

## Summary sustainability policy

### Group Sustainability Policy

As a leading African financial institution, Absa Group can play an important role in enabling sustainable economic development for our clients, customers and the societies in which we operate. Absa Group acknowledges sustainability challenges such as social inequality, population growth, high unemployment and pressure on natural resources. In addition, the climate change dilemma puts further pressure on Africa's energy poverty and infrastructure deficits and threatens economic growth.

Absa Group's aim is to meaningfully contribute to turning Africa's potential into possibility by **playing a shaping role in society**, by:

- **earning trust** through providing just outcomes for our stakeholders and by delivering consistently on our promises;
- **shaping society** through contributing significantly to the societies in which we operate and enhancing the continent's growth and development;
- **promoting intergenerational sustainability** by being environmentally conscious and accountable for our impact on the environment, and by responding to changing needs in the communities we operate; and
- **driving thought leadership** in the industry and developing innovative solutions to societal challenges.

### Purpose

The primary objectives of the Policy are to:

- outline the sustainability context for Absa Group;
- define Absa Group's commitment to addressing key sustainability challenges;
- define our material direct and indirect impact areas.

This policy applies to Absa Group Limited and all its subsidiaries.

### Sustainability:

- is comprised of three (3) key pillars, namely: economic (financial), social and environmental;
- is underpinned by ethical and responsible practices; and
- involves unlocking the potential of Africanacity by contributing to economic growth while preserving the environment.

**Sustainability risk** results from the failure to implement responsible operational, procurement, and lending practices; has a direct and indirect negative impact on the environment and society and / or geographies in which we operate, and may reduce value over the long-term.

- a. Absa Group recognises that continued financial success depends on its ability to identify and address environmental, social and economic development challenges, which present risks and/or opportunities for its business.

- b. As a member of the United Nations Environment Programme – Finance Initiative (UNEP FI), Absa Group has adopted the Principles for Responsible Banking (PRBs) as an overarching framework for managing sustainability risk.
- c. Absa Group will implement and comply with these principles over a minimum four-year period from 2020 to 2023. Formal and informal reporting on the implementation progress will be put into effect from 2020.

### **Sustainable Development Goals (SDGs) and Climate Change (Paris Climate Agreement)**

- a. The United Nations Sustainable Development Goals, as adopted by all UN member states, outline the universal goals to end poverty, protect the planet and drive shared prosperity.
- b. Absa Group will follow a systematic approach by conducting a portfolio analysis and identifying impact areas for goal prioritisation in order to minimise negative impacts and contribute positively to society and the environment through its business decisions, lending practices and direct operations.
- c. Absa Group will set and publish targets on material issues in alignment with the PRBs.

### Sustainability risk impact classification and categories

- a. Sustainability risk can be classified into direct risk or indirect risk.
  - **Direct risk** arises from our direct operating activities, under the direct control of the Group. This is also referred to as the direct footprint of the Group.
  - **Indirect risks** are not within direct control of the Group. These risks are managed through the implementation of adequate and effective operational processes and responsible lending and procurement practices to reduce and mitigate sustainability risk and the associated impact on the Group's reputation.
- b. Sustainability risk can be broadly categorised as follows:
  - **physical risk** - extreme weather events resulting from climate change or environmental failure such as fire, flood, and storm damage, rising sea levels and water availability.
  - **transitional risk** - regulatory or legislative changes and/or investor and stakeholder sentiment that, adversely impact the viability and profitability, and/or the direct and/or indirect operating environment of the Group (e.g. carbon taxes, building specifications etc.).
  - **liability risk** - claims as a result of climate action, litigation and non-disclosure.
  - **reputational risk** - the reputational damage resulting from environmental incidents, climate action, funding and investment policies.
- c. Sustainability impact can be either positive or negative.
  - Positive impacts are benefits associated with an activity or activities that contribute to economic growth, and / or social development and / or reduce the impact of climate change. Promoting the SDGs is inherently positive.
  - Negative impacts result from activities that contribute to or cause damage to the environment, accelerate climate change, tolerate unethical social and environmental practices and or business decisions that do not consider the economic, social or environmental context.
- d. Sustainability risk mitigation is outlined in transitional plans.

## Absa Group's Commitment to Addressing Key Sustainability Challenges

Sustainability in Absa Group will be managed in accordance with the [Principles for Responsible Banking](#). These Principles will be used as a framework that encompasses global sustainability principles, standards, guidelines, and supports disclosure requirements.

### Alignment

Absa Group will:

- a. Align its business strategy to be consistent, measured and balanced taking into consideration the appropriate climate mitigation strategies, individuals' needs and societal goals, as expressed in the *Sustainable Development Goals (SDGs)*, the *Paris Climate Agreement*, national development plans and/or regional legislative frameworks.
- b. Focus its efforts where it has the most positive impact by prioritising selective sustainable development goals.
- c. Identify and prioritise business activities that could generate the most positive environmental, social and economic impact and mitigate negative impacts.

### Impact and target setting

Effective monitoring and management of sustainability will be achieved through:

- a. defining, setting and publishing scenario-based targets that link to the ambitions expressed in the SDGs, the Paris Climate Agreement, national development plans and or regional legislative frameworks;
- b. measuring and reporting progress against these targets at least annually;
- c. performing forward-looking sustainability-related risk assessments, at a portfolio and strategic level and manage and mitigate significant risks identified; and
- d. further defining key performance indicators (KPIs) to address, reduce and mitigate significant negative impacts, and track positive impacts.

### Clients and customers

Absa Group will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that support its sustainability ambition. Absa Group will:

- a. encourage and support sustainable behaviour and consumption choices;
- b. support a responsible transition to a more sustainable economy;
- c. in our lending practices consider the environmental and social impact of our clients in order to drive positive impact.

## Stakeholders

Absa Group will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve its sustainability ambition. It will:

- a. Engage with material external stakeholders on sustainability matters and business practices.
- b. Engage with regulators and policymakers to advocate for regulations that support sustainable development.

## Governance and culture

Sustainability and sustainability risk will be governed through:

- a. assigning roles and responsibilities across all business and functional areas of the Group;
- b. defining and implementing policies and standards to effectively manage sustainability through adequate operational processes and controls;
- c. implementing training and driving a culture of sustainability;
- d. managing the oversight of our sustainability efforts through:
  - the Enterprise Risk Committee (a management committee); and
  - the Social and Ethics Committee (a Board sub-committee).

## Transparency and accountability

Absa Group will periodically review implementation of our sustainability practices through:

- a. internal monitoring and reporting against targets and Key Performance Indicators;
- b. appropriate assurance mechanisms, utilising Absa's Combined Assurance approach; and
- c. reviewing disclosures through the Group Disclosures Committee and publicly disclosing progress in achieving our sustainability goals and targets.

## **Direct and indirect impact areas**

At a minimum, Absa Group endeavours to comply with all relevant legislation in the countries in which it operates.

### **Direct impact areas (own footprint)**

#### Sustainable property design and management

Absa Group's direct business operations have an environmental impact through consumption of energy and water and waste generation. Absa Group uses sustainable practices in property design and property management which cover the full life cycle of a property from site selection to design, construction and maintenance.

- a. Absa Group will continue to improve on its environmental management systems, property design and property management of its own built environment.
- b. Absa Group commits to reducing its carbon emissions, investing in energy-efficient buildings and technology, improving energy and waste management and reducing water usage and setting science-based targets to achieve same.

## Employment and related operational practices

Absa Group promotes an inclusive and diverse culture that is entrepreneurial, innovative, with a deep sense of ownership and a shared purpose and identity. Absa Group will:

- a. provide a safe and healthy working environment;
- b. comply with labour practices in all the geographies in which it operates;
- c. assist with access to quality education and to further develop themselves in areas aligned to the businesses of the Group; and
- d. deliver on race and gender diversity goals.

## Procurement practices

Supply chain impact will be incorporated and monitored when contracting with key suppliers. Our procurement process will include environmental and social performance requirements which must be integrated into contractual obligations.

- a. Absa Group will manage indirect impact in its supply chain by collaborating with key suppliers to ensure an improvement in its sustainability performance and its suppliers' own sustainability transformation.
- b. Absa Group will assess suppliers within the procurement process and assign an appropriate weighting to their sustainability performance.

## Indirect impact areas

### Lending practices

Absa Group will enhance its lending practices to consider environmental and social risks throughout loan origination, credit approval and annual review of screening and funding processes. Industry-specific risk guidance notes and relevant standards will be defined and drafted to ensure responsible lending practices specifically to sensitive sectors, such as coal. As a minimum Absa Group will:

- a. comply with the Equator Principles;
- b. conduct business with organisations that are committed to establishing environmental and social management practices, or are willing to adopt these; and
- c. implement credit screening processes to incorporate sustainability controls and processes across its business, focusing on sensitive sectors as priority.

## External stakeholder engagement

- a. Absa Group will continue to engage with national policy makers, industry and peer groups and non-governmental organisations in order to contribute positively and proactively to sustainability in business and to promote environmental and social considerations at a greater impact level.
- b. Absa Group is committed to operating in an open and transparent manner with consistent engagement and clear disclosure for all its stakeholders, including both industry and non-governmental organisations.