (tCO_2e/Rm)	Percentage of book covered[4]
Vehicle Finance	132 704	137 504	1 747 095	13,17	98,57%
Commentary	The calculated emission value encompasses 98,56% of all the vehicles in the MFC book because motorbikes, caravans etc have not been considered due to a lack of supporting data.				
PCAF data quality score	Score 3: for the MFC calculation, 86% of our data was on a score 3 as this data was assigned to known make and model emission efficiencies. Score 4: 14% of our data was on a score of 4 as only vehicle type data was available. The averaged data quality score was a score 3.				

[1] *Only vehicle finance provided by MFC a division of Nedbank were included in the calculation. NAR and Wealth vehicle finance is excluded from this sizing.*
[2] *Reported number for MFC a division of Nedbank for December 2023.*
[3] *Emissions intensity calculated using the emissions of accounts included in the calculation, over the GLAA of the accounts included in the calculation.*
[4] *Financed emissions book coverage given by the GLAA of the included accounts, over the total reported GLAA for December 2023.*

Our Scope 3 financed emissions continued

Financed emissions: Residential mortgages ESG

Calculation methodology

The emissions of buildings are calculated as the product of a building's energy consumption and specific emission factors for each source of energy consumed. The total energy use of the building includes the energy consumed by the building's occupant. A building's annual emissions are attributed to the mortgage provider using a loan-to-value approach. Thus, the attribution is equal to the ratio of the outstanding amount at the time of GHG accounting to the property value at the time of loan origination.

Financed emissions of mortgages are calculated by multiplying the attribution factor by the emissions of the building. Thus, financed emissions are calculated as follows:

$$\text{Financed emission} = \sum \frac{\text{Outstanding amount}_b}{\text{Property value at origination}_b} \times \text{Energy consumption}_b \times \text{Emission factor}_b$$

Because of limitations in the quality of available data, we relied on the following assumptions during the calculation of financed emissions:

- The properties fall under the South Africa National Standards on building regulations - SANS10400 'dwelling house' occupancy class and their energy consumption is the maximum for each energy zone.
- All electricity supplied to the properties is generated by Eskom therefore the emissions factor is that of coal power stations.

	Gross loans and advances - On-balance sheet exposure (Included in Calculation 31 December 2023[1] R'm)	Gross loans and advances - On-balance sheet exposure (Reported 31 December[2] 2023 R'm)	Absolute emissions (tCO_2e)	Emissions intensity[3] (tCO_2e/Rm)	Percentage of book covered[4]
Residential mortgages	141 730	170 537	1 664 015	11,74	83,11%
Commentary	Residential mortgages for the Consumer and Relationship Banking Segments were considered in this analysis. However, commercial property mortgages, NAR mortgages, and Wealth mortgages were not included in the calculation. The calculated emissions could be offset by the emissions factor assumption that overlooks alternative energy sources like solar power that have fewer or no carbon emissions.				
PCAF data quality score	Score 4: A data score of 4 has been assigned to energy consumption values used in the residential mortgages calculations because they were based on geographic zones across the country.				

[1] Only residential mortgages for the Consumer and Relationship Banking Segments were included in the calculation. Commercial property, NAR mortgages and Wealth mortgages are excluded from this sizing.
[2] Reported number for Consumer and Relationship banking Home Loans for December 2023.
[3] Emissions intensity calculated using the emissions of accounts included in the calculation, over the GLAA of the accounts included in the calculation.
[4] Financed emissions book coverage given by the GLAA of the included accounts, over the total reported GLAA for December 2023.

Our Scope 3 financed emissions continued

Financed emissions: Sovereign ESG

Nedbank stays abreast of the changes and updates in the PCAF methodology, which in its latest update, included a new asset class for Sovereigns. During 2023, Nedbank CIB completed an estimation of financed emissions for its sovereign lending portfolio according to the newly released PCAF methodology. Exposure to debt securities issued by sovereign counterparties for liquidity management and regulatory purposes has been excluded from the calculation of sovereign financed emissions. Although the resultant remaining sovereign portfolio is not material, based on data availability, the estimated emissions have been disclosed in the table below.

Sovereign on-balance sheet exposure (Rm)	Scope 1 financed emissions (tCO_2e)	Emissions intensity (tCO_2e/Rm)
8 208,84	208 156	25,3

Image source: Pele Energy group

Funding the transition

Nedbank's aim is to have zero exposure to all fossil fuel-related activities by 2045, as outlined in its Energy Policy. The Group is supporting the shift toward renewable energy and private power generation, including technologies like embedded energy. The table provides details on the actual exposure to renewable and non-renewable energy and its proportion relative to the GLAA. In 2023 our financed fossil fuel emissions reduced due to our strategic exit from certain clients with high financed emissions in the oil & gas portfolio. The bank's exposures to Upstream Oil increased by 13% to R12,5bn, while limits decreased by 4% to R18,9bn. Upstream Gas exposures increased by 11% to R1,5bn, while limits increased by 173% to R4,6bn. The increase in exposures was mainly due to the 9% depreciation of the rand from year end 2022 to year end 2023 (Rand:US$ depreciated from 16,98 to 18,53) whilst the increases in limits for Upstream, Gas reflected commitments to gas project.

Climate-related disclosures ESG

	Rm			% of GLAA[1]	
	2023	2022	Change	2023	2022
Thermal coal					
Limit	**2 296**	2 324	(28)	**0,3**	0,3
Drawn exposure	**1 233**	1 002	231	**0,1**	0,1
Upstream oil					
Limit	**18 902**	19 592	(690)	**2,1**	2,3
Drawn exposure	**12 479**	11 081	1 398	**1,4**	1,3
Upstream gas					
Limit	**4 632**	1 698	2 934	**0,5**	0,2
Drawn exposure	**1 525**	1 380	145	**0,2**	0,2
Non-renewable-power-generation exposure					
Limit	**8 093**	9 964	(1 871)	**0,9**	1,2
Drawn exposure	**4 049**	5 375	(1 326)	**0,5**	0,6
Renewable Energy Independent Power Producer Procurement Programme					
Limit	**41 155**	34 910	6 245	**4,7**	4,0
Drawn exposure	**26 844**	25 941	903	**3,0**	3,0
Renewable private power generation - CIB					
Limit	**3 371**	1 575	1 796	**0,4**	0,2
Drawn exposure	**2 107**	735	1 372	**0,2**	0,1
Renewable private power generation - RBB					
Limit	**561**	220	341	**0,1**	0,0
Drawn exposure	**561**	220	341	**0,1**	0,0
Renewable private power generation - NAR					
Limit	**94**	91	3	**0,0**	0,0
Drawn exposure	**56**	68	(12)	**0,0**	0,0
African renewable energy projects					
Limit	**376**	402	(26)	**0,0**	0,0
Drawn exposure	**285**	304	(19)	**0,0**	0,0
Total renewable energy					
Limit	**45 557**	37 198	8 359	**5,1**	4,3
Drawn exposure	**29 853**	27 268	2 585	**3,4**	3,2


Image source: Pele Energy group

[1] *Gross loans and advances (GLAA) : The carrying value of banking book loans and advances before impairment allowance. GLAA excludes trading book loans and advances.*

Managing our own carbon footprint and achieving our climate targets

To be a credible partner for our clients' transition to net zero, we aim to lead by example. We have been carbon neutral in our own operations since 2009 through voluntary off-setting of the residual carbon footprint and have set credible targets to decarbonise our own operations through the transition to renewable energy and are actively managing our own operations footprint.

Reduction targets

We aim to continuously improve the scope of our facility-level emissions reporting and have accordingly enhanced our suite of scope 3 emissions by expanding our boundaries to include a wider range of our suppliers. Our aim is to continually improve the quality of data sets from these and other suppliers.

We remain committed to setting reduction targets related to our facilities and keeping track of these goals to decrease our operations' impact on the environment and help reduce the physical risks caused by climate change. These targets clearly state our resource consumption levels and carbon emissions. Our aim is to reach or exceed our emission reduction targets, and to use these targets as a framework for responsible use and management of natural resources across our different operational levels: the whole group, smaller clusters, business units, teams and individuals.

We ensure regular communications with our employees to foster an understanding of their important role in decreasing the environmental impact of our operations. Our emissions reduction targets form part of our performance contracts with our employees, reinforcing their significant role in our combined sustainability endeavours. We place emphasis on the correctness of the scope and location of what we quantify when evaluating our progress against our emissions reduction targets. The table summarises important quantities used in the evaluation of our emissions intensity and target performance.

FTE[3] count and occupied office space included in the report ESG

	2023	2022	2021	2020	2019 Baseline
Total occupied floor space of buildings reported on (m²)	505 990	564 112	600 880	625 340	642 434
Employees included in FTE calculations	27 611	27 543	28 187	29 206	30 931

[3] *Full time employees (FTE).*

Managing our own carbon footprint and achieving our climate targets continued

Carbon footprint calculation methodology for the financial year ending 31 December 2023

Our carbon footprint was calculated employing the revised edition of the GHG Protocol – Corporate Accounting and Reporting Standard. External experts were consulted in instances where an estimation of specific activity quantities was required or where guidance applicable to SA was not available.

Inclusions

This year marks the inaugural phase of our extended supply chain emissions reporting. As a significant stride towards enhancing our scope 3 reporting, we have broadened our carbon footprint to encompass emissions from our cloud computing and digital platform service providers, one of our principal cash-in-transit service providers, our courier service provider and our distributed workforce (work-from-home). This expansion not only advances our comprehension of emissions within our supply chain, but also facilitates meaningful engagements with our suppliers, thereby driving collaborative efforts towards emissions reduction. A notable challenge encountered during this initial phase was the lack of granular data available from all providers.

The following activities and data were included in our carbon footprint:

- South African operations' emission activities and equipment.
- Emission activities of Nedbank employees associated directly with South African offices and branches (535 in both 2022 and 2023).
- Non-South African locations' emissions - the grid emission factor for each respective country for 2023 was applied to electricity consumption.

Exclusions

The emissions from shuttle services were omitted from the carbon footprint in both the previous and current years. This exclusion is due to minor adjustments made to the volume of these activities in 2023, which remained relatively unchanged from the previous year (2022: 1 tCO_2e). When compared to other more substantial emission sources, these emissions were deemed negligible. Water consumption of 15 850 kℓ (2022: 6 456 kℓ) and electricity consumption of 2 797 MWh (2022: 1 663 MWh) by external tenants were excluded in 2023 and 2022 as these would form part of the external tenants' carbon footprints and are relatively small in comparison to Nedbank's own operations' emissions from these sources.

The following were not available for quantification and not included in our carbon footprint:

- Emissions from assets that Nedbank finances, as this section of carbon footprint is focused on Nedbank's own operations. (Detail regarding the progress and status of financed assets can be found in the Financed emissions section above.)
- Emissions associated with the operation and servicing of ATMs, self-service terminals and point-of-sale devices located away from a branch or office premises, and other remote devices.
- Emissions from other premises or activities owned or operated by us, but not explicitly referenced in this report, such as Nedbank kiosks in retail stores.
- Emissions from business activities in countries outside of SA, apart from electricity emissions.
- Emissions from electricity transmission and distribution losses, as we have recently taken the initiative to focus our improved accuracy efforts on the incorporation of country-specific grid emission factors, rather than solely relying on SA's grid emission factor. As a result, the process of including emissions from transmission and distribution losses in the carbon footprint is still under way.
- Emissions from water-use, recycled and landfill waste generated from our operations may be considered in future, based on a significance assessment that we aim to conduct to further enhance our scope 3 carbon footprint reporting. However, we set targets for these activities and are tracking our performance against these targets.
- Emissions from upstream extraction, production, transportation, and distribution of fuels used by Nedbank. The exclusion is due to the limitations in the suitability of South African emission factors for these emissions. Our intention is to consider these emissions in future assessments as part of our commitment to enhancing our scope 3 emissions reporting supported by a significance assessment.

Managing our own carbon footprint and achieving our climate targets continued


Image source: Pele Energy group

Energy and carbon-reduction target progress

Energy consumption

In 2023 Nedbank continued efforts to diversify our electricity use, with a focus on procuring electricity from cleaner sources. With the expansion of our on-site renewable energy sources, and the use of renewable energy certificates[2] (RECs) that verify our wheeled[3] renewable electricity consumption, we have further reduced Nedbank's impact on the environment.

Energy target

Nedbank's target is to reduce energy consumption by 30% by the end of 2025, based on 2019 levels. Nedbank is accordingly targeting annual electricity consumption below 97 000 MWh (absolute target) or 3 320 kWh per FTE (intensity target), whichever is met first. The resulting summary of electricity consumption is as follows:

	2023	2022	2021	2020	2019 baseline
Source of Electricity (MWh) ESG					
Total purchased electricity from grid	83 070	101 560	113 771	115 732	138 488
Renewable own generated (no pollution)	2 323	1 192	681	668	687
Wheeled renewable energy (South Africa only)	3 094	375	0	0	0
Total purchased, renewable and wheeled electricity used	**88 486**	**103 127**	**114 452**	**116 400**	**139 175**
South Africa Total purchased electricity from grid (MWh)	74 047	90 662	102 941	106 677	128 721
Additional RECs offset (MWh) SA only	0	3 670	9 500	0	0
South Africa Total purchased electricity from grid less RECs (MWh)	**74 047**	**86 992**	**93 441**	**106 677**	**128 721**
Other countries total purchased electricity from grid	9 023	10 898	10 830	9 055	9 767
Total purchased electricity from grid less additional RECs	**74 047**	**97 890**	**104 271**	**115 732**	**138 488**
At the Eskom emission factor (tCO_2e/MWh)	1,01[4]	1,04	1,06	1,02	0,99
SA Adjusted electricity	74 723	90 472	99 047	108 811	127 434
Other Countries electricity (tCO_2e)*	6 393	8 909	11 480	9 236	9 669
Total Adjusted electricity (tCO_2e)	**81 115**	**99 381**	**110 527**	**118 047**	**137 103**

** Note: Nedbank applied the respective grid emission factors for other countries during 2022 and 2023.*

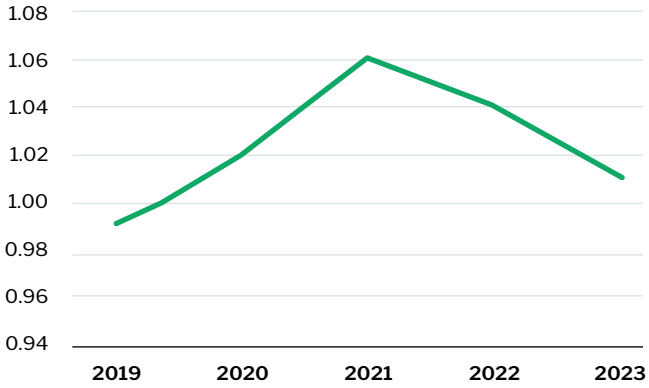
[2] RECs are certificates that prove electricity was generated from a renewable source and fed into the grid. Each REC represents 1 megawatt-hour (MWh) of renewable electricity. They can be bought or sold, allowing consumers to support renewable energy production indirectly, regardless of their physical electricity source.

[3] Wheeled renewable energy refers to the process of transmitting electricity generated from renewable sources (like wind or solar farms) through the power grid to a different location for use. This allows consumers to use renewable energy even if they are not located near the generation source.

[4] Eskom. 2023. Eskom Integrated Report. Page 169-170. [Available Online]: Eskom_integrated_report_2023.pdf

Managing our own carbon footprint and achieving our climate targets continued

South African Annual Grid Emission Factor (tCO_2e/MWh)

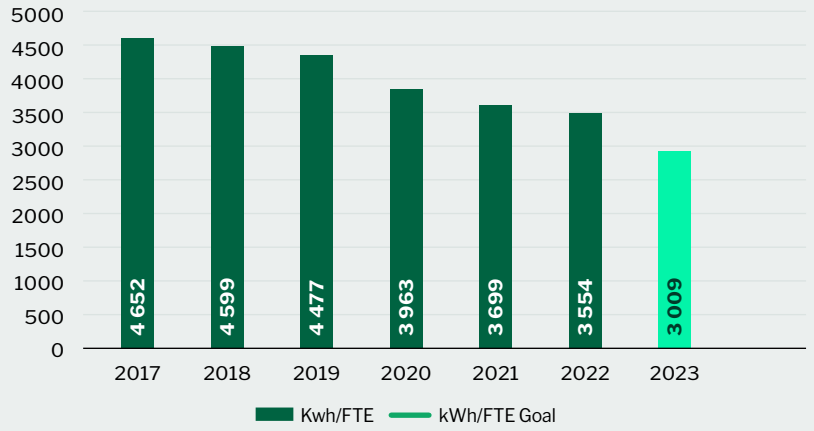


The 2023 results indicate good performance against our absolute electricity target (to keep these annual emissions below 97 000 MWh) and showcase Nedbank's efforts to reduce our emissions intensive grid electricity consumption. We have expanded our renewable energy supply in 2023 and energy efficiency measures are still ongoing. Notably, electricity emissions decreased not only because of the decrease in the Eskom grid emission factor from the previous reporting year, but our consumption of grid electricity also decreased by 18,21% largely as a result of the optimisation of Office and Branch space. However, decreased consumption of electricity impacted our scope 1 emissions, particularly diesel used in back-up generators because of load-shedding. Emission from diesel used in back-up generators increased by 77,4% in 2023.

This year we are continuing with our revised approach of quantifying emissions based on country-specific emission factors. This approach is consistent with Nedbank's efforts at continuously improving the accuracy of our carbon footprint.

The electricity consumption graphs, only include fossil-fuel-derived electricity because of its high pollution rates. Renewable energy or electricity that do not cause GHG emissions were excluded.

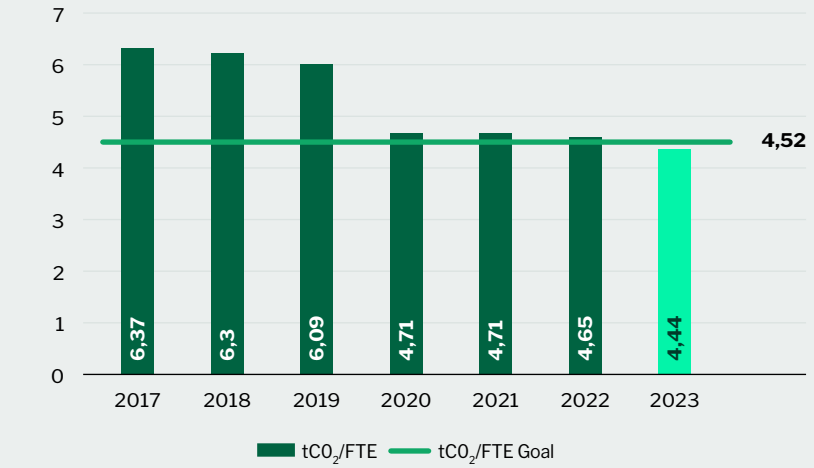
Fossil-fuel-based electricity per FTE (kWh/FTE) ESG



Our electricity consumption from fossil-fuel based electricity per FTE has been steadily decreasing since 2017 and we are on track to meet our target of 2 463kWh per FTE by 2025.

A recent survey showed that one-third of our employees have access to a renewable energy source.

Emissions per FTE (tCO_2e/FTE) ESG



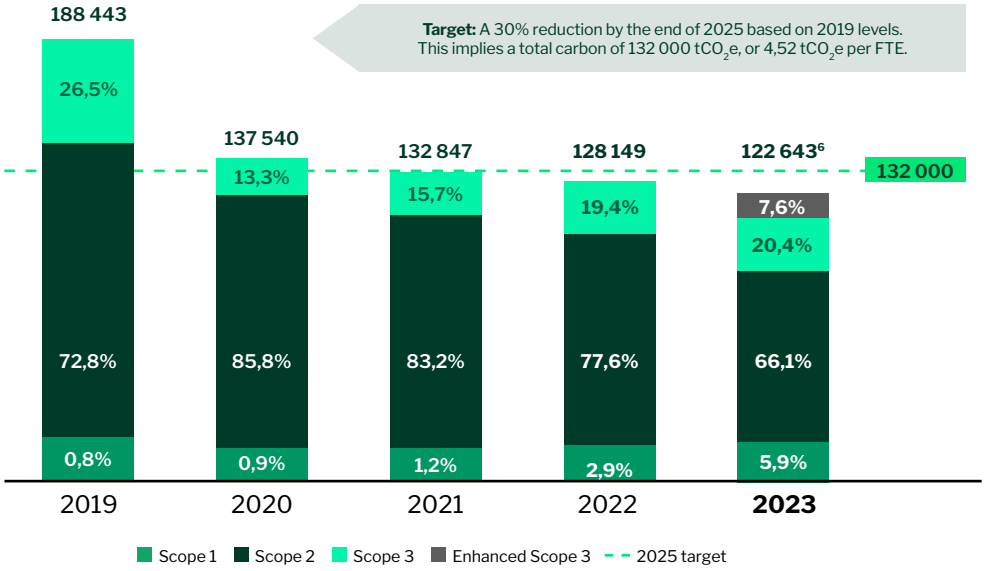
Carbon emissions (including business travel) target.
Our target is a 40% reduction in GHG emissions by the end of 2025 based on 2019 levels. This implies total Scope 1 and Scope 2 emissions of ~83 000 tCO_2e.

The total GHG inventory target for the Nedbank group is a 30% reduction by the end of 2025 based on 2019 levels. This implies a total carbon footprint of 132 $ktCO_2e$, or 4,52 tCO_2e per FTE, whichever is met first. Good progress was made in 2023, where the intensity metric continued to decline, down to 4,44 tCO_2e per FTE.

In 2023 we achieved our emissions target of 4,52 tCO_2e per FTE.

Managing our own carbon footprint and achieving our climate targets continued

Nedbank Group GHG emissions inventory (Total tCO_2e and % contribution of each scope)[5]



The results of Nedbank's focus on reducing its carbon inventory is illustrated in the declining trend in total GHG emissions over the years. The figure above includes our enhanced Scope 3 reporting results, which have been included in the inventory for the first time in 2023.

Key performance indicators for 2023 compared to 2019 (baseline year) ESG

Carbon emissions

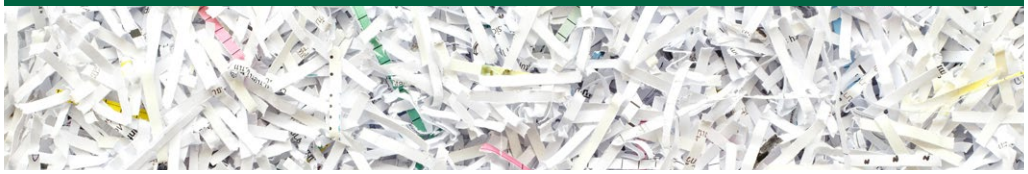
Emissions per FTE: decreased by 27% from 6,09 tCO_2e per FTE to 4,44 tCO_2e per FTE

Emissions per m²: increased from 0,23 tCO_2e/m^2 to 0,24 tCO_2e per m² due to corporate real estate optimisation which reduced overall square meter floor space

Emissions per operating income: decreased from 1,99 g per rand to 1,74 g per rand

Electricity consumption in kWh per FTE: reduced by 1273 kWh/FTE to 3 205 kWh/FTE

Paper usage per FTE: decreased by 0,0002 tonnes per FTE to 0,0024 tonnes per FTE



Scope 1

Includes the following direct emissions: gas and fuels used in our owned or controlled equipment, such as generators, air conditioning and refrigeration gas refills, and our vehicle fleet.

Scope 2

Includes emissions from purchased electricity in both our South African and non-South African operations.

Scope 3

Includes the following indirect emissions: all business travel-related activities, including rental cars, employee-owned cars, commercial airlines, employee commuting, office paper consumption, cloud computing, and digital platform services, cash-in-transit services, courier services and distributed workforce emissions.

[5] Apart from our enhanced Scope 3 emissions that we are reporting on for the first time this year, amounting to 9 303.8 tonnes CO_2e, all emissions have undergone assurance.
[6] Our carbon footprint offset to neutral from 2023 includes the scope 3 emissions from our supply chain in addition to the 113 339 tco_2e of emissions from our own operations. The change in methodology has been applied prospectively.

Managing our own carbon footprint and achieving our climate targets continued

Carbon footprint measurement

From 2022 to 2023 our reported total GHG emissions have decreased by 4,29% in absolute terms. Carbon emissions per FTE have also decreased in 2023 by 0,21 tCO_2e per FTE from 4,65 tCO_2e per FTE to 4,44 tCO_2e per FTE. The high scope 1 emissions can be linked to the increasing amount of load-shedding that occurred during the entire year of 2023, requiring an increase in the use of generators. The slight decrease in Scope 2 emissions is due to the adjusted Eskom emission factor from 1,04 tCO_2e per MWh to 1,01 tCO_2e per MWh; our efforts in reducing electricity consumption and the reduction in floor space. Emissions per m^2 stayed the same at 0,21 tCO_2e per m^2. The slight increase in Scope 3 emissions (excluding enhanced Scope 3 emissions) is due to more employees returning to offices and higher business travel this year compared to 2022.

Some key points to note

We are continuing to increase the accuracy and coverage of our GHG emissions inventory. As part of this effort, we are exploring ways to better quantify our indirect emission sources within Scope 3. We are considering undertaking a significance assessment related to the boundary of our indirect emissions, in accordance with the latest edition of the ISO 14064-1 (2018) to identify significant indirect emissions not yet included in our carbon footprint.

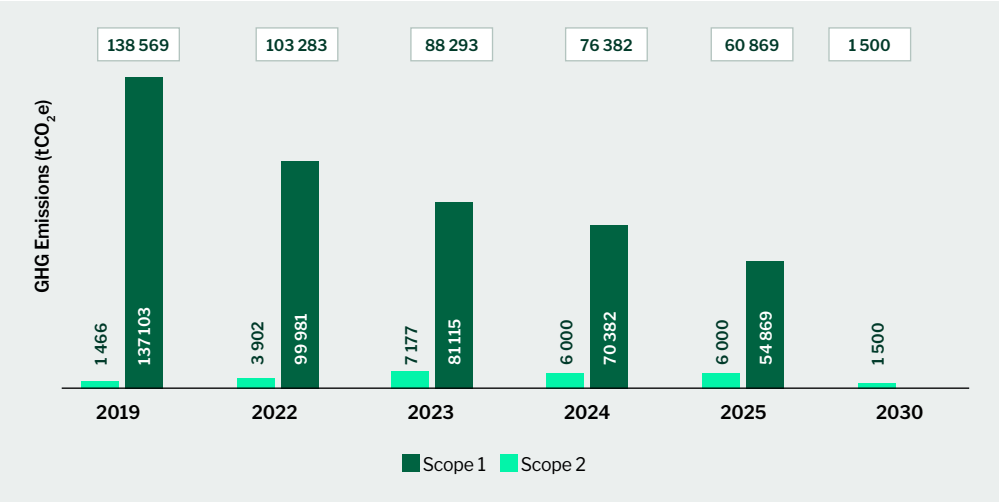
We have made progress this year on Scope 3 emissions related to our South African operations by including emissions from cloud computing and digital platform service providers, cash-in-transit service, our courier service provider, and our distributed workforce (work-from-home).

We will continue to engage with these and other suppliers to enhance our Scope 3 emissions understanding and reporting. Emissions data from our suppliers vary widely in terms of scope and granularity, limited mostly by supplier data, systems and data assurance. We are, however, working with our suppliers on the journey to firstly measure and capture their Scope 1 and Scope 2 emissions data, which we include in our Scope 3 emissions inventory. Following measurement, our suppliers may be able to establish a baseline and set targets towards improvement of their (and our) emissions impact. Our aim also is to assist our suppliers to identify, understand and potentially standardise an appropriate and accurate approach to emissions accounting in the value chain.

Furthermore, annually reducing our carbon footprint, now for 14 consecutive years, is an achievement that we want to prolong. Projects like our green buildings initiative to achieve carbon reduction targets are just a small portion of our efforts to go carbon neutral. The inclusion of externally sourced renewable energy, as RECs, is a development that aims to broaden the variety of energy sources and support renewable energy projects for own use.

Own operation Glidepaths

Our glidepath is the decarbonisation trajectory for reducing our total carbon emissions each year, for which we are on track. These projections show how we plan to achieve our goal of carbon neutral facilities, by 2035, through reducing our direct carbon emissions and monitoring indirect emissions.



We plan to continue supporting REC projects, carbon credit projects and Green Star ratings of our facilities to accomplish carbon neutrality. In addition, one of the targets in our glidepath relates to reducing emissions from business travel by 30% by the end of 2025, compared to 2019 levels. Our plans imply a total carbon reduction of 132 000 tCO_2e, or 4,52 tCO_2e per FTE, whichever we meet first.

Managing our own carbon footprint and achieving our climate targets continued

Nedbank own emissions ESG

Nedbank group GHG emissions inventory – tCO_2e

Our successes serve as a testament to the commitment of every employee to the reduction goals. The table below provides further information about Nedbank's own Scope 1, 2 and 3 emissions.

Scope[7]	2023	2022	2021	2020	2019 baseline
Scope 1: Direct emissions	**7 177,36**	3 902,43	1 535,04	1 260,48	1 465,86
Fuel used in equipment owned or controlled by us (eg generators)	6 091,49	3 433,84	1 170,41	943,67	1 268,42
Air conditioning and refrigeration gas refills	1 009,51	442,70	283,57	220,87	43,89
Our fleet of vehicles	76,35	25,89	81,06	95,94	153,55
Scope 2: Indirect emissions from purchased carbon-intensive electricity	**81 115,45**	99 381,13	110 526,79	118 047,09	137 102,83
Total Scope 1 and 2 emissions	**88 292,80**	**103 283,55**	**112 061,83**	**119 307,57**	**138 568,69**
Scope 3: Indirect emissions - Nedbank operations	**34 350,22**	24 865,88	20 785,22	18 232,44	49 874,76
Business travel in rental cars	162,18	129,13	41,40	69,85	338,28
Business travel on commercial airlines	4 753,69	2 642,96	195,41	1 073,20	4 729,73
Business travel in employee-owned cars	2 664,30	2 651,82	2 054,36	2 290,21	4 429,73
Employee commuting	17 405,12	19 376,50	18 291,59	14 075,01	38 980,86
Consumption of office paper	61,12	65,48	202,43	724,17	1 396,65
Scope 3: Indirect emissions - supply chain	**9 303,81**	-	-	-	-
ENHANCED Cloud computing and Digital Platforms	4 176,50	-	-	-	-
ENHANCED Cash-In-Transit	2 563,48	-	-	-	-
ENHANCED Courier	83,90	-	-	-	-
ENHANCED Distributed Workforce	2 479,93	-	-	-	-
Total Scope 1, 2, and 3 emissions (excluding Scope 3 emissions from supply chain)	**113 339,22**	**128 149,44**	**132 847,05**	**137 540,01**	**188 443,45**
Total Scope 1, 2, and 3 emissions (GHG protocol)	**122 643,02**	**128 149,44**	**132 847,05**	**137 540,01**	**188 443,45**
Scope 1 (%)	5,85%	3,05%	1,16%	0,92%	0,78%
Scope 2 (%)	66,14%	77,55%	83,20%	85,83%	72,76%
Scope 1 and 2 (%)	71,99%	80,60%	84,85%	86,74%	73,53%
Scope 3 – Nedbank operations (%)	6,4%	4,28%	1,88%	3,02%	5,78%
Scope 3 – employee commuting (%)	14,19%	15,12%	13,77%	10,23%	20,69%
Scope 3: indirect emissions – supply chain	7,5%	-	-	-	-

[7] Apart from our enhanced Scope 3 emissions that we are reporting on for the first time this year, amounting to 9 303,8 tonnes CO_2e, all emissions have undergone assurance.

Managing our own carbon footprint and achieving our climate targets continued

Greenhouse gas emissions explained

Scope 1 emissions

Scope 1 remained a small portion of our total carbon footprint, only accounting for 5,9% of the total carbon footprint, and the emissions would have been lower if load-shedding had not necessitated the use of standby generators.

Scope 2 emissions

Although our electricity consumption remained the primary source of emissions, accounting for approximately 66,1% of our total carbon footprint, we are investing in cleaner renewable forms of energy. Through a variety of initiatives and the 2019 consumption target, we continue to aim for reduced grid electricity consumption and transitioning towards renewable sources. Through the purchase of electricity wheeling, the overall fossil fuel-based electricity consumption per FTE has decreased. Our electricity consumption from fossil fuel-based sources per FTE has decreased substantially by 15,3% to 3 009 kWh per FTE (2022: 3 554 kWh per FTE) during the reporting period.

Scope 3 emissions

Approximately 28% of the total GHG emissions in 2023 were due to our indirect Scope 3 activities. The Scope 3 emissions increased primarily due to our enhanced Scope 3 reporting initiative, which resulted in the first-time inclusion of Scope 1 and 2 emissions from cloud computing and digital platform services, cash-in-transit services, our courier service provider, and our distributed workforce. With the inclusion of the enhanced Scope 3 reporting, our total Scope 3 emissions increased by 28%. However, a direct comparison of Scope 3 emissions with the emissions sources accounted for in the previous reporting year, ie excluding the enhanced Scope 3 emissions mentioned here, show less than a 1% increase.

Since the emissions from commuting are not directly under our control, they are regarded separately from emissions from our operations. However, highlighting these increases in employee activities and informing our workforce of the difference they can make, not only to Nedbank's carbon footprint but to the environment in general, can be beneficial in the long run.

Green travel guidelines are included in our comprehensive Business Travel Policy to ensure that the most environmentally friendly travel methods are promoted. All employees will be encouraged to use teleconferencing and videoconferencing as alternatives to face-to-face meetings that necessitate carbon-intensive road or air travel if they are practical and relevant.

The demand on paper consumption continued to reduce throughout 2023 from the further adoption of self-help digital solutions as part of Nedbank's digital journey.

Carbon offset inventory

Our carbon-neutral positioning enables us to enhance our client value proposition and create synergies, partnerships, and collaborations with organisations that share our values. A 'reduce first, then offset' strategy underpins these efforts. Internal awareness initiatives and behavioural change drive our own carbon reduction efforts. Only then do we endeavour to use carbon credits to offset our remaining carbon emissions. Our commitment to credibility in carbon offsetting extends to our preference for verified carbon credits, rigorously audited by credible and independent bodies under recognised carbon standards, ensuring transparency and accountability in our carbon offsetting initiatives. In addition, we prefer to support carbon-offsetting projects with verifiable carbon credits that have additional sustainable development impacts. Consequently, we connect with African projects that have positive social and natural advantages. The following are some of the carbon offset projects we support.

Gyapa Improved Cook-Stoves Project in Ghana (Gold standard registry)

Gyapa Improved Cook-Stoves Project in Ghana (the project) manufactures and sells efficient charcoal stoves known as gyapa to replace inefficient baseline stoves popularly known as coal pots within Ghana. The project started in the greater Accra and Ashanti regions and gradually expanded into the rest of the country. By so doing, there will be significant reduction of GHG emissions as well as savings on charcoal fuel, which is the main cooking fuel for families in urban and semi-urban Ghana.

The project has been operational since 2007 and was registered under the Gold Standard in June 2010 (reference number GS407). The project was successfully renewed following its first crediting period, which started in June 2015 for the next 7 years. The average lifespan of a stove is conservatively estimated as 3 years, although based on experience, it can last several years beyond the 3-year lifespan if handled properly.

The project promotes stove sales and use by investing revenues from carbon finance to stove value chain investments, marketing and the development of robust distribution channels. In addition, the project has several secondary benefits. These include reduced indoor air pollution, and subsequently contribute to improved respiratory health, as well as biodiversity benefits resulting from the reduced use of non-renewable biomass sources for cooking purposes. Carbon offsets of 93 775 verified emissions reductions (VERs) were retired in 2023.

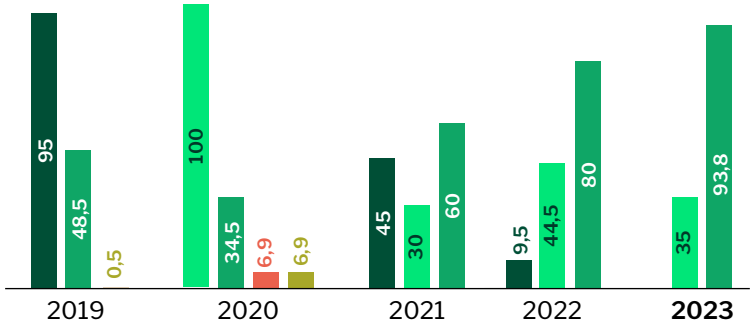
Managing our own carbon footprint and achieving our climate targets continued

The Makira Forest Protected Area in Madagascar (Verra Registry)

Through carbon credit sales from avoided deforestation, the Makira Forest Protected Area REDD+ Project finances the long-term conservation of one of Madagascar's most pristine remaining rainforest systems containing rare and threatened biodiversity, improve community land stewardship and governance, and support sustainable livelihood practices for local people.

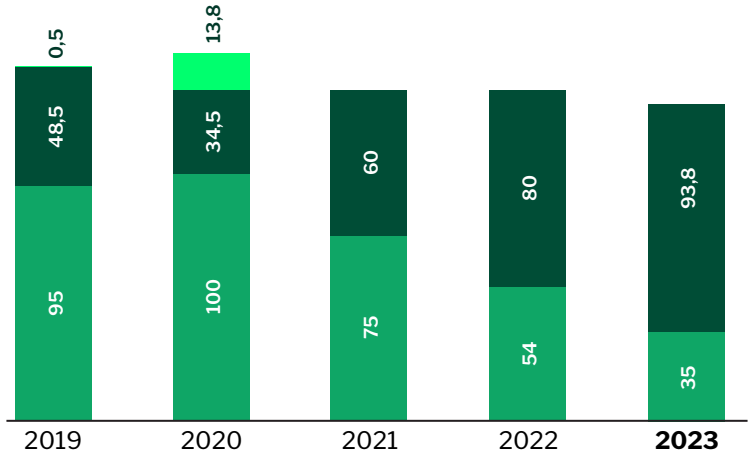
In 2001 the government of Madagascar, in collaboration with the Wildlife Conservation Society, created the 372 500-hectare Makira Forest Protected Area. In 2012 the Makira Forest became Makira Natural Park – Madagascar's newest and largest park, and an International Union for Conservation of Nature category II protected area. The Makira Forest Protected Area Project will prevent more than 33 million tonnes of CO_2 emissions over the course of 30 years. Carbon offsets of 35 000 VERs were retired in 2023.

Type of credits retired
('000s)



- GOLA REDD forestry credits VERRA
- Makira forestry credits VERRA
- Gyapa cook stoves (Ghana) - climate care African credits gold standard
- Spier Mob glazing credits - PACE Centre South African Credits Credible Carbon
- Hout Bay recycling credits - PACE Centre South African Credits Credible Carbon

Type of credits retired
('000s)



Forestry credits | African credits | South African credits

Annexures

Annexure A - Stakeholder engagement

Nedbank works closely with several local and global industry forums to ensure that the latest and best available science is used in its climate response. Our participation in peer, local and global industries allow us to learn, engage, network, and contribute towards harmonising methodologies and frameworks and implementing them. The table provides selected examples of Nedbank climate-related industry participation.

Nedbank engages in the following:

- Equator Principles
- The United Nations Environment Programme Finance Initiative (UNEP FI)
- The United Nations Sustainable Development Goals
- The King IV Report on Corporate Governance
- The Positive Impact Initiative
- The Code for Responsible Investing in South Africa
- The National Development Plan
- The Banking Association South Africa: Sustainable Finance Committee, Positive Impact Finance Task Group and Climate Risk Forum
- United Nations Global Compact: the CEO Water Mandate
- The National Business Initiative Advisory Committee on Climate Change
- The Embedding Project: South Africa Peer-to-peer Network
- The International Finance Corporation Performance Standards
- The Equator Principles
- The United Nations Global Compact Advisory Committee

Global collaboration

PRI Principles for Responsible Investment	**United Nations Principles for Responsible Investments (UN PRI)**	The PRI has highlighted 3 areas of focus, namely climate, biodiversity, and human rights. Nedbank Wealth fully supports the 6 principles of the UN PRI	Nedbank Wealth has been a member of the United Nations Principles for Responsible Investments (UN PRI) since June 2022, and submitted their inaugural assessment report in September 2023 for calendar year 2022. The annual assessment provides an opportunity to identify global best practice and how we can advance our effort.
2 Investing Initiative	**2 Degrees Investing Initiative (2 DII)**	The 2DII is an independent, non-profit think tank working to align financial markets and regulations with the Paris Agreement goals. The 2DII coordinates some of the world's largest research projects on sustainable finance. Its team of finance, climate, and risk experts develop research, tools, and policy insights to help financial institutions and regulators hasten and adapt to the low-carbon transition.	Nedbank is in partnership with 2DII and uses the Paris Agreement Capital Transition Assessment tools developed by 2DII, which measure the exposure to and alignment with a series of decarbonisation scenarios of companies and financial portfolios.
BIS	**Basel Committee on Banking Supervision (BCBS)**	The BCBS is the primary global standard setter for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters. Its 45 members comprise central banks and bank supervisors from 28 jurisdictions.	The BCBS has published a public consultation paper on principles for the effective management and supervision of climate-related financial risks. The document forms part of the committee's' holistic approach to addressing climate- related financial risks to the global banking system and aims to promote a principles-based approach to improving both banks' risk management and supervisors' practices in this area. The IIF (which Nedbank is a member of) responded to the BCBS on the consultation paper. The BCBS published its finalised principles for the effective management and supervision of climate-related financial risks in June 2022.

Annexure A - Stakeholder engagement continued

Global collaboration continued

	The Institute of International Finance (IIF)	The IIF is the global association of the financial industry, with more than 450 members from more than 70 countries. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth.	Nedbank contributes towards the following climate-related working groups: • Sustainable Finance Working Group • Taskforce on Scaling Voluntary Carbon Markets • Climate and ESG Disclosure, Data, and Taxonomies • Sustainable Finance Policy
	International Finance Corporation (IFC)	The IFC, a member of the World Bank Group, advances economic development and improves the lives of people by encouraging the growth of the private sector in developing countries.	Nedbank makes use of credit lines from the IFC. The IFC established the Climate Risk Programme in 2008 and has done numerous climate risk pilot studies since. The lessons learnt from these studies form part of the resources used in updating our CRMF. The IFC's Sustainability Framework, which includes the IFC's Performance Standards, applies to all investment and advisory clients whose projects go through IFC's initial credit review processes.
	Operational Riskdata eXchange (ORX)	ORX is the largest operational-risk management association in the financial services sector. Since 2002, ORX has been developing a global community of financial institutions committed to improving the management and measurement of operational risk.	Nedbank actively participates in ORX, which accumulates data submitted quarterly by each of the member banks. Nedbank uses a set of anonymous operational-risk scenarios (including climate-related scenarios) from ORX to identify trends and benchmark with international peers. Climate-related items are covered in the damage-to-physical-assets, business-disruption and- system-failure, and 3rd parties and supply chain scenarios. The benchmarking culminated in Nedbank improving its definition of climate's impact on operational risk and identifying exposures and potential solutions or mitigation actions as part of continuous improvement. In addition, Nedbank benchmarks itself against, and aligns to ORX's top and emerging operational risks, which include climate and natural catastrophes.
	UNEP FI	The UNEP FI is a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development. UNEP FI works with more than 450 banks, insurers, and investors and over 100 supporting institutions to help create a financial sector that serves people and the planet while delivering positive impacts.	Nedbank is an active member of the Positive Impact Initiative and working group. The Positive Impact Initiative is a collaborative movement that started in 2015 by UNEP FI member banks and investors who believed in the need to transition to an impact-based business and financing paradigm to achieve a sustainable world as defined by the SDGs.
	Worldwide Fund for Nature (WWF)	As the world's leading conservation organisation, WWF works in nearly 100 countries. At every level, they collaborate with people around the world to develop and deliver innovative solutions that protect communities, wildlife, and the places in which they live. The WWF works to help local communities conserve the natural resources they depend upon, transform markets and policies toward sustainability, and protect and restore species and their habitats. Their efforts ensure that the value of nature is reflected in decision-making from a local to a global scale.	We have been partners with the WWF for more than 30 years. One of the focus areas of the current partnership between Nedbank and WWF is safeguarding critical water source areas, biodiversity hotspots and rural livelihoods, with a strong focus on the Eastern Cape. By driving collective action, we are helping to maintain and restore the ecological integrity of these vital catchments. In addition, Nedbank is the sole funder of the WWF Nedbank Green Trust, which is a mutually beneficial partnership that supports socio-environmental projects in SA.

Annexure A - Stakeholder engagement continued

Environmental, social and governance rating agencies and Nedbank's latest available ratings

MSCI	**AAA** rating	Top **5%** of global banks
FTSE Russell	**3,9** out of 5	Top **26%** of global banks
SUSTAINALYTICS	**17,1** low risk	Top **10%** of diversified banks
ISS ESG	**C** rating	Top **10%** of all global banks
S&P Global	**60**	Top **9%** of all global banks
CDP	**B** rating	**Above average of C** for both regional Africa and Financial Sector

Image source: Pele Energy group

Annexure B - Acronyms and abbreviations

1LoD	First Line of Defence
2LoD	Second Line of Defence
3LoD	Third Line of Defence
AGM	Annual General Meeting
ALCO	Asset and Liability Committee
AT1	Additional Tier 1
ATM	Automated teller machine
BASA	Banking Association South Africa
BCBS	Basel Committee on Banking Supervision
BBBEE	Broad-based Black Economic Empowerment
BCP	Business Continuity Planning
BUSA	Business Unity South Africa
CDP	Carbon Disclosure Project
CH4	Methane
CIB	Corporate and Investment Banking
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
COP27	2022 United Nations Climate Change Conference of the Parties
COP28	2023 United Nations Climate Change Conference of the Parties
CRC	Climate Risk Committee
CRO	Chief Risk Officer
CRMF	Climate Risk Management Framework
ECC	Executive Credit Committee
ERMF	Enterprisewide Risk Management Framework
ESG	Environmental, Social and Governance
Exco	Executive Committee
FSB	Financial Stability Board
FTE	Full-Time Employee
FTSE	Financial Times Stock Exchange
GC	Group Compliance
GCC	Group Credit Committee
GCRC	Group Climate Resilience Committee
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIA	Group Internal Audit
GORC	Group Operational Risk Committee
GLAA	Gross Loans and Advances
GRCMC	Group Risk and Capital Management Committee
GSCRS	Group Sustainability and Climate Resilience Committee
GRNP	Gola Rainforest National Park
$GtCO_2e$	Gigaton carbon dioxide equivalent

Annexure B - Acronyms and abbreviations continued


Image source: Pele Energy group

HFCs	Hydrofluorocarbons
ICAAP	Internal Capital Adequacy Assessment Process
ICE	Internal combustion engine
IEA	International Energy Agency
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
IUCN	International Union for Conservation of Nature
IT	Information Technology
JSE	Johannesburg Stock Exchange
kℓ Kilolitre	Kilolitre
MW	Megawatt
NDC	Nationally Determined Contribution
NGFS	Network for Greening the Financial System
NO2	Nitrous Oxide
NF2	Nitrogen trifluoride
NGO	Non-governmental organisation
PCAF	Partnership for Carbon Accounting Financials
PFCs	Perfluorocarbons
RBB	Retail and Business Banking
RCSA	Risk and control self-assessment

REDD+	Reducing emissions from deforestation and forest degradation
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RMIPPPP	Risk Mitigation Independent Power Producer Procurement Programme
Remco	Group Remuneration Committee
SA	South Africa
SARB PA	South African Reserve Bank Prudential Authority
SDF	Sustainable Development Finance
SDGs	Sustainable Development Goals
SEMS	Social and Environmental Management System
SF6	Sulphur hexafluoride
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Task Force on Nature-related Financial Disclosures
tCO_2e	Tonne of carbon dioxide equivalent
UN	United Nations
UN PRI	United Nations Principles for Responsible Investments
UNEP FI	United Nations Environment Programme Finance Initiative

Annexure C – Definitions

Acute risks	Risks that are event-driven, including increased severity of extreme weather events, such as hurricanes, drought or floods.
Adaptation	The process of finding ways to lower the physical risks (see definition) of climatic change and dealing with its impacts. Humans have been adapting to their environments throughout history by developing practices, cultures and livelihoods suited to local conditions. However, climate change raises the likelihood that existing societies will experience climatic shifts (in temperature, storm frequency, flooding, and other factors) for which previous experience has not prepared them. Adaptation is complementary to 'Resilience'. Climate mitigation is not about reducing climatic shocks; it›s about reducing the scale of climate change that we experience. Adaptation is about how we deal with the climate change impacts that eventuate. In short, mitigation is avoiding the unmanageable, while adaptation is managing the unavoidable.
Anthropogenic	Relating to or resulting from the activity of humans
Carbon-neutral	When a company has calculated its carbon footprint, reduced it wherever possible, and off set its residual carbon footprint by buying emission reduction certificates so that the net result of its carbon footprint is zero.
Chronic risk	Risk that is related to longer-term shifts in climate patterns (such as sustained higher temperatures and changing rainfall patterns) that may cause a rise in sea level or chronic heat waves.
Climate change	A change in the statistical distribution of weather patterns when that change lasts for an extended period (ie decades to millions of years). Climate change can also refer to a change in average weather conditions or in the time variation of weather around longer-term average conditions. Natural climate change is caused by factors such as biotic processes, variations in solar radiation received by Earth, plate tectonics and volcanic eruptions. However, the term 'climate change' is more often used to refer specifically to anthropogenic climate change (also known as global warming). Anthropogenic climate change is caused by human activity, as opposed to changes in climate that result from Earth's natural processes.
Climate-related risk	A potential negative impact of climate change on an organisation. Physical risks arising from climate change can be event-driven (acute), such as increased severity of extreme weather events (eg cyclones, droughts, floods and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (eg sea-level rise). Climate-related risks can also be linked with the transition (transition risk) to a lower-carbon global economy, and the most common of these risks relate to policy and legal actions, technology changes, market responses and reputational considerations.
Climate resilience	The ability of an entity to absorb stresses caused by climate change and maintain operations, as well as to adapt in an agile manner and evolve in ways that ensure it is better prepared for future climate change impacts
Glidepath	A tool that visually plots the organisation's decarbonisation actions and demonstrates how those actions align with the organisation's current emissions and future targets as required by climate science. Therefore, our glidepath is the decarbonisation trajectory that we have set for reducing our total carbon emissions each year, and for which we are on track.
Greenhouse gas (GHG) emissions scope levels	Scope 1: All direct greenhouse gas emissions
	Scope 2: Indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam
	Scope 3: Other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (eg transmission and distribution losses), outsourced activities and waste disposal.

Annexure C – Definitions continued

Gross loans and advances (GLAA)	The carrying value of banking book loans and advances before impairment allowance. GLAA excludes trading book loans and advances.
Just Transition	A just transition ensures that environmentally sustainable economies are promoted in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind. It aims to ensure that the transition to net-zero emissions and climate resilience is orderly, inclusive and just.
Mitigation	**Climate change mitigation:** Means the process of addressing the root causes of climate change by preventing or reducing GHG emissions. The Intergovernmental Panel on Climate Change defines mitigation as an 'anthropogenic intervention to reduce the sources or enhance the sinks of greenhouse gases'. Mitigation progress is frequently driven by policy measures aimed at promoting the use of cleaner technologies and renewable energy sources, at changing corporate disclosure practices or at motivating consumers to decarbonise. Climate mitigation is not about absorbing climatic shocks, but about reducing the scale of climate change that is experienced, by cutting and eventually eliminating GHGs.
	Risk mitigation: Means the process of taking steps to reduce the negative effects of threats and disasters on business continuity. Risk mitigation focuses on the fact that some disasters cannot be avoided and is used for those situations where a threat cannot be avoided entirely.
Nedbank Group	Nedbank Group Limited, which is also referred to as the group and us or ours.
Network for Greening the Financial System (NGFS)	A network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role for climate change. The NGFS was created in 2017 and its secretariat is hosted by the Banque de France.
Net-zero carbon economy	Creating a balance between the amount of GHGs produced and the amount of GHGs removed from the atmosphere.
	One can achieve a net-zero-carbon economy when any remaining human-caused GHGs are balanced out by activities removing carbon from the atmosphere in a process known as carbon removal. First and foremost, human-caused emissions, like those from fossil fuel production and its use in homes, transportation, farming and industry, should be reduced as close to zero as possible. Any remaining GHGs would be balanced with an equivalent amount of carbon removal, for example, by restoring forests, or sequestering carbon in soil.
Physical risk	Risks resulting from climate change can be event-driven (acute, ie weather-related events) or longer-term shifts (chronic, ie permanent changes in underlying climate drivers). Physical risks are divided into acute risks and chronic risks. Physical risks may have financial implications for organisations (direct and indirect). Nedbank's financial performance may be affected by changes in water availability, sourcing and quality; food security; and extreme temperature changes. This can affect an organisation's premises, operations supply chain, transport needs and employee safety, which impacts the organisation directly or because of business practices. The associated impacts of climate-related hazards, among others, that will affect specific sectors of the economy are set out below:

Sector	Hazard	Non- exhaustive associated impacts
Energy	Hurricanes/Typhoons	Downed or damaged transmission lines, substations, or poles due to wind and rain, leading to disruptions. Debris or trees damaging lines or poles, causing a short circuit
	Water stress	Potential for energy supply disruptions from sources that rely on hydropower. Potential for overheating of generation equipment that relies on water for cooling, which could lead to transmission disruptions.
	Temperature increase	Reduced thermal rating (ie the maximum current allowed at a given temperature), causing lines to sag to dangerous levels.
Agriculture	Changes in rainfall patterns	Reduction in crop yields and feedstocks might occur.
	Temperature increase	Potential for an increase in pest infestation and disease
Manufacturing	Drought/Floods	Productivity in water-intensive industries might be impacted adversely.
	Water stress	Potential for an increase in water costs.

Annexure C – Definitions continued

Risk culture	The group's norms, attitudes, and behaviours related to risk awareness, risk-taking, and risk management that shape decisions on risks.
Risk management	A set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's goals by addressing its risks and managing the combined potential impact of those risks.
Scenario analysis	A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenario analysis allows an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies and financial performance over time.
Sector	A segment of organisations performing similar business activities in an economy. A sector generally refers to a large segment of the economy or grouping of business types, while the term 'industry' is used to describe more specific groupings of organisations within a sector.
Stranded asset	Means an asset that experiences unanticipated or premature write-off, is revaluated downwards, or is converted to a liability. This deterioration can result from physical (e.g., increasing water scarcity as a result of climate change), technological (eg emergence of disruptive technologies), social (eg shifting consumer preferences), or regulatory forces.
Strategy	Means an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, considering the risks and opportunities it faces and the environment in which it operates.
Sustainable development finance (SDF)	For the purposes of this report, we use the terms broadly to disclose our investment and lending activities that create positive societal and environmental outcomes in support of the Just Transition and in alignment with the SDGs.
Transition risk	The risks that a transition to a net-zero carbon economy poses to the financial sector arise predominantly through exposure to clients, are long term and specific to a sector. While some subsectors may benefit from the transition (eg renewable energies and electric vehicles) or remain unaffected, some would be strongly impacted by the transition (eg coal-fired power generation and ICE vehicles).
	This leaves banks exposed to loan losses through the financing of stranded (or redundant) assets in these industries and because of client preferences for zero-carbon products.
	The following transition risk categories have been identified: policy and regulation risk, technology risk, market risk, reputational risk, legal risk, credit risk, operational risk, and strategic risk.

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