Managing environmental and social risk in our lending

We aim to ensure that the environment and social risks related to our lending are well managed. Before obtaining credit approval, transactions must be screened and evidence provided that the identified risks can be properly mitigated. Our specialist environmental credit risk team assists and guides business and risk managers on how to manage these risks and our deal team draws on our environmental and social risk guidance notes to aid their understanding and identification of key sector risks, headline issues and considerations. Where appropriate, environmental consultants are appointed to assess and mitigate the identified risks.

Our environmental and social impact assessment policy guides these client relationships. In accordance with Equator Principles we evaluate each proposed project’s expected social and environmental impacts and categorise the project in terms of the International Finance Corporation’s environmental and social categorisation process as ‘category A, B, or C’ based on the expected magnitude of its impacts.

Employees involved in providing funding to projects or clients with potentially high environmental and social risks, receive relevant training through presentations and direct engagement with subject specialists. In 2014, 225 employees attended general environmental credit risk presentations and/or informal training. The environmental credit risk management learning programme was officially launched in 2014 and was completed by 118 employees. This interactive online training course for internal credit and business employees enhances bankers’ awareness of environmental and social risks and illustrates how these relate to sustainable finance.

From 2014, we report in accordance with Equator Principles III requirements including transactions that reached financial close. All the reported projects have been independently reviewed. We screened 227 category A transactions, three in the mining and metals sector and one in oil and gas. The project is located in Africa (non-designated country) and the other in America (designated country). We have no project finance advisory or project related corporate loans to report. Our environmental credit risk specialists provided further guidance on 97 general transactions across various sectors.

Environment fact sheet

We work with clients, customers and wider stakeholders to identify ways of managing our indirect impacts and develop financial services that promote sustainability.

We also commit to the continual improvement of our environmental management systems to mitigate our direct environmental impacts, reduce our use of natural resources and prevent pollution.

Financing renewables and energy efficiency

In 2014, we participated in the power purchase and implementation agreements for renewable energy projects which provide opportunities for private, independent power producers in South Africa to develop large-scale generation projects. We helped resolve bankability issues related to these power purchasing agreements, introduced international investors to the market, and hosted events bringing together investors, government, Eskom and developers. We have provided debt funding support to twelve projects announced for round three of the South African government’s Renewable Energy Independent Power Producer Procurement Programme. These projects include wind, solar photovoltaic and concentrated solar power and have been designed to benefit local communities and will positively impact many businesses during the various construction phases. Up to the third bidding round, we have been involved in financing 1 939MW of renewable energy projects including 416MW for solar photovoltaic, 892MW for wind and 250MW for concentrated solar technologies. This represents about 41% of all renewable energy projects (by MW) awarded so far. We have also supported 28 projects during the fourth bidding round, with winning bidders to be announced during the first quarter of 2015.

Absa named ‘Outstanding lender’ in the wind industry

The South African Wind Energy Association, in conjunction with the Global Wind Energy Association, recognised Absa for our significant contribution to the South African wind industry. We have been one of the most successful banks in financing this specific technology, arranging financing for 892MW of wind energy projects up the latest round of deals awarded in the market (about 45% of all wind energy deals awarded by MW). We structure innovative funding solutions to support our clients and extend development of the various projects, contribute to economic and social development in the country and assist in providing power generating capacity to the South African power grid.
Our direct operational impact on the environment

As a Group, we have an extensive physical footprint and it is important that we continue to manage the direct environmental impact of our operations in terms of our carbon emissions, paper and water consumption. The greatest opportunity for reducing our impact is in the way we manage our buildings and business travel. While these programmes may have a short-term negative impact on financial performance, we anticipate the long-term benefits, both in the reduction of our direct impact on the environment, reduced energy costs and lower reliance on electricity supply as we use alternative energies such as gas and solar. Continuing the success of previous years, we reduced our carbon footprint by 10.3% to 319,311 tonnes CO₂ from 355,869 tonnes CO₂ ahead of the target of 7.7%. The intensity measured against total employees declined 8.5% to 7.37 tonnes CO₂ per employee from 8.27 tonnes in 2013. Our total energy from electricity, gas and diesel use decreased to 396,705,296 kWh from 433,024,366 kWh. South African operation remains the most significant contributor to our overall carbon footprint.

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>YoY trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 emissions (tonnes CO₂)</td>
<td>17,451</td>
<td>19,837</td>
<td>17,755</td>
<td>↓</td>
</tr>
<tr>
<td>Scope 2 emissions (tonnes CO₂)</td>
<td>387,502</td>
<td>309,779</td>
<td>278,867</td>
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<tr>
<td>Scope 3 emissions (tonnes CO₂)</td>
<td>22,791</td>
<td>26,253</td>
<td>22,689</td>
<td>↓</td>
</tr>
<tr>
<td>Total carbon footprint (tonnes CO₂)</td>
<td>427,745</td>
<td>355,869</td>
<td>319,311</td>
<td>↓</td>
</tr>
<tr>
<td>Carbon footprint per FTE (tonnes CO₂/FTE)</td>
<td>10.07</td>
<td>8.27</td>
<td>7.57</td>
<td>↓</td>
</tr>
<tr>
<td>Carbon footprint per m² (tonnes CO₂/m²)</td>
<td>0.26</td>
<td>0.22</td>
<td>0.21</td>
<td>↓</td>
</tr>
</tbody>
</table>

Notes:
1. To align with Barclays global requirements the reporting period changed from the fourth quarter in 2012 to the third quarter from 2013 onwards. While progress is being made in recording and reporting data across the Group, Rest of Africa data is only included in the diesel, electricity and flights data used in the calculation of the carbon footprint. Total of Scope 1, 2 and 3 CO₂ emissions (GHG Protocol: operational control boundary). 2013 has been restated to include the revised GHG factors. Figures is total of Scope 1, 2 and 3 carbon dioxide emissions, excluding fugitive emissions.
2. Our 2014 achievements include
   - Reduced our corporate real estate portfolio by over 68,000m².
   - Refurbished Towers North delivering a 64% reduction in energy consumption per employee. We were awarded a Certificate of Merit from Ecolab and the runner up prize for Energy Project of the Year in the South Africa Energy Efficiency Awards in recognition.
   - Completed the fit-out of the new Sandton Head Office which has a 4 Star Green Building Rating.
   - Completed Barclays Plaza (new Botswana Head Office in Gaborone), relocated 340 employees from three non-compliant and ageing buildings.
   - Our energy centre at the Johannesburg campus has decreased our demand from the national energy supplier by 2,230,000kWh (equivalent to energy powering 2,230 households). We reduced our carbon footprint by 1,487 tonnes by using cleaner gas power supply. In 2014, we received the ‘Energy & Guobon Efficiency and Carbon Management Award’.
   - Continued to reduce paper usage through initiatives such as double-sided printing and the electronic distribution of internal management reports.
   - Collection of water data remains a challenge as data collection processes are relatively immature. We improved water data collection to include Mauritius, Seychelles, Tanzania and Zambia and we are investigating further cost effective methods of capturing data.
   - Expanded tracking of confidential waste paper recycling through process improvements and use of centralised data collection.

2015 priorities
- Release funding in line with our commitment of a minimum US$500m of balance sheet to a pipeline of renewable power projects that form part of the ‘Power Africa’ initiative with the aim to increase available power by up to 12,500MW in participating countries.
- Continue reducing our energy consumption.
- Complete various property consolidation projects in South Africa and complete the installation of a 1MWp solar photovoltaic plant on the rooftop of the Pretoria Campus.
- Obtain Green star ratings of select buildings for example Towers North and the Pretoria Campus.
- Conduct a water, waste and paper planning exercise at our high-impact sites and implement initiatives to further reduce our resource consumption.

Procurement
We strive to limit the impact of the environmental, social and governance actions of our suppliers and communicate our expectations transparently. Our supplier code of conduct, implemented in 2014, establishes the standards we expected across environmental risk management, human rights as well as diversity and inclusion and we intend to actively assess our suppliers against this through a combination of annual self-certification questionnaires and on-site assessments.