



Absa Group Limited
2021 Principles for Responsible
Banking Report





About this report

Target audience and reporting frameworks

This is our second report on the Absa Group's implementation of the United Nations Environment Programme Finance Initiative's Principles for Responsible Banking (PRB). We welcome your feedback (ESG@absa.africa) as we aim to consistently improve our performance.

Reporting period and scope

This report covers the period 1 January 2021 to 31 December 2021. Any notable or material events after this date, and up until the approval of this report, are included and noted as such.

Assurance

We apply a risk-based, combined assurance approach to the Group's operations. Internal controls, management assurance, compliance and internal audit reviews, supported by the services of independent external service providers, support the accuracy of disclosures within all of our published reports. In line with their respective mandates, specific reports are reviewed and recommended to the Board for approval by the Disclosure, Social, Sustainability and Ethics, Remuneration, Directors' Affairs, Group Audit and Compliance, and Group Risk and Capital Management committees.

Approval of the TCFD

This report represents an opportunity to provide stakeholders with material information so that they can make an informed assessment of the Group's PRB progress during the period under review. As in all our reporting, we have set out to provide appropriate and adequate information to support the commentary made by the Board Social, Sustainability and Ethics Committee and management.

The Social, Sustainability and Ethics Committee, on behalf of the Board, accepts responsibility for the integrity of this 2021 Principles of Responsible Banking Report. It is our opinion that it presents a fair and balanced view, and we believe that it demonstrates the way in which we are creating sustainable value and prosperity for our stakeholders.

The report was approved on 29 June 2022.

Francis Okomo-Okello (Chairman)

Ihron Rensburg

Nonhlanhla Mjoli-Mncube

Rose Keanly

Sello Moloko (Board Chairman)

Swithin Munyantwali

Table of contents

Principle 1: Alignment	1-3
We will align our business strategy to be consistent with, and contribute to, individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.	
Principle 2: Impact and target setting	4-7
We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.	
Principle 3: Clients and customers	8
We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.	
Principle 4: Stakeholders	9
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	
Principle 5: Governance and culture	10-11
We will implement our commitment to these Principles through effective governance and a culture of responsible banking.	
Principle 6: Transparency and accountability	12
We will periodically review our individual and collective implementation of these principles and be transparent about, and accountable for, our positive and negative impacts and our contribution to society's goals.	
Contact information	back cover



Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
<p>Principle 1: Alignment</p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>		
<p>1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and, where relevant, the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>Absa is a Pan-African diversified financial services provider, offering products and services across retail, business, corporate, investment and wealth banking, as well as in investment management and insurance. Details of our products, services and activities are outlined in our 2021 Environmental, Social and Governance Report.</p> <p>We operate in 15 countries, with banking subsidiaries in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia, as well as insurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia. We also have representative offices in Namibia, Nigeria and the United States, securities entities in the United Kingdom and the United States, as well as a specialised IT office in the Czech Republic.</p> <p>We have 35 267 employees and a distribution network of 989 branches and 8 668 ATMs.</p> <p>We have two customer-facing business units, namely:</p> <ul style="list-style-type: none"> • Retail and Business Banking (RBB) • Corporate and Investment Bank (CIB) <p>RBB accounted for 57% of group earnings and 72% of revenue (excluding Head Office, Treasury and other operations). From a geographical perspective, South Africa constituted 76% of group revenue and 84% of earnings, with Africa regions the remainder. South Africa also represents 80% of total group loans and advances.</p>	<p>2021 Integrated Report</p> <ul style="list-style-type: none"> • Absa at a glance, page 6 • Business model, page 10 • Strategy, pages 40-41 • Organisation structure, products and services, page 7 <p>2021 Environmental, Social and Governance Report</p> <ul style="list-style-type: none"> • Products and services matrix, pages 4-5 <p>2021 Financial Results booklet</p> <ul style="list-style-type: none"> • Segment performance, pages 70, 76-77



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<h2>Principle 1: Alignment</h2>		
<p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>		
<p>1.2 Describe how the bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Our Group Sustainability Policy and Group Sustainability Risk Framework, which apply to all our subsidiaries and employees, are based on UNEP FI's PRB and includes aligning our strategy with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p> <p>In 2021, we refreshed our group strategy, including elevating environmental, social and governance (ESG) further as a key priority from our 2018 strategy. We aim to be an active force for good in everything we do, by prioritising business activities that have the most positive ESG impact, while mitigating the negative impacts. Embedding ESG into our operations is vital for delivering true long-term value linked to our purpose of bringing possibilities to life.</p> <p>Within the environmental pillar, our focus is on managing climate change and biodiversity risks and opportunities, with four key components:</p> <ul style="list-style-type: none"> • Becoming Africa's leader in sustainable finance. • Proactively incorporating climate change risk into the business. • Setting an ambitious net-zero carbon emission target. • Achieving a positive impact on biodiversity over the medium-term. <p>In the social pillar, we aim to contribute meaningfully to the societies in which we operate. Our social priorities include:</p> <ul style="list-style-type: none"> • providing inclusive financial services to small and medium enterprises (SMEs), women and youth; • supporting education and skills development, for example, financial literacy, tertiary education and vocational training; • being there for our communities, employees and clients when they need us most; and • championing diversity and inclusion. 	<p>Group Sustainability Policy, pages 2-3</p> <p>2021 Integrated Report</p> <ul style="list-style-type: none"> • Strategy, pages 40-41 • Society, pages 70-74 • Natural Capital, pages 75-78 <p>2021 Environmental, Social and Governance Report</p> <ul style="list-style-type: none"> • An active force for good in everything we do, page 3 • Contributing to the SDGs, page 3 • External initiatives, pages 9-10 <p>2021 Task Force on Climate-related Financial Disclosures Report</p> <ul style="list-style-type: none"> • Climate change journey, page 3 • Strategy, page 6 • Risk management, pages 10-13 <p>2021 Remuneration Report, page 12</p>



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<p>Principle 1: Alignment</p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>		
	<p>After thoroughly analysing our group impact and operating context, we prioritised six priority SDGs that our Board Social, Sustainability and Ethics Committee approved in February 2022. We also selected specific targets within the goals.</p> <p>Our priority SDGs are:</p> <ul style="list-style-type: none"> • SDG 5, Gender equality, specifically targets 5.1 and 5.5; • SDG 7, Affordable and clean energy, namely targets 7.1 and 7.2; • SDG 8, Decent work and economic growth, specifically targets 8.3, 8.5, 8.6 and 8.10; • SDG 10, Reduced inequalities, specifically targets 10.2; • SDG 13, Climate action, namely targets 13.2; and • SDG 16, Peace, justice and strong institutions <p>We also apply numerous other frameworks, including the Equator Principles, Global Reporting Initiative, Banking Association of South Africa's Principles on Environmental and Social Risk Management, UN Principles for Responsible Investment, among others</p> <p>We have published financing standards for oil and gas, and the mining, metals, minerals and precious/semi-precious stones sectors, as well as a refreshed coal financing standard. In addition, we have sector-specific guidance notes outlining key sector and reputational risks, headline issues and considerations to inform decision-making for numerous sectors, including: agriculture and fisheries, chemicals and pharmaceuticals, conflict blood diamonds, forestry and logging, general manufacturing, infrastructure, power generation and distribution, service industries, plus utilities and waste management.</p> <p>Sustainability Risk (including climate-related and social risks) was elevated to a principal risk in our group-wide Enterprise Risk Management Framework in 2020. We have also rolled out an environmental and social management system (ESMS), a procedure with a reference manual and tool that is designed to identify and manage our exposure to environmental and social risks at onboarding and screening stage. It assesses and identifies the minimum environmental and social controls to consider when business decisions and transactions are processed. We republished our Environmental and Social Risk Standard for Lending internally in March 2021. We also internally published our Sustainability Principal Risk Framework in September 2021, which included our Group Sustainability Policy. We also developed and published an ESMS Sustainability Risk Standard, and an Environmental and Social Risk Assessment (ESRA) manual in August 2021, that support our Sustainability Risk Policy and apply to the entire group.</p> <p>Group Sustainability Risk has developed and conducted training on our ESMS to over 800 employees to date (manually and online). In conjunction with Group Learning and Development, it launched mandatory online training on the ESMS and general awareness on climate change to selected individuals in February 2022.</p>	



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<h2>Principle 2: Impact and target setting</h2>		
<p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>		
<p>2.1 Impact analysis</p> <p>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:</p> <p>a) Scope: The bank's core business areas, products/ services across the main geographies that the bank operates in, as described under 1.1, have been considered in the scope of the analysis.</p> <p>b) Scale of exposure: In identifying its areas of most significant impact, the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context and relevance: The bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p> <p>Show that building on this analysis, the bank has:</p> <ul style="list-style-type: none"> Identified and disclosed its areas of most significant (potential) positive and negative impact. Identified strategic business opportunities in relation to the increase of positive impacts/ reduction of negative impacts. 	<p>In line with our refreshed group strategy, Sustainability Policy and Sustainability Risk Framework, we analyse the significant positive and negative impacts of our business, including assessing the material issues for our stakeholders. As part of this, we took into consideration our business model and the scale of our products and services, as well as our impact on the SDGs. As a bank, our most significant impact is through our lending and financing activities.</p> <p>We identified climate change (both mitigation and adaptation) as a significant impact area for the group. We recognise the global threat that climate change poses, and Africa's above-average vulnerability to it. Given our ambition to play a shaping role in Africa's sustainability and growth, we must assess and respond to the climate-related risks and opportunities for our group, our customers, and the countries and communities in which we operate. We are well placed to provide the significant finance required by the transition to a low-carbon economy and to make infrastructure more resilient to the impact of climate change.</p> <p>As part of setting a net zero carbon emission target, we took the initial step in the process of calculating our overall scope 3 financed greenhouse gas (GHG) emissions in 2021. Partnering with Zutari Engineering Consultants, we calculated the indirect GHG emissions from our agriculture and real estate lending, using the Partnership for Carbon Accounting Financials (PCAF) methodology. Our financed GHG emissions for agriculture was estimated at 3.55 MtCO₂e, and at 9.46 MtCO₂e for our real estate lending.</p> <p>As part of incorporating climate change risk into our business, we monitor and disclose our exposure to both sectors with high emissions and those identified as climate sensitive. The former accounted for 8% of our total group loans as at 31 December 2021, while the latter was 50% (including real estate at 35%). We monitor these quarterly. Moreover, we also focus on our exposure to fossil fuels, where total limits of R17 billion amounted to 1.3% of our total group limits. Our exposure to renewable energy financing was R22 billion, or 2.1% of our total loans.</p> <p>While far smaller than our indirect financed emissions via lending, we also monitor and have targets to reduce our own direct carbon emissions. In 2021, our direct GHG emissions were 192 thousand tonnes of CO₂, down 2% year-on-year.</p> <p>In terms of climate change adaptation, using long-term scenarios to 2050, we assessed the likely physical risk within two of our largest books. Firstly, we also evaluated the physical risk across our real estate loan book. At R376 billion, or 35% of our total group loans, residential mortgages and commercial property finance constitute our largest book by far. Secondly, we assessed the expected impact of rising temperatures on our agriculture loan book, because of its high vulnerability to physical risk, our large market share and its importance to South Africa's food security. Our agriculture loans were R55 billion, 5% of total group loans at 31 December 2021.</p>	<p>2021 Integrated Report</p> <ul style="list-style-type: none"> Material matters, pages 30-38 Social and relationship capital, pages 64 to 74 Natural Capital, pages 75-78 <p>2021 Environmental, Social and Governance Report</p> <ul style="list-style-type: none"> An active force for good in everything we do, page 3 Contributing to the SDGs, page 3 External initiatives, pages 9-10 Stakeholder engagement, pages 25-26 Key topics and concerns raised, pages 28-38 Social, pages 61-77



Reporting and self-assessment requirements

High-level summary of bank's response

References/Links

Principle 2: Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

As part of our aim to become Africa's sustainable finance leader, we help customers achieve sustainable and inclusive growth aligned with the Paris Climate Agreement goals by providing services that enable transition and adaptation.

Second, given Africa's significant socio-economic challenges, and in line with our new group ESG strategy, we identified inclusive finance as another significant impact area. While predominantly in RBB, inclusive finance incorporates several different activities, ranging from providing affordable housing loans, small and medium-sized enterprise (SME) financing, personal and microloans, entry level and inclusive banking (ELIB) accounts, and funeral policies in our bancassurance operations. As part of our strategy refresh, we increased our focus on growing our ELIB customer base in South Africa.

There is a substantial need for affordable housing financing in the countries in which we operate. We provided affordable home loans to 7 932 (2020: 5 308) affordable housing customers to the value of R4.3 billion (2020: R2.8 billion), up 59% year-on-year. Our total affordable housing home loan book as at 31 December 2021 was R10.3 billion.

SMEs are a focus area, as substantial employers in Africa. In South Africa our SME loans amounted to R16 billion as at 31 December 2021, a meaningful portion of Relationship Banking's total book. Partnering with several of our provincial government primary banked clients, we allocated R1.95 billion in South Africa and R1.2 billion in the Absa Regional Operations (ARO) in 2021 to provide funding to SMEs that have secured government contracts. Our support enables SMEs to grow their business and create employment.

In ARO, we continued to gain traction in the mobile economy with the Timiza proposition (Kenya) and the mobile lending partnership with Jumo in Zambia (Kongola), Ghana (Ahomka) and Tanzania (Tigo). We disbursed 4.3 million loans (2020: 2.8 million), with a disbursement value of over R4.0 billion (2020: R2 billion).

2021 Task Force on Climate-related Financial Disclosures Report

- Climate change in a global context, page 1
- Absa's climate change response, page 2
- Strategy, pages 5-9
- Metrics and targets, pages 15-17

2021 Financial Results booklet, page 101



Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
<p>Principle 2: Impact and target setting</p>		
<p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>		
<p>2.2 Target setting</p> <p>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified areas of most significant impact, resulting from the bank's activities and provision of products and services.</p> <p>Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Climate Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the Sustainable Development Goals/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximise the net positive impact of the set targets.</p>	<p>Climate change targets</p> <p>We were the first South African bank to announce sustainable finance targets in March 2021. Firstly, CIB set a target to finance, arrange and/or raise R100 billion for environmental and social related projects by 2025. Renewable energy financing is the largest component of CIB's target. CIB also aims to increase renewable energy financing to 5% of total group lending by 2040, from 2% in 2021. In addition, Relationship Banking South Africa aims to finance 250MW or R2.5 billion of renewable power by 2025. Lastly, related to CIB's targets, as part of our USD0.5 billion capital guarantee agreement across seven ARO countries with the Multilateral Investment Guarantee Agency (an African first, aimed at increasing SME and climate-related lending), we committed to USD325 million of climate finance from our subsidiaries in Kenya and Mauritius.</p> <p>As an initial step in setting a net-zero carbon emission commitment by 2050, we published our first targets (as a percent of total group loans) for lending to the fossil fuel sectors over the short-, medium- and long-term. Our total exposure (limits and loans) to the coal sector will decline materially from a peak of 0.39% of group loans in 2020 to 0.03% by 2050. Our total oil sector exposure will peak at 1.41% in 2023 and decline significantly to 0.04% by 2050. Lastly, our gas sector exposure will peak at 0.83% in 2030 (as a transition fuel) and thereafter decline to 0.32% by 2050. We will review our fossil fuels lending targets every three years, given the significant changes in the energy sector.</p> <p>While far smaller than our indirect emissions via lending, we also have a target to reduce our own carbon emissions by 51% from 2018 levels by 2030.</p> <p>Inclusive finance targets</p> <p>We have not published SMART targets for the various inclusive finance areas externally in our reporting suite, besides the baseline levels mentioned in 2.1. We will do so in next year's Environmental, Social and Governance Report.</p>	<p>2021 Integrated Report</p> <ul style="list-style-type: none"> Natural Capital, pages 75-78 2021 Task Force on Climate-related Financial Disclosures Report Overview, pages 1-3 Metrics and targets, pages 15-17 <p>2021 Environmental, Social and Governance Report</p> <ul style="list-style-type: none"> Climate change risks and opportunities, page 45



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<p>Principle 2: Impact and target setting</p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>		
<p>2.3 Plans for target implementation and monitoring</p> <p>Show that the bank has defined actions and milestones to meet the set targets.</p> <p>Show that the bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>Performance against the targets in 2.2 is monitored by the Board Social, Sustainability and Ethics Committee and the Group Risk and Capital Management Committee. From a management perspective, the Group Chief Executive Officer, the Financial Director, the Group Executive Committee and the Executive Risk Committee monitor the performance. Below the Group Executive Committee, a Sustainability Risk Working Group monitors and reports on how Sustainability Risk is implemented, while a Sustainable Finance Committee covers the opportunity side of climate change.</p> <p>Annual reporting on our progress is contained in our Environmental, Social and Governance Report and Task Force on Climate-related Financial Disclosures Report, both of which are considered and approved for publication by the Social, Sustainability and Ethics Committee.</p> <p>Note that sustainability performance is included in the group's short-term and long-term incentives, with a weighting of 10%. Targets here include the annual targets for CIB's ESG-related financing and our exposure to climate sensitive sectors, among others. In addition, our non-financial measures include customer and digital, plus employees, with weightings of 5% each.</p>	<p>2021 Environment, Social and Governance Report</p> <ul style="list-style-type: none"> Social, Sustainability and Ethics Committee, pages 1-2 <p>2021 Task Force on Climate-related Financial Disclosures Report</p> <ul style="list-style-type: none"> Governance, page 4
<p>2.4 Progress on implementing targets</p> <p>For each target separately:</p> <p>Show that the bank has implemented the actions it had previously defined to meet the set target.</p> <p>Or explain why actions could not be implemented/ needed to be changed, and how your bank is adapting its plan to meet its set target.</p> <p>Report on the bank's progress over the last 12 months (up to 18 months when first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in.</p>	<p>In 2021, CIB provided R19 billion of ESG-related funding, almost double its R10 billion target. CIB's clients were extremely successful in the fifth round of the South African Government's procurement round of the Renewable Energy Independent Power Producer Procurement (REIPPP) programme. They were selected as preferred bidders in 21 of the 25 projects with total debt of roughly R36 billion. Financial close on these deals is expected in late 2022. During 2021, we were also appointed lead arranger in Globeleq's R5.2 billion senior debt refinancing of three renewable power plants, plus the R11.6 billion Redstone project in the Northern Cape.</p> <p>Similarly, Relationship Banking in South Africa approved R493 million of solar and battery funding in 2021, in line with its R0.5 billion target for the year and roughly double its 2020 level.</p> <p>Our recently published short-, medium- and long-term targets for total exposure (limits and loans) to the oil, gas and coal sectors use 2021 as a base. The same applies to our target for renewable energy financing as a percent of group loans.</p> <p>In terms of reducing our own carbon emissions, the overall cumulative decrease was 35% by 2021, in large part due to remote working and reduced business travel, comfortably ahead of our 51% reduction target by 2030.</p> <p>Note that sustainability performance is included in the group's short-term and long-term incentives, with a weighting of 10%. Targets here include the annual targets for CIB's ESG-related financing and our exposure to climate sensitive sectors, among others.</p>	<p>2021 Environmental, Social and Governance Report</p> <ul style="list-style-type: none"> Key topics and concerns raised, page 30 <p>2021 Task Force on Climate-related Financial Disclosures Report</p> <ul style="list-style-type: none"> Overview, pages 1-3 Metrics and targets, pages 15-17 <p>2021 Integrated Report</p> <ul style="list-style-type: none"> Natural Capital, pages 75-78



Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
<p>Principle 3: Clients and customers</p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>		
<p>3.1 Provide an overview of the policies and practices the bank has in place, and/or is planning to put in place, to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>Ethics and integrity, including treating customers fairly; and Financial Services Sector Disclosures in our Environmental, Social and Governance Report provides information, including the respective management approaches, on the key ESG topics that are important to sound and responsible relationships with our customers.</p> <p>These topics include, but are not limited to, culture, ethics and conduct (whistleblowing, financial crime and cybersecurity), responsible banking and lending, diversity and human rights.</p> <p>For example, The Absa Way Code of Ethics details the expected set of behaviours when engaging with our customers, as well as fellow employees, shareholders, government, regulators, business partners, suppliers, competitors and the broader community.</p> <p>Moreover, our Product Policy deals specifically with the suitability of products for the target market, transparency of product features and responsible selling and after sales service.</p>	<p>2021 Integrated Report</p> <ul style="list-style-type: none"> Governance outcomes, pages 87-91 <p>2021 Environment, Social and Governance Report</p> <ul style="list-style-type: none"> Ethics and integrity, pages 13-16 Financial Services Sector Disclosures, pages 79-90
<p>3.2 Describe how your bank has worked with, and/or is planning to work with, its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>There are numerous examples of working with our customers to achieve positive outcomes in our Environmental, Social and Governance Report, ranging across individuals, SMEs, Relationship Banking, corporate clients, municipalities, provincial governments and governments. These range from specific products (such as our Eco Home Loan, a South African first, in partnership with Balwin Properties) to advising and assisting customers and clients to operate in an environmentally and socially responsible manner.</p> <p>In the last year, CIB met more than 70 of their clients and Relationship Banking South Africa over 100 clients, specifically to discuss sustainability and climate change issues, including advising them how to transition their businesses away from carbon-intensive activities. Moreover, customer education and awareness are important components of our approach to driving renewable energy.</p> <p>CIB supported numerous clients in the fifth round of the South African Government's REIPPP programme. Clients were selected as preferred bidders in 21 of the 25 projects. Cumulatively, we have funded over 5GW of renewable energy in the REIPPP programme, making us the leader by some margin. Notably, Absa also partnered with African Rainbow and Power (AREP) to create a renewable energy investment platform. With approximately R6.5 billion in gross assets, covering 31 renewable projects, it is one of the largest and most diverse independently owned energy businesses in South Africa.</p>	<p>Group Sustainability Policy, page 3</p> <p>2021 Environment, Social and Governance Report</p> <ul style="list-style-type: none"> Financial Services Sector Disclosures, pages 79-90 <p>2021 Task Force on Climate-related Financial Disclosures Report</p> <ul style="list-style-type: none"> Strategy, page 9



Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
<h2 style="margin: 0;">Principle 4: Stakeholders</h2>		
<p style="margin: 0;">We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>		
<p>4.1 Describe which stakeholders (or groups/types of stakeholders) the bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving the bank's impacts. This should include a high-level overview of how the bank has identified relevant stakeholders and what issues were addressed/ results achieved.</p>	<p>We continue to engage with numerous stakeholders on the matters referenced within the PRB and on mitigating our negative impacts, while increasing our positive impacts on society and the environment. Details of this engagement is set out in our reporting suite. These interactions include, among others:</p> <ul style="list-style-type: none"> • employees; • customers and clients across our operations; • shareholders, investors and sell-side analysts; • regulators, in South Africa and our Africa regions; • local, provincial and national governments; • business associations, including the Banking Association of South Africa, the National Business Initiative; • universities and think tanks; • consulting firms; • non-governmental organisations and climate change activists; • numerous international ESG rating groups; and • credit rating agencies. 	<p>2021 Integrated Report</p> <ul style="list-style-type: none"> • Material matters, pages 30-38 • Social and relationship capital, pages 64 to 74 • Natural Capital, pages 75-78 <p>2021 Environmental, Social and Governance Report</p> <ul style="list-style-type: none"> • An active force for good in everything we do, page 3 • Contributing to the SDGs, page 3 • External initiatives, pages 9-10 • Key impacts, risks and opportunities, pages 10-12 • Stakeholder engagement, pages 25-26 • Key topics and concerns raised, pages 28-38 • Material topics, pages 32-35 <p>2021 Task Force on Climate-related Financial Disclosures Report</p> <ul style="list-style-type: none"> • Absa's climate change response, page 2 • Strategy, pages 5-9



Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
<h2 style="color: white; background-color: #c00000; padding: 5px;">Principle 5: Governance and culture</h2>		
<p style="color: white; background-color: #c00000; padding: 5px;">We will implement our commitment to these principles through effective governance and a culture of responsible banking.</p>		
<p>5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the principles.</p>	<p>Our Social, Sustainability and Ethics Committee is mandated, on behalf of our Group Board, to oversee social and environmental issues, as well as conduct and ethics, reputation and people risks. Group Sustainability presents updates on the group's progress on implementing the PRB to this Committee. Our Social, Sustainability and Ethics Committee Chairman provides a summary to the Board on the matters deliberated by the committee. The Board remains responsible for establishing effective governance structures to provide oversight on implementation of the PRB and for approving the Group's risk appetite and key frameworks and policies.</p> <p>At management level, our Group Executive Committee, oversees our strategic sustainability programme. Group Sustainability, responsible for implementing the PRB, reports to the Group Financial Director. Below the Group Executive Committee, a Sustainability Risk Working Group has been established to monitor and report on how Sustainability Risk is implemented (see details in 1.2). This reports into the group Executive Risk Committee. In addition, a Sustainable Finance Committee involving all the relevant executives across the group, covers the opportunity side of climate change. It tracks performance versus our sustainable finance targets in 2.2, as well as client engagement to assist our clients to transition to less carbon-intensive businesses.</p> <p>Our Group Board and Executive Committee monitor the group's performance against a balanced scorecard, which includes a meaningful environmental and social component that is included in the Board Remuneration Committee's decision-making process for employee incentives.</p>	<p>2021 Integrated Report</p> <ul style="list-style-type: none"> • Material matters, pages 30-38 • Social and relationship capital, pages 64 to 74 • Natural Capital, pages 75-78 <p>2021 Environmental, Social and Governance Report</p> <ul style="list-style-type: none"> • An active force for good in everything we do, page 3 • Contributing to the SDGs, page 3 • External initiatives, pages 9-10 • Key impacts, risks and opportunities, pages 10-12 • Stakeholder engagement, pages 25-26 • Key topics and concerns raised, pages 28-38 • Material topics, pages 32-35 <p>2021 Task Force on Climate-related Financial Disclosures Report</p> <ul style="list-style-type: none"> • Governance, page 4 • Strategy, pages 5-9 <p>2021 Remuneration Report, page 12</p>



Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
<p>Principle 5: Governance and culture</p> <p>We will implement our commitment to these principles through effective governance and a culture of responsible banking.</p>		
<p>5.2 Describe the initiatives and measures the bank has implemented, or is planning to implement, to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity-building, inclusion in remuneration structures and performance management, and leadership communication, amongst others.</p>	<p>We established a group sustainability team responsible for implementing the PRB, among others in 2019. Thereafter we created a sustainable finance team in CIB in July 2020, followed by a group sustainability risk team in December 2020.</p> <p>We are currently in the process of rolling out our new ESG strategy across the group, as part of our cultural transformation.</p> <p>Raising awareness and training employees is critical to ensure that risks and opportunities are integrated into our activities. This provides employees with the requisite knowledge to engage with clients and customers on climate change and the transition to a lower-carbon economy, as well as social issues.</p> <p>Training has included presentations to our Board and employees from academics and experts on South Africa's energy sector and long-term climate forecasts for sub-Saharan Africa. In October 2021, the National Business Initiative presented on climate pathways and a just transition for South Africa at our Chairman's annual conference for Chairmen and the boards of our Absa Regional Operations. Group Sustainability Risk has developed and conducted training on our ESMS to over 800 employees to date (manually and online). In conjunction with Group Learning and Development, it launched mandatory online training on the ESMS and general awareness on climate change to selected individuals in February 2022. Accelerating such training is a key deliverable for group sustainability.</p> <p>Note that sustainability performance is included in the group's short-term and long-term incentives, with a weighting of 10%. Targets here include the annual targets for CIB's ESG-related financing and our exposure to climate sensitive sectors, among others. In addition, our non-financial measures include customer and digital, plus employees (diversity and inclusion), with weightings of 5% each.</p>	<p>2021 Environmental, Social and Governance Report</p> <ul style="list-style-type: none"> • Contributing to the SDGs, page 3 • Key impacts, risks and opportunities, pages 10-12 • Key topics and concerns raised, pages 28-38 <p>2021 Task Force on Climate-related Financial Disclosures Report</p> <ul style="list-style-type: none"> • Governance, page 4 • Strategy, pages 5-9 <p>2021 Remuneration Report, page 12</p>
<p>5.3 Governance structure for implementation of the Principles Show that the bank has a governance structure in place for the implementation of the PRB, including:</p> <p>a) target setting and actions to achieve targets set; and</p> <p>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>Our governance structure outlined in 5.1 includes oversight of the PRB, as well as the Group's broad environmental, social and governance performance, including target setting and performance monitoring against the targets in 2.2, among others. Our Social, Sustainability and Ethics Committee summary report back, including the topics on which it focused in 2021, is included in our Environmental, Social and Governance Report. Group sustainability reports back to the Committee on progress in implementing the PRB across the group, with the most recent update in February 2022.</p>	<p>2021 Environmental, Social and Governance Report</p> <ul style="list-style-type: none"> • Social, Sustainability and Ethics Committee, pages 1-2 <p>2021 Task Force on Climate-related Financial Disclosures Report</p> <ul style="list-style-type: none"> • Governance, page 4 • Metrics and targets, pages 15-17



Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
<h2>Principle 6: Transparency and accountability</h2>		
<p>We will periodically review our individual and collective implementation of these principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>		
<p>6.1 Progress on implementing the Principles for Responsible Banking</p> <p>Show that the bank has progressed on implementing the six Principles over the last 12 months (up to 18 months when first reporting after becoming a signatory) in addition to the setting and implementation of targets in a minimum of two areas (see 2.1-2.4).</p> <p>Show that the bank has considered existing and emerging international/regional good practices relevant to the implementation of the six PRB. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these principles.</p>	<p>Various reports within our 2021 integrated reporting suite provide an update on the Group's activities in relation to the PRB and the underlying principles (although these may not be explicitly referenced). Our disclosures cover a range of topics, including but not limited to, ethical and responsible business practices, diversity, access to safe and accessible financial services, environmental and social risks and opportunities in lending, climate change and broader corporate citizenship activities, such as support for institutions that promote democracies and just societies.</p> <p>Our Integrated Report is prepared in accordance with the International Integrated Reporting Councils' <IR> Framework (2021), and our Environmental, Social and Governance Report is in accordance with the Global Reporting Initiative G4 Standards. Both reports reference the King Code of Corporate Governance, which explicitly refers to the interlinkage between strategy and environmental and social performance. Our Broad-Based Black Economic Empowerment Report (South African operations) details our progress against the transformation ambitions of the South African Financial Sector Code. We released our second Task Force on Climate-related Disclosures report on 25 May 2022.</p> <p>In the past year, we have made progress in implementing the PRB, including among others:</p> <ul style="list-style-type: none"> • We continued assessing material issues for stakeholders and analysed the significant positive and negative impacts of our business; • We prioritised six SDGs for the group, which included benchmarking our local and global peers; • Our Board approved a new group ESG strategy, with managing climate change risks and opportunities and inclusive finance as key priorities; • As an initial step in setting a net zero carbon emission target, we calculated the indirect or financed emissions from our real estate and agriculture lending, using the PCAF methodology (partnering with experts); • We also published short-, medium- and long-term targets for our lending to the oil, gas and coal sectors; • We increased interaction with clients and customers to help them to manage their transition to a less carbon-intensive economy; • We announced a refreshed coal financing standard, plus an oil and gas financing standard, and a mining, metals, minerals and precious/semi-precious stones financing standard; • We assessed climate change physical risk across both our agriculture and real estate lending portfolios, using long-term scenarios to 2050 (partnering with experts); • We also achieved pleasing growth in our affordable housing book, and in ARO with our mobile lending partnerships; and • We included non-financial metrics in our short- and long-term incentives. <p>In feedback to our Social, Sustainability and Ethics Committee on our implementation of the PRBs, we benchmarked our progress against global peers using UNEP Finance Initiative's 2021 Responsible Banking: Building Foundations report.</p>	<p>2021 Integrated Report</p> <p>2021 Environmental, Social and Governance Report</p> <p>2021 Task Force on Climate-related Financial Disclosures</p> <p>2021 Broad-Based Black Economic Empowerment Report</p> <p>2021 Remuneration Report</p>



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