Absa Group Limited

Climate Report 2023

About our Climate Report

Scope and reporting period

Our Climate Report conveys the advances we have made in addressing climate-related risks and unlocking opportunities and progress made in implementing the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations.

This report covers 1 January 2023 to 31 December 2023 and includes notable or material events after this period.

The data provided in this report – both financial and non-financial – pertains to Absa Group Limited (the Group) as the reporting entity, which includes all entities over which we have control or significant influence.

Currency and measurement

All amounts in this report are in South African rands unless otherwise stated. Measurements are metric unless otherwise noted.

Feedback

We welcome feedback on this report and any aspect of our sustainability performance. Please address all feedback to Absa Group Strategy and Sustainability Function via email to *sustainabilitymatters@absa.africa*.

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 independent external service providers, ensure the accuracy of disclosures within all 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 Committee, Remuneration, Directors' Affairs, Group Audit and Compliance, and Group Risk and Capital Management committees.

Deloitte provided limited assurance on selected sustainability key performance indicators for the year ended 31 December 2023. Please refer to Deloitte's limited assurance conclusion detailed on page 46.

Our full integrated reporting suite is available on *www.absa.africa*.

Oversight and approval of the report

The accountability of our sustainability strategy and reporting is part of the Social Sustainability and Ethics Committee's (SSEC) mandate.

On behalf of the Board, the Committee is of the opinion that this report presents a fair and balanced view of our climate disclosures.

The Committee approved the report on 19 March 2024.

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King IV application

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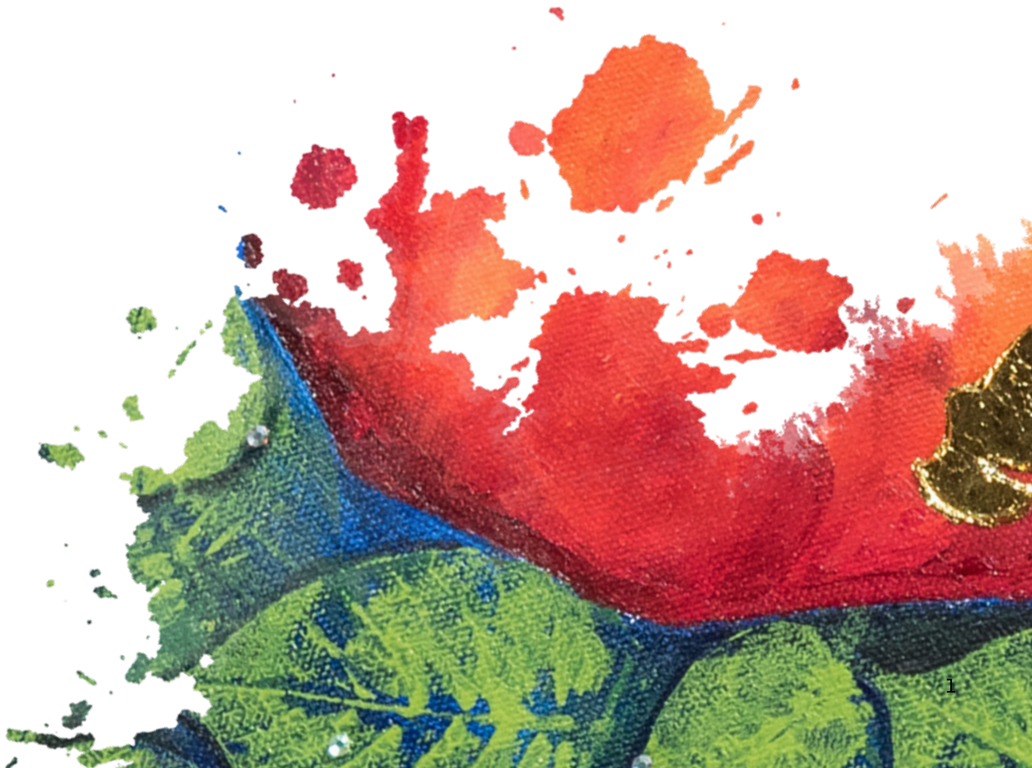
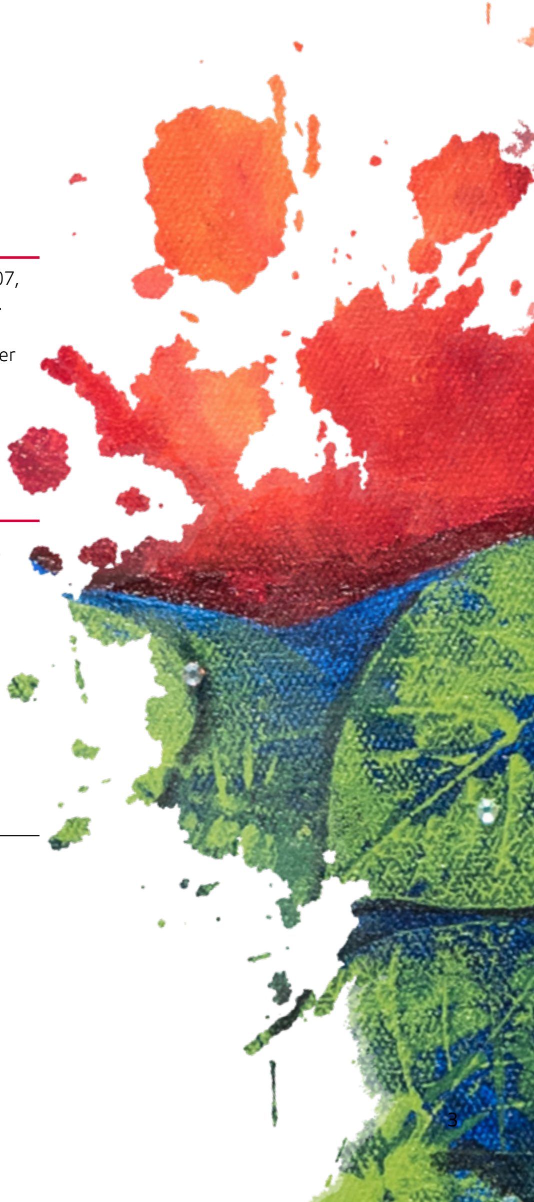


Our Group annual reporting suite

	 **Annual Consolidated and Separate Financial statements (Group and Bank)**	 **Integrated Report**	 **Sustainability Report** **Sustainability data disclosure Limited Assurance Report**	 **Climate Report**	 **Principles for Responsible Banking**
Description	Our Financial Statements present details of our annual financial performance, including a balance sheet, statement of profit and loss, statement of changes in equity, cash flow statement, and notes to the financial statements.	Our integrated report is our primary report to our investors. It aims to explain our holistic enterprise value to providers of financial capital. It connects our material matters (financial materiality) to financial disclosures, thereby demonstrating how governance, strategy and risk management could affect enterprise value.	Our Sustainability Report aims to communicate our approach, performance and impact on material sustainability matters.	Our Climate Report aims to convey the advances we have made in understanding and addressing climate-related risks and unlocking opportunities, as well as the progress made in implementing the Task Force on Climate-Related Financial Disclosures recommendations.	Our Principles for Responsible Banking Report, aims to provide shareholders with a concise yet sufficiently informed view of the Group's strategy, governance, performance and prospects in the context of our operating environment, reporting on how value is created, protected or eroded over time.
Frameworks	• Banks Act • Companies Act • International Financial Reporting Standards • Johannesburg Stock Exchange Listings Requirements • King IV Report on Corporate Governance for South Africa 2016 (King IV)	• International Financial Reporting Standards Foundation Integrated Reporting Framework (2021) • King IV Report on Corporate Governance™ for South Africa 2016 (King IV).	• Global Reporting Initiative • Johannesburg Stock Exchange Sustainability Disclosure Guidance • United Nations Global Compact Principles • Principles of the Financial Sector Code.	• Financial Stability Board's Task Force on Climate-Related Financial Disclosures) framework.	• United Nations Environment Programme Finance Initiative's Principles for Responsible Banking.

Our Group annual reporting suite continued

			
Remuneration Report	**Broad-Based Black Economic Empowerment Report**	**Pillar III Risk Management Report**	**Tax Transparency Report**
Description			
Our Remuneration Report sets out our Remuneration Policy, which remains fit for purpose and is unchanged. It further sets out our remuneration implementation outcomes for 2023, including for executive directors and prescribed officers.	Our Broad-Based Black Economic Empowerment Report demonstrates our progress in meeting its aim of achieving transformation, diversity and inclusion meaningfully and sustainably, using our financial resources, the expertise of our people and our infrastructure, as we simultaneously transform our organisation.	Our Pillar 3 Risk Management Reports offer the required quarterly perspective on our risk, liquidity and capital governance and risk management positions, serving as additional information for investors to support their decision-making process.	Our tax transparency report, aligned with GRI 207, details our country by country tax contributions. It highlights our commitment to sustainable governance, ethical tax practices, and stakeholder engagement, emphasising transparency and responsibility.
Frameworks			
• Banks Act • Basel Committee on Banking Supervision Pillar 3 disclosure requirements • Companies Act • Johannesburg Stock Exchange Listings Requirements • South African Prudential Authority's Governance of Insurers standards • Local remuneration-related legislative and regulatory requirements in countries in which we operate.	• Principles of the Financial Sector Code • South Africa's Broad-Based Black Economic Empowerment Amendment Act.	• Basel Committee on Banking Supervision Pillar 3 disclosure requirements (Pillar 3 Standard) • Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), where not superseded by the Pillar 3 disclosure requirements.	• Enacted tax legislation • Global Reporting Initiative 207: Tax 2019.



Overview

Chief Executive Officer's message

Arrie Rautenbach
Group Chief Executive Officer

"Advancing towards net zero: we have set 2030 fossil fuels reduction goals."

The year 2023 was pivotal for our climate strategy: we published our net zero statement, defining a clear pathway to achieve net zero emissions by 2050, and initiated our financed emissions reduction roadmap, targeting our most carbon-intensive sectors first.

Following globally recognised methodologies, we set targets to reduce coal financed absolute emissions by 25% and oil and gas physical intensity by 9% by 2030. These targets are linked to our remuneration plan, ensuring accountability across the Group. This signals a maturity step in our approach to tackle climate change. We will keep expanding, reviewing and improving our efforts in this regard.

Net zero pledge shifting the dial on climate action

At Absa, we understand the profound impact of climate change on Africa's socioeconomic conditions. Being an active force for good in our communities is deeply ingrained in our purpose and values. We have embraced sustainability as a cornerstone of our business strategy, recognising our responsibility to mitigate our environmental footprint and lead by example in the transition to a low-carbon economy.

With oversight from our SSEC we have made good progress on climate action in the year.

We advocate for a just transition that balances social inclusion and decent employment with the imperatives to protect the environment. In managing carbon emissions reductions and our climate-related opportunities, we consider energy needs, economic development and environmental sustainability to ensure we align with the just transition.

Our coal targets outlined above follow a balanced approach, recognising the imperative to transition to cleaner energy sources, while addressing South Africa's immediate energy crisis. Our oil and gas targets take into consideration our view that gas is an important transition fuel and an important source for grid stability.

Since 2018, we have reduced our own emissions by 33% against a 2030 target of 51%. We exceeded our targets in water conservation and material consumption reduction but were under pressure with our diesel usage due to loadshedding, underlying the importance to shift to renewable energy sources.

We are set to meet our target of providing R100 billion in sustainable financing by 2025. We have reached over 80% of this target.

We have updated our Group scorecard to incorporate new short-term and long-term metrics, including our own carbon emissions reduction and the number of climate-sensitive sectors with net zero pathways. We integrated climate goals into our remuneration incentive scorecards and risk assessments, ensuring that climate considerations are embedded throughout our business operations.

We developed and provided an extensive training programme for our board members, executives and colleagues, aimed at fostering a deep understanding of climate-related risks and opportunities. The strong attendance and engagement supports our ongoing effort to improve the culture of sustainability within the Group.

We support our clients in transitioning to a net zero economy, offering sustainable finance opportunities and providing tangible solutions for sustainable power generation through a key partner.

To better understand and manage climate-related risks, we have started work to enhance our data management process to create robust risk data aggregation capabilities.

Our participation in global forums such as COP28 and the World Economic Forum have been important for our leadership to engage with peers on complexities and solutions related to global climate policy and seek to amplify our impact through strategic partnerships.

We engaged with regulatory authorities such as the South African Reserve Bank's Prudential Authority and the Financial Sector Conduct Authority, providing transparency towards our approach to climate change.

Looking forward

We are driven to continuously improve on the above developments and iterate our approach based on learnings and engagements with stakeholders. Key developments going forward include:

We will identify and set additional sector-specific pathways for our other climate-sensitive sectors within our financed emissions framework. Our goal is to add at least one new pathway per year from these sectors, which includes agriculture, real estate, transport and logistics, manufacturing and construction.

We will continue to enhance our risk assessment methodologies through improved data capabilities and more comprehensive scenario testing. We will consider and assess the unique challenges the different sectors and regions face, and will develop, implement and refine strategies for a balanced approach to transition risks.

The International Sustainability Standards Board has assumed oversight of the Taskforce on Climate-Related Financial Disclosures, which guides our approach to climate-related risks and opportunities. We will explore aligning with the IFRS S2 climate-related disclosures in future reports.

Our focus remains on deepening our impact, refining our strategies, and continuing to lead by example in the fight against climate change. We invite our stakeholders to join us on this journey, as together, we can forge a path to a resilient and prosperous future for all.

2023 Highlights

Targeting a ***25% absolute reduction*** in ***coal-financed*** emissions and a ***9% decrease in physical intensity*** for ***oil*** and gas by 2030, based on our 2022 baseline.

Continue to support the South African government's renewable power programme.

Mandated lead arranger and lender for three ***Red Rocket renewable energy projects*** valued at approximately ***R12 billion***, which will add ***364MW*** of capacity to the grid.

Surpass ***80% of our R100 billion*** sustainable finance goal for 2025, catalysing ***4 025MW*** in clean energy infrastructure.

Financing of ***318 solar projects*** for R1.1 billion in Retail, surpassing 86% of our five-year ***R2.5 billion renewable energy*** target in just three years.

93rd percentile (2022: 89th percentile) ranking on S&P Global and CDP rating B.

Nearing our own emissions goal with a ***33% reduction in carbon emissions***, achieved against the 2030 target of 51%.

Pioneered the ***clean energy shift*** with green power purchase agreements, ***solar investments*** in our operations amid South African energy challenges and being lead arranger and financier of three wind energy projects worth ***R12 billion.***

Our climate action journey

2019

- Joined Principles for Responsible Banking as a founding signatory.

2020

- Published our sustainability policy and our standard on coal financing
- Set 51% reduction target in own carbon emissions by 2030 from our 2018 baseline
- Published first standalone TCFD report.

2021

- Set a sustainable finance target of R100 billion by the end of 2025.

2022

- Published our Sustainable Finance Issuance Framework.

2023

- Set target to be net zero by 2050 for Scope 1, 2, and 3 of financed and own operations emissions
- Set 25% absolute reduction target in coal financed emissions by 2030 from our 2022 baseline
- Set 9% reduction target in the physical intensity of oil and gas by 2030 from our 2022 baseline.

2024

- Establish additional carbon emissions pathways for financed emissions targets within high-emitting sectors.

2025

- Meet sustainable finance target of R100 billion.

2030

- Meet 51% reduction target in own carbon emissions
- Meet 25% absolute reduction target in coal-financed emissions
- Meet 9% reduction target in the physical intensity of oil and gas.

2050

- Achieve net zero targets for Scope 1, 2 and 3 emissions.

Our climate action deliverables

Sustainability initiatives and governance

- Became a founding signatory of the Principles for Responsible Banking in 2019
- Enhanced sustainability frameworks and approved sector-specific financing standards to support sensitive sectors
- Elevated sustainability risk to a principal risk type within our Enterprise Risk Management Framework.

Renewable energy funding achievements

- Facilitated various renewable energy projects including solar photovoltaics and wind farms with significant capital investments
- Launched Africa's first certified green loan in partnership with the International Finance Corporation.
- Established as Africa's largest funder of renewables by 2022

Climate risk and strategy integration

- Announced a long-term ambition to reach net zero by 2050, covering Scope 1, 2, and 3 emissions
- Set and started implementing emission reduction targets for coal, oil, and gas sectors
- Enhanced Group-wide sustainability metrics, targets, and initiated climate risk stress testing.

Climate action capacity building

- Initiated Group-wide sustainability training, achieving over 60% employee participation
- Conducted comprehensive Masterclass training for board members on climate risk management.

Significant achievements

- Issued our inaugural green bond, raising substantial funds for renewable energy projects
- Led sustainability-linked transactions to encourage lower carbon emissions in the mining sector and beyond
- Acted as sustainability coordinator and lender for major renewable projects, enhancing our impact on the transition to a low-carbon economy.

Future goals and commitments

- Commit to reducing operational emissions by 51% from 2018 levels by 2030
- Aim for a significant reduction in financed emissions from coal and oil and gas lending portfolios by 2030
- Focus on integrating sustainability into our culture, decision-making, and advancing our data management project for non-financial information.

Looking forward

- We continue to align our actions with global sustainability standards, focusing on measurable impacts and strategic risk management to ensure a resilient and sustainable future.

Climate-related disclosures framework and progress update

We recognise the stakeholder, enterprise and investor value of aligning with the global recommendations for climate-related financial disclosures as articulated in the Financial Stability Board's TCFD recommendations. These recommendations provide a comprehensive and rigorous framework for understanding and analysing climate-related risks. The recommendations, which are structured under four pillars, were published in June 2017, and are applicable to organisations across sectors and jurisdictions[1].

Our systematic approach thus seeks to ensure the effective management and disclosure of our climate-related risks, governance, implications for our strategy, financial planning, and opportunity sets. It also seeks to ensure we set appropriate metrics and ambitious targets. It is an ongoing process that incorporates best practices and global standards while remaining aligned with our company values, codes of business ethics and laws of the countries in which we operate.

Governance

This pillar determines the disclosure of our company's governance relating to climate-related risks and opportunities. Investors and other stakeholders have placed heightened attention on governance and risk management practices given the importance to a company in achieving its strategy and business objectives. Disclosures in this pillar assist others in understanding the role our company's board plays in overseeing climate-related issues as well as management's role in assessing and managing those issues.

Diving deeper: 13 Governance

Strategy

This pillar requires disclosure of the actual and potential impacts of climate-related risks and opportunities on our businesses, strategy, and financial planning. In so doing, it provides information to investors and other users to better assess our potential future performance and competitiveness.

Diving deeper: 18 Strategy

Risk management

This pillar requires us to conduct a critical review and disclosure of the processes we use to identify, assess, and manage climate-related risks. The information supports users of climate-related financial disclosures in evaluating our company's overall risk profile and risk management activities.

Diving deeper: 26 Risk management

Metrics and targets

This pillar requires that we disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities. This allows investors and other stakeholders to better assess our potential risk-adjusted returns, general exposure to climate-related issues, and progress in managing or adapting to those issues.

Diving deeper: 32 Metrics and targets

[1] We recognise the transition from TCFD to IFRS S2 and will explore aligning with IFRS S2 in future climate disclosures.

Climate-related financial risks and opportunities

Current approach and initiatives

- We work continually to advance our understanding and management of climate-related risks, focusing on transition risks within our clients' sectors and enhancing our data collection and integration to improve risk assessments
- We have identified the need for enhanced data management to better quantify financed emissions and are developing robust risk data aggregation capabilities as part of our Basel Climate Risk Programme
- Our strategic efforts include integrating climate risks into our business processes, particularly focusing on fossil fuels financed emission reduction targets.

Future strategies and focus areas

- Expand the scope to include more climate-sensitive sectors within our financed emissions framework
- Continue enhancing our risk assessment methodologies through improved data capabilities and more comprehensive scenario testing
- Develop and implement strategies for a balanced approach to transition risks, considering the unique challenges of different sectors and regions we operate in.

Just transition and social equity

- Our approach to setting targets acknowledges the need for a just and inclusive transition towards a sustainable, low-carbon economy, considering the unique challenges in Africa
- We support clients in transitioning to a low-carbon economy and adjust targets based on evolving climate science and decarbonisation scenarios.

Metrics and targets for transparency and accountability

- We strive always to set clear measurable targets for reducing our financed emissions, aligned with global climate goals and regional development needs
- Our targets are informed by scenarios that consider the transition to a low-carbon economy, reflecting our commitment to a just and inclusive transition
- We will regularly review and update our targets to ensure they remain ambitious and relevant, providing clear reporting to stakeholders on our progress.

Monitoring and reporting

- We will continue to refine our methodologies and reporting, ensuring transparency in our progress towards achieving net zero emissions by 2050
- Our annual reporting will include updates on financed emissions, the implementation of our climate risk management strategy, and our progress towards emission reduction targets.

> “Our approach to target setting acknowledges the need for a just and inclusive transition, considering the unique challenges in Africa.”

Our position on climate action

We reaffirmed our declared ambition, first made in 2023, to achieve net zero greenhouse gas emissions by 2050 across operational and financed Scope 1, 2, and 3 emissions. This pledge underscores the determination of Africa's leading financier of renewable energies to foster a low carbon economy and be an active force for good.

Recognising Africa's particularly acute vulnerability to climate change and the developmental needs of its people, our strategy integrates environmental, social, and governance principles across our operations to drive long-term value and empower Africa's future on this journey to net zero.

We recognises the importance of not leaving citizens behind as it transitions to net zero. Risks from one set of clients affect other clients and society at large. We have a particular responsibility, given the size and scope of our operations in Africa, to understand and manage this complex transition with a diverse range of stakeholders.

Objectives and guiding principles

Our net zero ambition aligns with the United Nations Framework Convention on Climate Change and the Paris Agreement, striving to mitigate global warming while ensuring an equitable transition for all communities.

A finite global carbon budget underscores the urgent need for prompt action to mitigate climate change, highlighting the necessity of immediate and significant measures to avoid more drastic interventions later. This mitigation aims to avoid potential negative consequences for clients and society. We aim to play our proportionate part in global efforts to limit global warming to well below 2°C above pre-industrial levels, striving for a 1.5°C limit. Achieving this goal will require a global emission peak by 2030, followed by rapid reductions towards net zero by 2050.

While following this trajectory, development and just transition needs in Africa must be addressed. Furthermore Africa's individual state sovereign Nationally Determined Contributions must be taken into account. We will take an iterative approach, updating our strategy as data, methodologies, and climate science evolve.

Sectoral targets on financed emissions

During 2023 we developed initial emission reduction targets for our lending portfolio in the fossil fuels sectors, including coal, oil and gas. Our targets are based on global scenarios which align with net zero and development imperatives. We initially focused on our South African activities. We will expand these targets to other sectors and regions of our operations going forward.

Coal

Our balanced approach to the coal value chain recognises the imperative to transition to cleaner energy sources, while addressing South Africa's immediate energy crisis. We will not finance new coal-fired power plants (whether publicly or privately owned) but remain open to supporting the refurbishment of existing coal-fired power stations where this is consistent with South Africa's own carbon budget and in line with our goal of enhancing efficiency and reducing carbon emissions.

In 2023, we set a 25% absolute reduction target in coal financed emissions by 2030 from our 2022 baseline. The reduction is aligned to the expected decline in African coal production, according to the International Energy Agency Announced Pledges Scenario.

Oil and gas

We believe gas is an important transition fuel critical to achieving a just transition, and plays an important role in grid stability and the pathway towards greater renewables penetration on grids as technology evolves. We believe that gas can be sourced more responsibly and so our intensity-based target for oil and gas aims to encourage this transition to cleaner energy sources and a reduction in methane emissions.

In 2023, we set a 9% physical intensity reduction target in oil and gas financed emissions by 2030 from our 2022 baseline. This focuses on companies primarily involved in oil and natural gas production. The reduction is in line with global oil and gas CO_2 emissions projections in the Announced Pledges Scenario.

Renewable energy

We continue to cement our place as one of Africa's leading renewable energy financiers. We continue to support South Africa's Renewable Energy Independent Power Producer's Procurement Programme. Since its inception, we have mobilised and arranged a total of R119.6 billion to support 43 different projects, resulting in the development of 4 025MW of clean energy infrastructure.

We also aim to be a leading player in the rapidly-emerging private generation market, and understand the need to fund associated and enabling technologies like batteries and particularly transmission going forward to ensure the viability of our transition.

In 2023, we reached over 80% of the R100 billion mobilisation target for sustainable finance by 2025. This includes specific targets for wind and solar energy financing demonstrating our leadership in supporting the transition to a zero-carbon energy system.

Operational targets to cut emissions

As a financial institution we make a direct impact on the environment, through energy use, waste generation and water consumption, all of which contribute to resource use and carbon emissions. We aim to reduce our operational and supply chain greenhouse gas emissions by 51% by 2030 from a 2018 baseline, and achieve net zero by 2050.

As we are more than half-way to achieving our 2030 target, we plan to reduce our dependence on diesel and accelerate our transition to cleaner energy sources as load shedding continues to hamper our efforts in South Africa. This includes through the installation of solar photovoltaic and batteries at our facilities and arrangements with energy traders to wheel power to our sites across South Africa.

Financing the energy transition

We have established ourselves as a leader in renewable energy financing, marked by significant milestones such as the issuance of Africa's first green bond and substantial investments in renewable energy platforms. In this position we recognise that we have a key role in ensuring we can support clients and capital markets in matching the supply and demand for capital at scale in the transition.

Our efforts extend to supporting new energy vehicles adoption and applying enhanced due diligence to ensure our financing aligns with our sustainability goals.

Transparency and accountability

Our net zero strategy and sustainability efforts are guided by our commitments as a signatory to the UN Principles for Responsible Banking and the UN Global Compact. We maintain high standards of reporting and disclosure, including adherence to the TCFD and the Principles for Responsible Banking. We will conduct tracking and evaluation of our emissions targets and disclosure our progress annually.

In 2023, we enhanced Group-wide sustainability metrics and targets, including short-term metrics on targets relating to our own carbon emissions reduction and a number of climate sensitive sectors with net zero pathways. Sustainability linked finance is already a key long-term target on the scorecard. These metrics are linked to the short-term and long-term climate-related incentives rewards.

We understand that we are accountable to a wide range of stakeholder as part of the transition.

Continuous improvement

Our net zero declaration reflects our belief in a sustainable future that balances environmental stewardship with Africa's development needs, and the fact that we are on a complex but important journey with a key end goal in sight. We are dedicated to supporting our clients and communities in transitioning to a net zero economy, ensuring access to renewable energy, and fostering sustainable and inclusive growth.

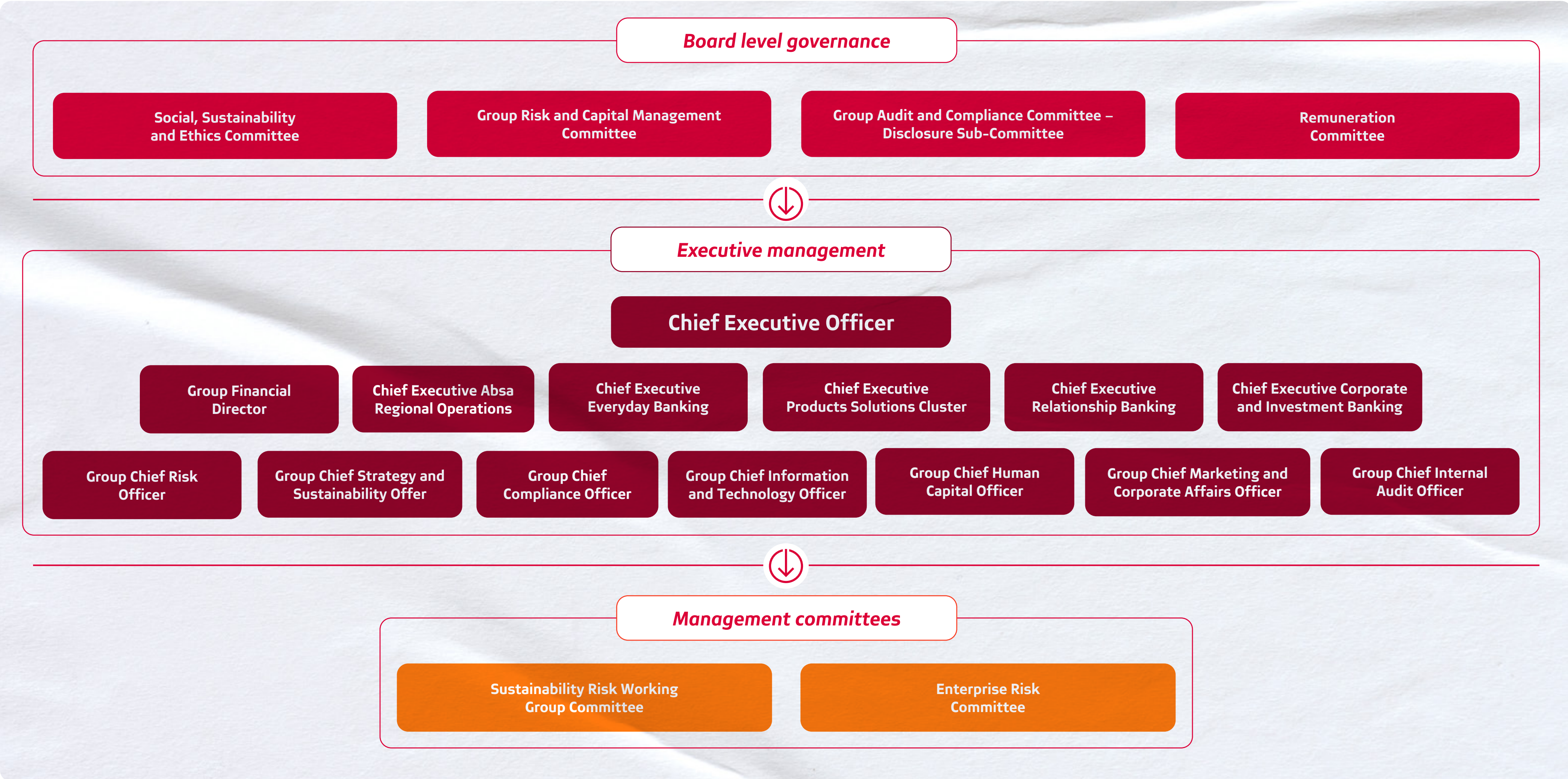
Our policies and practices will undergo regular review and enhancement to continuously align with the dynamic landscape of climate science and technology. This includes setting ambitious targets, engaging in enhanced due diligence (that looks to the inter-related risks between clients and communities), and fostering a culture of sustainability within our staff and operations and across our stakeholder network. Supporting this, in 2023, we launched a Group-wide sustainability training initiative to provide a robust foundation on sustainability principles.

Through strategic investments and innovative financing to drive sustainability, Absa Group is at the forefront of driving the transition towards a sustainable and equitable future for Africa and beyond. Our journey to net zero by 2050 is not just about mitigating climate change but a pledge to empower Africa's tomorrow, ensuring a positive just transition that leaves no one behind.

Governance

Our governance

Board and management structures



> "The SSEC plays a vital role in guiding the Group's climate-related strategies and initiatives."

Board governance and oversight on climate-related risks and opportunities

The Board of Directors at Absa holds the ultimate responsibility for overseeing the Group's comprehensive risk management frameworks and practices, explicitly including the management and integration of climate-related risks. This oversight is critical in ensuring that climate risk considerations are embedded within the strategic decision-making processes across the entire organisation. Annually, the Board reviews and approves the Group's Enterprise Risk Management Framework, which is meticulously designed to identify, evaluate, and manage key risks, aligning with the Group's defined risk appetite and strategic objectives.

To support the Board in fulfilling its governance duties, specialised committees such as the SSEC; Group Risk and Capital Management Committee; Remuneration Committee; and Group Credit Risk Committee, are engaged. These committees are instrumental in providing focused oversight and guidance on various aspects of climate-related risks and opportunities, ensuring that these factors are considered in all relevant business areas.

Roles and responsibilities

Given the Group's commitment to sustainability, our governance structure is designed to ensure clear oversight and strategic alignment with our sustainability ambitions. This is crucial in managing the impacts arising from climate change and addressing broader social issues.

The Social Sustainability and Ethics Committee plays a pivotal role within this structure. It holds the delegated authority from the Board to lead the Group's strategic direction concerning sustainability. This includes overseeing the Group's responses to both global and local sustainability challenges and ensuring that our strategic initiatives align with our overarching sustainability goals. The Committee ensures that our sustainability strategy is robust, relevant, and effectively implemented across the Group.

Within the governance framework, the Board retains ultimate oversight responsibility. The Board does not engage in the operational development of products but ensures that the sustainability initiatives align with the Group's strategic goals and risk management frameworks.

The Group Executive Committee is tasked with integrating sustainability initiatives within the broader corporate strategy. This integration ensures that sustainability is not a standalone concept but a core aspect of our business operations. The executives' responsibilities include aligning roles and managing sustainability-related risks effectively. They are also responsible for promoting a culture of sustainability within the organisation, ensuring that all employees understand their role in achieving our sustainability objectives.

Moreover, the Group Executive Committee plays a crucial role in stakeholder engagement, ensuring that our sustainability efforts resonate with the expectations of our clients, investors, and the broader community. By doing so, they help in aligning our sustainability initiatives with global standards and stakeholder expectations.

Board empowerment and capacity building

In a commitment to informed governance, the Board engages in educational sessions with renowned academics and industry experts focusing on South Africa's energy sector and the broader long-term climate forecasts for sub-Saharan Africa. These sessions aim to equip the Board members with the latest insights and understanding of climate-related challenges and trends affecting the region and the financial sector.

Demonstrating a proactive approach to climate governance, the Board has committed to enhancing climate risk awareness among its members. Over the past year, Board members received Just Transition workshop and detailed presentations on target setting methodology. These initiatives empowers Board members with the knowledge needed to make informed decisions and to provide effective oversight of the Group's climate strategies and policies.

Enhancing climate governance and strategic integration

The SSEC convenes quarterly to review and guide the Group's climate-related strategies and initiatives. This rigorous scrutiny ensures that our climate actions are not only aligned with current best practices but are also strategically integrated with the Group's overarching sustainability goals. In 2023, the SSEC made the following decisions related to climate:

- Approved our financed emissions targets for coal, oil and gas sectors
- Sustainability metrics within Organisational Health in our incentive scorecards refined to include climate-related elements.

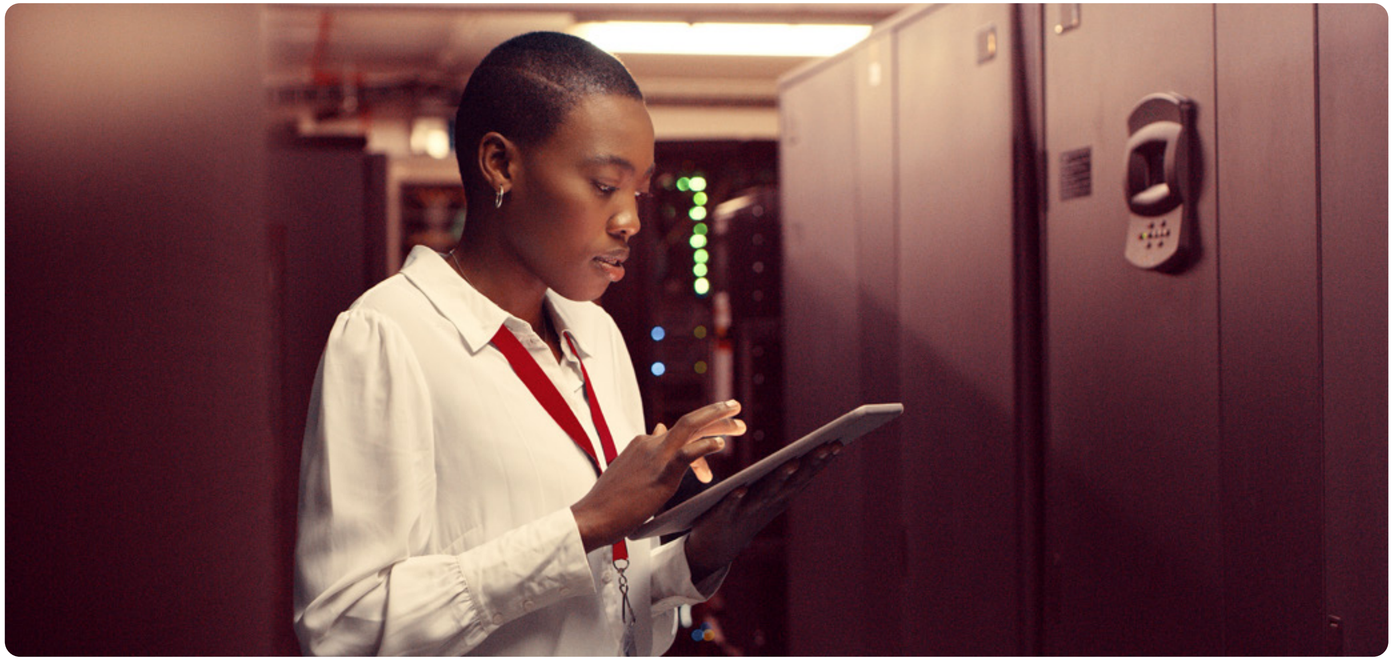
Through these structured governance processes and educational initiatives, our Board of Directors ensures that the organisation remains at the forefront of addressing climate-related risks and opportunities, aligning with the core principles and recommendations of the TCFD. This alignment underscores our commitment to transparency, accountability, and sustainable financial practices, paving the way for a resilient and environmentally conscious future.

Board activities related to climate change

The Board developed and approved the guiding principles to enhance the Group Chief Strategy and Sustainability Officer's ability to assess our climate change efforts and ensure they align with the organisation's sustainability strategic pillars.

We identified and addressed priority areas within Sustainability Risk, including the Basel Regulatory Climate Risk Programme, regulatory developments for Climate Risk management in Absa Regional Operations. It also established a reporting platform for improved data collection to understand and manage the organisation's exposure to climate-sensitive sectors. Additionally, we focused on establishing the organisation's financed emissions baseline for the fossil fuel sector, discussing emission target setting, and making progress on our net zero ambition.

We also initiated a project to establish a central Sustainability Data programme, enhancing our ability to collect quality data for managing sustainability-related disclosures. We addressed organisational resilience and climate-related risks in December 2023, as part of the South African Reserve Bank enquiry. In addition, management engaged with the Financial Sector Conduct Authority in a fact-finding exercise regarding our environmental, social, and governance strategy framework, reflecting growing regulatory interest in climate and sustainability.



We have also implemented sustainability training for employees and engaged with Chapter Zero for the training on sustainability matters for the Executive Committee and Board. A sustainability metrics framework was developed, refining the sustainability Group scorecard.

Strengthening sustainability-related Organisational Health metrics in our incentive scorecards

Our organisation understands the significant role that Organisational Health metrics, including those related to sustainability, play in shaping Management's strategic decisions, and the importance of ensuring alignment in this regard in respect of our short-term and long-term incentives. Sustainability has been strategically included in our overall Organisational Health metric which makes up 20% of the total incentive scorecard. Included in the 20% is 10% linked to sustainability and this applies to short-term and long-term incentives.

For the 2024 long-term incentive, our sustainability targets reflect our commitments to sustainable financing, reductions in Scope 1 and 2 carbon emissions, and advancements in the Scope 3 financed emissions glide-path over the three-year performance period (2024 – 2026) applicable to this award. This strategic focus reflects our strong commitment to environmental stewardship and addresses the broader concerns associated with climate change. For the 2024 short-term incentive, there will be similar focus on appropriate sustainability-related outcomes over the 2024 performance period.

The ongoing emphasis on sustainability-related Organisational Health metrics within our Group Balanced Scorecard and our incentive plans underscores our deeper commitment to sustainability principles, enriched by valuable insights from our shareholders.

We have established comprehensive evaluation frameworks to ensure the robustness and significant impact of these organisational health outcomes. Ongoing engagement between our Remuneration Committee and our SSEC remains crucial for integrating these essential indicators into our overall Group performance strategies.

Committed to responsible corporate conduct and long-term value creation, we will uphold transparency by consistently reporting on our progress and achievements.

Details on the 2024 long-term incentive scorecard are on page 8 of the *Remuneration Report*. We also set out how we have considered sustainability-related outcomes in our 2023 short-term incentive, on page 17 and our 2021 long-term incentive, on page 30.

How we engage with our stakeholders

We recognise that good relationships with stakeholders help us to remain relevant and fulfil our purpose. We engage fully with our stakeholders so that we can respond as a business to their concerns. We carry out these engagements throughout the year, through meetings, forums, presentations, surveys, and more.

We take care to understand our stakeholders' concerns and respond accordingly. We identified our three sustainability priorities of financial inclusion, climate and diversity and inclusion in part through consulting with our stakeholders. We continually measure the quality of our relationships so that we have an informed assessment of our stakeholders' needs and expectations.

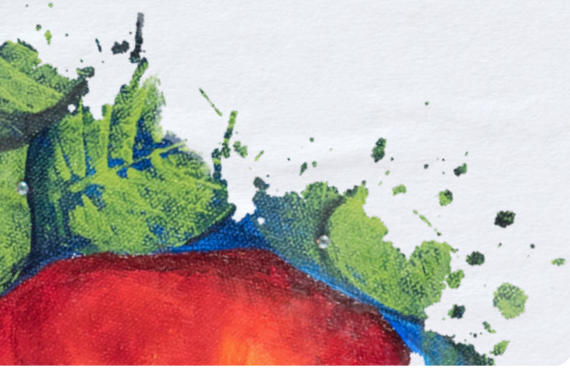
Our stakeholder engagement on climate-related matters is an integral part of our climate management strategy and we are committed to positive environmental and social impact on the African continent through the actions we have taken in this regard. We realise that we can play a significant part in the fight against climate change through our influence as an pan-African bank by engaging with relevant stakeholders on climate issues.

Employees	• We conducted group-wide environmental, social and governance training with a focus on different aspects of climate change • We engaged via panel sessions, Newsflash, videos, and sustainability forums.
Customers	• Our customer-facing employees and client managers underwent environmental, social and governance training, including climate training • We communicated our goals and initiatives around climate change and offered clients sustainable finance opportunities • We launched new products supporting climate change mitigation and adaptation.
Investors	• Sustainability was discussed in the Chairman's annual pre-annual general meeting engagement • Renewable energy progress was included in the investor relations engagement • Sustainability formed part of the results presentations in March and August.
Regulators	• We actively engaged with the Prudential Authority by submitting a comprehensive progress summary on our management of climate-related risks, contributing to the pivotal 'Flavour of The Year' discussion.
Society	• At the World Economic Forum's Industry Strategy Meeting 2023, we played an instrumental role, contributing to pivotal discussions that shape industry strategies for a sustainable future. • In partnership with the Daily Maverick, we co-hosted the 2023 annual The Gathering: Earth Edition conference. This collaboration was a shared endeavor to amplify crucial environmental conversations, demonstrating our dedication to environmental advocacy and public engagement. • At Invest Africa's The Africa Debate 2023, we were key contributors, focusing on how African businesses, including our own, can champion sustainable and inclusive development through trade. Our engagement highlighted our leadership in fostering sustainable business practices across the continent.
Planet	• We actively participated in the 2023 United Nations Conference of the Parties (COP28), where we led discussions on the just transition and sustainable agriculture as the main sponsor of the South African pavilion. These discussions are vital as we aim to shape global climate policy and foster strategic partnerships for a greater impact. • We also engaged in various climate-focused conferences and forums, including a significant roundtable with the United Nations Environmental Programme Finance Initiative. Here, we addressed sustainable finance trends, challenges, and solutions relevant to Africa and the Middle East, emphasising our commitment to driving sustainable development in these regions.

Strategy

Climate strategy

> "We have articulated our purpose and values, defined strategic pillars and took the first step to establish a science-based pathway in addressing climate change."



We have an opportunity and responsibility to plan for and respond to impacts that climate-related risks and opportunities will have on us and our communities in the short, medium and long term. With climate elevated as a priority in our sustainability strategy, our intent is clearly defined and our journey is underway.

We have clarified and articulated our purpose and values, defined strategic pillars and set up our organisation to ensure dedicated efforts to sustainability. Our 2050 net zero commitment is one of the key strategic milestones for climate change and we have developed medium-term targets related to our own emissions and our financed emissions.

A finite global carbon budget underscores the urgent need for prompt action to mitigate climate change, highlighting the need for immediate and significant measures to avoid more drastic interventions later. To limit global warming to well below 2°C, aiming for 1.5°C above pre-industrial levels, we must achieve net zero emissions. This requires peaking global emissions by 2030 and achieving rapid reductions towards net zero by 2050, in line with the Paris Agreement's goals. Such efforts demand unprecedented global collaboration, innovative energy solutions, and a collective shift towards sustainable practices and policies.

The Announced Pledges Scenario addresses development and just transition needs in Africa and is informed by Africa's Nationally Determined Contributions. We will take an iterative approach, updating our strategy as data, methodologies, and climate science evolve.

We continually assess the impact of climate-related risks and opportunities on our businesses, strategy, and financial planning. We evaluate how we can future-proof our bank – as well as our clients and communities – to be resilient in the short, medium and long term.

Promoting sustainability decarbonisation efforts	Lead the transition to green solutions	Enhance climate risk and governance processes	Engage our stakeholders
• Balancing environmental care, social equity, economic growth and reducing emissions.	• Empower our clients to finance green solutions and adopt sustainable practices.	• Actively manage current and emerging climate-related risks through our Enterprise Risk Management Framework, and improve Board skillset and oversight.	• Engage with stakeholders on climate-related topics with a systemic and integrated approach to improve awareness and overall relationships.
Objectives			
• Proceed with the extension of our sector specific baselining for all product lines • Commence documenting and setting sector specific reductions pathways.	• Continue expanding our share of the market for green product offerings. • Mobilise a cumulative R100 billion in sustainable finance (including renewable energy) by end 2025.	• Keep abreast of new Prudential Authority requirements and utilize them to enhance our processes and governance • Align with applicable standards to ensure best practice and strengthen our climate risk management	• Continuously engage our external stakeholders on our ambitions and progress on climate related initiatives • Enhance client understanding and awareness of the climate related products and services we offer

Promoting sustainability decarbonisation efforts

Our commitment to reduce emissions for our lending portfolio in the fossil fuels sectors requires us to support our large, medium and small corporate clients to align with our net zero intent.

Diving deeper: Our targets and sector-specific pathways in the Metrics and targets section on page 37.

In the fossil fuels sector, we link emission targets to pricing to incentivise clients to reduce the absolute emissions on a project or for their organisations. We also support coal clients in their ambition to re-weight their portfolios towards gas.

Oil and gas projects require active environmental and social reviews/action plans, overseen by independent environmental, social and technical consultants. We assess borrowers' transition plans, including targets such as no routine flaring and transitioning to net zero Scope 1 and 2 emissions.

The government's Renewable Energy Independent Power Producer's Procurement Programme is the most significant contributor to South Africa's shift towards decarbonisation. The programme supports the country's commitment to reducing carbon emissions in line with the Paris Agreement and the 2019 Energy Integrated Resource Plan goal to diversify energy resources and reduce reliance on coal. In 2023 we continued to support the South African government's renewable power programme.

- **We acted as mandated lead arranger and lender for three Red Rocket renewable energy projects valued at approximately R12 billion, which will add 364MW of capacity to the grid.**
- **We provided financing to Total Energies and its partners for a major hybrid renewables project, including a 216MW solar plant and a 500MWh battery storage system.**

Lead the transition to green solutions

We are determined to leverage our strategic position to support the transition to a low-carbon economy. To meet these ambitious funding needs and enable the implementation of sustainable and resilient infrastructure, diverse financing options are required, such as capital markets, bank loans and other mechanisms. We can tap into expanding revenue streams that are projected to increase considerably over the medium to long term.

In sustainability-linked financing, we incentivise climate and sustainability progress by linking pricing to defined key performance indicators, encouraging and supporting clients to lower their total emissions and mitigate climate change risks. Collaborating with various organisations, we promote sustainable energy options, such as transitioning from electric to solar photovoltaic geysers, and offering innovative products and services that empower our clients to finance green solutions and adopt sustainable practices.

We have committed to R100 billion in sustainable financing by 2025. Our efforts go beyond addressing energy availability challenges, as we also engage our customers in raising awareness about climate-related risks. Our Corporate and Investment Banking and Relationship Banking clusters met with clients to discuss sustainability and climate change issues, advising them on transitioning their businesses away from carbon-intensive activities and working alongside them to find adequate solutions.

> "Our commitment to reduce emissions requires us to empower our large, medium and small corporate clients to align with our net zero intent."

Our products and services supporting our net zero target

	Corporate and Investment Banking	Relationship Banking	Everyday Banking	Absa Regional Operations	Product Solutions Cluster
Sustainability-linked finance Incentivised products for customers to achieve sustainability targets	✔	✔		✔	
Green deposits The green deposits encompass two offerings: the Absa Fixed Deposit and the Absa Access Deposit Note.	✔	✔			
Green home loan financing Incentivising developers and consumers to embrace sustainable building practices	✔				✔
Financing of climate-related products for individual client base Providing financing solutions that promote the adoption of renewable energy sources by making them more accessible and flexible	✔	✔	✔	✔	✔
Raising awareness on climate related risks Integrating sustainability factors and analysis into engagements	✔	✔	✔	✔	✔

Diving deeper: Integrated Report 2023 – Our Structure, Products and Services

Empowering our client base

As part of our commitment to supporting South African clients in navigating the country's electricity challenges, we have developed innovative products that empower Absa home loan customers to leverage the equity in their homes to finance sustainable solutions. These product solutions include flexible loan structures that enable shorter payment terms and interest savings. Additionally, we offer personal loans and credit card solutions that can be utilised to achieve similar objectives.

The Absa Eco Home Loan is backed by the prestigious Excellence in Design for Greater Efficiencies certification from the Green Building Council of South Africa, ensuring a minimum efficiency of 20% in water, energy, and embodied energy usage in the building. The Absa Eco Home Loan is strategically designed to drive the adoption of green residential buildings by incentivising developers and consumers to embrace sustainable building practices, aligning with Absa's commitment to environmental sustainability and promoting eco-friendly real estate development in the market.

Our efforts are aimed not only at assisting our customers in coping with challenges linked to limited power or energy availability in their homes and businesses, but also actively engaging them to raise awareness about climate-related risks and providing appropriate solutions.

In terms of insurance, our non-life operations are and will be increasingly affected by the consequences of climate change. We have proactively integrated climate change risk considerations into our insurance business, recognising it as a critical element to be actively managed.

Beyond assessing sustainability risks, the business completes a future-orientated assessment on relevant clients to understand: (i) the client's sustainability strategy and targets; (ii) the client's major impacts on people and planet; and (iii) Absa's relationship with the client.

“Empowering change: integrating SDGs and climate action into our core strategy for a sustainable tomorrow.”

Enhancing climate risk and governance processes

Our risk management and governance processes are outlined in those sections of the report in detail, highlighting areas of enhancement to lay the foundation for our ongoing approach to reach net zero.

In 2022, our Board approved a refreshed Group strategy that further elevated environment, social and governance factors as a key priority. As part of this strategy, we aim to be an active force for good in everything we do, with an explicit focus on managing climate change, biodiversity risks and opportunities.

We see an opportunity for Africa to create a model for human progress based on an economy rooted in resilience from the very start of its industrialisation phase. Guided by our purpose, we aim to identify, assess, and respond to the sustainability factors that matter most to our stakeholders and business.

To this end, we have continuously prioritised our climate change efforts, achieving many notable milestones. We are dedicated to ensuring that we have the right foundational elements to reach our ambitious carbon emission targets. By implementing sustainable business practices and investing in innovative technologies, we aim to reduce our environmental impact and promote the transition to a low carbon economy.

As we move forward, we recognise the importance of reporting on our sustainability efforts in a transparent and comprehensive manner. We will follow the recommendations of the TCFD and continue to enhance our reporting on climate-related risks and opportunities.

Sustainable Development Goals

Our strategy is designed to consider appropriate climate mitigation strategies as well as the needs of society, including those expressed in the SDGs, the Paris Climate Agreement, and relevant national and regional legislative frameworks.

The six approved priority SDGs for the Group have been integrated through our sustainability strategy. In this report we focus on SDGs 7 and 13:

SDG	Indicator
7 Affordable and clean energy	7.1 – By 2030, ensure universal access to affordable, reliable and modern energy services 7.2 – By 2030, increase substantially the share of renewable energy in the global energy mix
13 Climate action	13.2 – Integrate climate change measures into national policies, strategies and planning

Our *Sustainability Finance Issuance Framework* details our alignment with the SDGs across the various green and social bond and loan categories. As part of our commitment to responsible banking, we adhere to the Principles for Responsible Banking developed by the United Nations Environment Programme Finance Initiative.

Diving deeper: 13 – Governance, 26 – Risk management

Sustainability and climate change learning and development

We initiated a tailored learning and development programme in 2023 aimed at embedding a solid foundation of sustainability principles among our workforce. The Group engaged executives and management through targeted training, including mandatory online courses tailored to the unique needs of different business units and functions, for example front-office and risk teams. This included:

- International Finance Corporation Green, Social and Sustainability Bonds executive training programme
- Chapter Zero partnership implementing board-level training programmes
- Culture-focused programmes focused on ethos and daily interactions.

Our workforce has completed foundational sustainability training demonstrating our commitment to environmental stewardship and informed action.

We held training programmes for board members, with workshops and masterclasses to strengthen governance structures and strategic alignment with sustainability goals.

Diving deeper: Sustainability Report 2023 – Driving our employees learning and development

Identification of climate-related risks and opportunities

Sector lending categorised by climate risk type

Physical risk	
Moderate	• Agriculture • Energy • Real estate.
Transition risk	
High	• Agriculture – intensive livestock grazing • Coal mining and power generation • Iron and steel manufacturing • Petrochemicals • Cement or concrete manufacturing.
Moderately high	• Oil and gas extraction and refining • Gas power generation • Manufacturing of metals • Low-efficiency commercial real estate • Air and road transport and logistics.
Moderate	• Oil and gas retail infrastructure • Agriculture – high-emission crops • Iron and metal ores • Low-efficiency residential real estate • Sea transport and logistics • Entertainment and leisure.
Moderately low	• Agriculture – fishing • Rare and precious metal ores • Electricity transmission and grid operation • Quarrying • Manufacture of electronics • Financial services • Technology.
Low	• Agriculture – forestry and low emissions crops • Renewable energy • Electric vehicles • Construction excluding cement and concrete • Health care • High-efficiency real estate/green buildings.

Source: UN Environment Programme Finance Initiative.

Physical risks

Our operations could be affected by physical risks such as floods or heat waves that could affect our branch network and data centres, resulting in business continuity challenges as well as health and safety risks to our employees.

Clients in climate-sensitive sectors (such as real estate and agriculture) are vulnerable to a range of physical risks. Water shortages can affect agriculture, mining, and hydropower generation as well as the health and safety of communities. Weather-related claims can also have a material impact on our short-term insurance operations by increasing motor, home and household claims.

The Basel Climate risk programme includes the Absa Regional Operation countries following the work completed as outlined in our prior report. This will align with regulatory requirements in Kenya, Mauritius, and Tanzania.

Transition risks

Four types of transition risks are identified in the TCFD framework:

- **Policy and legal risks:** Associated with evolving policy and legal requirements and obligations at the international, national, and local government level
- **Technology risks:** Associated with technologies to deliver a net zero emission economy
- **Market risks:** Associated with market shifts towards net zero products and services
- **Reputation risks:** Associated with growing expectations for responsible conduct from stakeholders, including investors, lenders, and customers.

We face transition risk in our own operations and through our clients. Transition risks exist for our clients' core businesses and their value chains, which can affect their operations, market, and/or supply chains, and consequently their financial wellbeing. The latter has an impact on us by increasing credit risk but may also affect the market and our liquidity.

Short term refers to zero to five years, medium term is five to 10 years, and long term is considered more than 10 years.

Other climate change risks

Failure to effectively manage climate risks may result in reputational risk, where stakeholders may perceive that the organisation is not meeting their expectations in terms of climate-risk management. This could arise from environmental incidents, inadequate climate action, or unsatisfactory financing and investment policies.

Climate-related opportunities

As an organisation, we are determined to leverage our strategic position to support the transition towards a low-carbon economy. To meet the ambitious funding needs for the energy transition and the implementation of sustainable and resilient infrastructure, diverse financing options are required, such as capital markets, bank loans, and other funding mechanisms. By providing these financial solutions, we can tap into expanding revenue streams that are projected to increase considerably over the medium to long term.

Impact of climate-related risks and opportunities

Incorporating climate change risks in financial planning

During our medium-term planning and annual cyclical stress testing processes, we maintained the momentum of incorporating the effects of climate-related risks into our forecasts, risk appetite and capital buffer-setting processes. While the bulk of the climate risk stress testing work is still exploratory and subject to significant uncertainty given the time horizons being considered, some practical elements have started shaping our financial plan:

- Effects of the expected El-Nino event were considered in our macroeconomic forecasts, credit, insurance, country and liquidity risk from a baseline and stress perspective. We heightened the agriculture portfolio in the analysis.
- Increased occurrence and severity of weather events were considered in our insurance portfolio based on climate expectations, including a severe yet plausible event in our stress tests to simulate recent, large climate events.
- Historical hazard experience was used in the base data to forecast the effect on the credit portfolios into the future.

International regulation is in the early stages of contemplating capital and impairment guidance for climate risks, which, in time, is expected to inform our local regulators. Continued investment in this capability is expected as the understanding and regulation around climate-related financial risk matures.

Aspirations to grow our sustainable finance have been quantified and included in our financial plan, reflecting our growth ambitions and alignment to our net zero commitment.

Focus on manufacturing and constructions sectors

Our previous climate reports outlined the impact of climate change on Absa through deep dive analysis on priority sectors. These included agriculture and real estate in 2021 and mining and quarrying, oil and gas, and transport and logistics in 2022.

In 2023, we conducted scenario analysis in the manufacturing and construction sectors in our loan portfolio, which encompasses various industries, including food and beverages, fuels, chemicals and compounds, steel, and transport equipment.

Both sectors are vulnerable to climatic shifts. A recent example is the impact of the floods in KwaZulu-Natal, which caused many businesses, including in the manufacturing sector, to halt operations. This interruption had severe economic repercussions.

KwaZulu-Natal's manufacturing sector is a cornerstone of the provincial economy, with the province contributing to one-fifth of South Africa's manufacturing output. The sector faced the steepest decline in its gross domestic product contribution of 5.9% in 2022 (Statistics South Africa, 2023). This was mainly due to approximately 38% of manufacturers being in floodplains.

Our assessment considered individual assets in the two sectors, based on their geographical locations, and subsequently mapped the current and likely future risks to these individual assets. Both acute and chronic risks were considered:

- **Acute hazards:** flooding, wildfire, drought (impacting water security), fire (for construction)
- **Chronic hazards:** sea level rise (i.e., coastal flooding), temperature shifts (affecting water security).

Risk levels were determined based on available data from the Council for Scientific and Industrial Research Greenbook for the current and future climates.

Transition risks related to climate change were also considered in our assessment for the manufacturing and construction sectors. Notable here is the risk of carbon prices rising in the short, medium, and long term.

The sectorial analysis presented in the table on page 23 was used to inform sectors that need to be explored through scenario analysis. This also informs our sustainability risk profile and Environmental and Social Management System.

Resilience of our strategy

Subjecting our strategy to various climate scenarios

Our annual Strategic Risk Assessment process for 2023 specifically considered the resilience of our strategy under various hypothetical scenarios. These scenarios use climate change as a primary driver to simulate various possible futures for our operating environment. Instead of focusing on carbon emission pathways exclusively, a broad view was taken on the way that climate interacts with society and the economy. In turn, our strategy has been tested in these scenarios to consider whether it remains relevant and highlight the strengths and weaknesses in multiple potential futures. The process highlighted that although we currently have a firm grasp on our role in the environmental and social responsibility, the scale of the challenges and our required response may increase under certain conditions.

Continuous tracking of changes in the operating environment tests the resilience of our strategy in the face of the emerging risks. Longer term scenarios are used to challenge investment decisions, alignment of our purpose and relevance under future uncertainties. This process has already led to changes in financial projections, which in turn is starting to steer our credit assessment and insurance underwriting considerations.

Complexities in climate change and target setting for emissions reduction

In the evolving landscape of climate risk, our organisation has identified several critical challenges impacting our strategic approach and compliance with the TCFD recommendations. Key among these challenges are the significant skills gap and resource constraints within the industry, which necessitate a dedicated effort towards enhancing our resourcing capabilities and skills development to meet our climate risk ambitions effectively.

A particular area of concern is the management of transition risks, which requires an in-depth understanding of our clients' transition plans. The complexity of sourcing and integrating this information poses a substantial challenge, underscoring the need for a balanced approach to client engagement and data collection. Moreover, the integrity and accuracy of financed emissions calculations are hindered by the lack of standardised, reported emissions data from clients. This discrepancy necessitates reliance on assumptions and alternative data sources, which can significantly impact the quality and reliability of our emissions assessments and physical risk evaluations.

These challenges extend to broader sustainability risks, where additional data from clients on various environmental and social parameters is essential for comprehensive risk assessment. The scarcity of forward-looking data further complicates our ability to model and predict climate-related risks accurately, highlighting the critical need for enhanced data management and governance frameworks.

Recognising these industry-wide challenges, we have prioritised the development of robust risk data aggregation capabilities as part of our Basel Climate Risk Programme. This initiative aims to strengthen our data and reporting infrastructure, ensuring the integrity and reliability of our climate risk disclosures.

However, the intricate nature of climate risk reporting presents inherent complexities, particularly concerning the assurance of disclosed information. Our commitment to transparency and accuracy entails a rigorous evaluation of our data sources and reporting mechanisms to mitigate potential legal, reputational, and social risks associated with misreporting or misrepresentation of our climate initiatives.

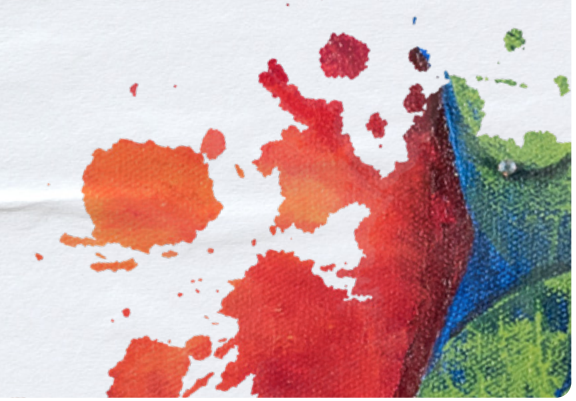
Our strategic response to these challenges is centred on building a strong foundation in skills, resources, and data management. By addressing these critical areas, we aim to enhance our climate risk reporting and contribute meaningfully to the global efforts against climate change, aligning with the objectives of the TCFD.

> "There are several complexities associated with setting targets across our portfolio to reduce our financed emissions."

Risk management

Processes for managing climate-related risks

> "In embedding climate risk within our risk management framework we follow a three-step approach."



Our Qualitative Group Risk Appetite Statement includes sustainability with the following focus areas:

- Continuously assess the suitability of the Group's products and customer value propositions against changing environmental and social factors while continuing to fulfil its role of growing the economy in a sustainable and responsible manner.
- Enhance understanding on climate change risk and opportunity management and integrate into overall risk management framework
- Identify, assess and manage sustainability risks to minimise and mitigate negative impact on employees, communities, society and the natural environment and enhance positive impact.

This focus is evolving, with guidance from the Basel principles on managing climate-related financial risks, local regulations and our own journey.

Identifying and assessing climate-related risks

Our approach to sustainability risk (a sub-risk of the principal risk strategy and sustainability risk in the Enterprise Risk Management Framework) is guided by understanding the potential environmental and social impact associated with lending activities as well as a commitment to influence and support appropriate risk identification and management using effective management systems, due diligence processes and appropriate standards. Our sustainability risk policy governs our internal actions and is supported by controls and risk management systems.

As climate-related risks exist predominantly in our lending activities, we measure and monitor our exposure to climate-sensitive industries. Where these exposures are material, we aim to manage the risk over the short and medium term, including using stress testing and scenario planning. We disclose our exposure to these sectors under the section on metrics and targets (page 32).

The Group identifies and assesses risks and opportunities arising from internal and external environments and proactively identifies emerging risks. The risk management process follows a three-step approach, evaluate, respond and monitor (the enterprise risk management process). This enables management to identify and assess risks, determine the appropriate risk response, and then monitor the effectiveness of the risk response and any changes to the risk profile. The analysis is used to promote an efficient and effective approach to risk management. This three-step risk management process:

- Can be applied to every objective at every level across the Group
- Is embedded into business decision-making processes
- Guides the Group's response to changes in the external or internal environment
- Involves all employees and all three lines of defence.

Further information can be found in the *Absa Group Limited – Pillar 3 Risk Management Report* for the reporting period ended 31 December 2023.

Our approach to integrating climate-related risks will continue to enhance over time. By having a solid Sustainability Risk Policy and implementing the Environmental and Social Management System tool to assess and screen environmental and social risk, our knowledge and level of integration will continue to grow.

Group Enterprise Risk Management Framework

We actively manage current and emerging risks through our Board-approved Enterprise Risk Management Framework. It governs how we identify and manage our risks, defines the Group's principal risks and related sub-risks, and assigns clear ownership and accountability. Climate-related factors were identified as having a relatively significant impact on the following four principal risks:

- Strategic, sustainability and reputation risk
- Credit risk
- Operational and resilience risk
- Insurance risk.

Within this framework, risks associated with customer loans that could be affected by climate change or transition risk fall under credit risk. Credit risk is our largest risk type overall and accounted for 76.5% of our Group risk-weighted assets as at 31 December 2023.

Diving deeper: 2023 Pillar III report for more detail on the Enterprise Risk Management Framework.

Sustainability risk management

Sustainability risks are inherent within existing risk types but driven by the accelerated deterioration of the environmental and climate status, and societal needs. They are likely to intensify over time. Climate-related risks can drive financial risks, such as credit, market, and insurance risks and can also lead to strategic, operational, and reputational risks. Climate change is thus a critical risk for us, and we are implementing processes to manage impacts on our business activities.

Disclosing the related risks and opportunities is also important to enable market participants to make informed and efficient capital allocation decisions.

Strategic, sustainability and reputation risk

Strategic, sustainability and reputation risk refers to an overarching principal risk bringing together the three risk types. Sustainability risk encompasses environmental, climate change, premises environmental, indirect investment, and social sub-risks. These risks are also reflected in other principal risks, including credit, operational and resilience, and insurance.

Sustainability risk factors include climate-related impacts on environmental, social and governance factors that affect an organisation's economic performance, and the wellbeing of an individual, community or society.

In today's business landscape, reputation risk is a critical consideration for organisations. The Group aims to manage reputation risks in a manner that maintains the trust and confidence of our stakeholders, protect our brand and image, and ensure the long-term success and sustainability of our business. Our proactive reputation risk management efforts encompass crisis management preparedness and response, enabling us to effectively respond to unforeseen events and minimise the impact on our stakeholders and brand.

Credit risk

Providing credit facilities to customers who are engaged in, or are planning to engage in, activities that could potentially have material environmental or social risks exposes the Group to an increased likelihood of credit loss and potential reputational damage should the customer fail to identify, manage and effectively mitigate these risks. The materiality of climate-related risks is considered in two ways when reviewing credit applications: risks related to the transition to a lower-carbon economy and risks associated with the physical impact of climate change.

Operational and resilience risk

Premises risk management assess risks and opportunities associated with extreme weather events, while business continuity management assesses natural hazards and their potential impact on location selection and contingency plans. Legal risk includes penalties or fines for failing to meet legal obligations, including those related to climate change, and relies on the Group's policies to identify and manage environmental and social risks in lending.

Insurance risk

This risk is governed by the Insurance Principal Risk Control Framework, which aligns with the risk-based Solvency Assessment and Management Regime requirements, as required by the Prudential Authority. Factors for consideration include the impact of extreme weather/ climate-related catastrophe events on insurance businesses by means of stress and scenario testing, adequate risk appetite setting and focused risk management activities.

Stress testing and scenario planning

Our risk management infrastructure now features an extensive climate risk evaluation protocol. By harnessing cutting-edge analytics, we have executed extensive stress tests across our portfolio to identify both physical and transition risks linked to climate change. This step is crucial as we work towards fully integrating these evaluations into our risk management strategy, aiming to significantly influence our lending and investment decisions to strategically decrease our exposure to sectors most vulnerable to climate-related risks.

> Stress testing and scenario analysis provide a forward-looking view of financial and non-financial risks under a range of scenarios and sensitivities and are used to help us to understand the potential impacts of these risks on our business, including our subsidiaries, business lines and portfolios. It is an integral part of our risk management and quantification approach and is used to alert management of unexpected outcomes from both the decisions they make and from a wide range of external downside/upside factors.

Stress testing is an important risk management capability in the bank's Enterprise Risk Management Framework that contributes to risk identification, risk management and risk mitigation.

The Group's Board is responsible for approving the Stress Testing Framework and, through the Group Risk and Capital Management Committee, maintains ultimate responsibility for the Group's stress testing programme.

The Enterprise Stress Testing Framework defines the objectives of stress testing and supports the following key business processes:

- Identification of risks
- Mitigation of risks through the review and challenge of limits, restraining of exposures and/or hedging of underlying risks
- Risk and portfolio management
- Risk appetite setting and measurement
- Strategy setting
- Integrated financial planning
- Integration of regulatory stress test requirements
- The Internal Capital Adequacy Assessment Process, including capital planning and the setting of capital buffers
- The Internal Liquidity Adequacy Assessment Process, including liquidity planning and setting of liquidity buffers
- Development and review of recovery and resolution plans
- Communication with internal and external stakeholders (including rating agencies and regulators) on the sensitivity of the Group to external events and macro-economic downturns.

We have incorporated climate physical and transition risk impacts over a range of scenarios from different interlinking business units into the 2023 annual cyclical stress test. This included a short-term hazard analysis for acute El Niño; a short-term insurance risk analysis following recent climate hazards, such as the floods in KwaZulu-Natal and a long-term exploratory analysis using Network for Greening the Financial System scenarios with a focus on physical risk hazards (flood, fire, drought) and transition risk driven by carbon taxes on companies.

We will continue to invest in data, skills, and resources to refine the models and improve capabilities across physical, transition and other risk types. The framework will be rolled out to selected regions across the continent. We will also deliver on the Stress Testing and Scenario Planning workstream adopted as part of the Group's Basel Climate Risk Programme. Preparations to support the completion of the South African Reserve Bank's 2024 Climate Risk Stress Test have begun.

We perform comprehensive stress testing to ensure that we remain well capitalised relative to our business activities, the board's strategic plans, risk appetite, risk profile and the external environment in which we operate.

Stress testing landscape

Our investment in climate risk stress testing is a multi-year programme to develop the capability for assessing the effects of climate change on financial performance. We have invested in data, skills and capabilities to address this challenge, to live out our purpose as a force for good in everything we do and to meet evolving stakeholder expectations.

Frameworks, approaches, technology and data for climate risk measurement is quickly evolving. Stress testing and scenario analysis provide objective materiality assessment and highlight possible levers for managing the risk. The interpretation and use of the results are still nascent and require business decision makers to consider the impacts in their portfolio context.

Deliberate action was taken to start the investment early and build the model on first principles. This enables a greater appreciation of the environmental science and base climate data and enables greater flexibility to respond to challenges.

Since the Basel Committee on Banking Supervision published its Principles of Climate-Related Financial Risks in 2022, the South African Reserve Bank's Prudential Authority has published its proposed Guidelines on Climate Related Risks which aligns to the view of the Basel Committee on Banking Supervision. The South African Reserve Bank's Financial Stability Department has communicated its intention to perform a Climate Related Stress Test for the 2024 Financial Stability Review. Detailed formal guidance is expected early in 2024.

The international regulatory landscape provides useful indicators to the way in which climate risk in banking is evolving. We anticipate that requirements from regulators such as the European Banking Authority will make their way into local regulation imminently.

Although there are no immediate formal requirements for capital management, we have proactively included a preliminary discussion on the expected impact of climate risks in the Internal Capital Adequacy Assessment Process.

Preliminary model outcomes suggest that the impact of climate-related financial risks is material. Proactive and targeted action could help to mitigate and manage these risks for the bank and its customers. Analysis of scenarios enables management to prepare responses. Scenarios differ from forecasts, as the objective is not an attempt to forecast the future with accuracy, but rather to prepare decision makers for various possible future scenarios.

Although much progress has been made, continued investment is required in anticipation of the evolving landscape. The practice receives continued investments and support from the internal Basel Climate Risk programme to embed the practice of managing climate-related financial risks.

Sustainability risk policy

The Group's approach to sustainability risk is guided by our Sustainability Risk Policy. The policy and associated standards contain controls and procedures to identify, assess and mitigate sustainability risks. The policy mandates a comprehensive review and analysis when the Group may be exposed to risks due to environmental, social and climate matters.

The sustainability risk policy established an internal framework for defining and managing sustainability-related risks across the Group that meets regulatory requirements and investor expectations. Absa Group addresses its inherent sustainability related risks through an integrated approach that is intended to enable us to:

- Identify and evaluate in a timely manner the risks the organisation is exposed to
- Implement controls that prevent those risks from occurring
- Respond effectively adopting appropriate mitigative measures.

This policy applies to all of the Group's business activities, including its own operations, any acquisitions or projects, and the development of all new financial products or services, not only lending and insurance.

The Group places great importance on managing sustainability risk as a fundamental aspect of its sustainable finance approach. It has developed a core competency in risk management, which is supported by a risk-aware culture and management approach. It regards sustainability risk as a cross-cutting risk that requires the consideration of financial and non-financial factors that may impact the bank and its clients. To this end, we have integrated climate risk considerations, including physical and transition risks, into our qualitative risk appetite framework, risk measurement, and risk policies.

We further manage our sustainability risks through our:

- **Environmental and Social Management System Standard:** The standard sets out our sustainability risk management processes and is designed to ensure that an appropriate level of due diligence is applied to transactions. The standard also covers opportunities associated with sustainable finance, i.e., developing products and services that have positive impacts on the environment, people and economy.
- **Sensitive Sector Financing Standards:** These standards provide an overview of our position on financing activities in sensitive sectors; provide the minimum requirements which must be met to fund these sectors; and specify the enhanced due diligence required for all projects. Our summary financing standards for the critical high-emission fossil fuels industries are published on our web page *https://www.absa.africa/absaafrica/about-us/who-we-are/*. The standards are reviewed annually.

  In addition, we have sector-specific guidance notes outlining key sectors 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, and utilities and waste management.
- **The Environmental and Social Risk Assessment manual:** The manual provides guidelines and tools to be used for Environmental and Social Risk assessment and management. Such assessments are also required for funding agreements we signed with development finance institutions.
- **Environmental and Social Risk Assessment Process:** For our lending activities our environmental and social risks are assessed and screened Group-wide in accordance with the Environmental and Social Management System. The system identifies, assesses, manages and monitors the environmental and social risks and impacts of loans on an ongoing basis to avoid, eliminate, off-set, or reduce risk to acceptable levels. The system covers both environmental aspects (including impacts on water consumption and management, waste and pollution management, energy performance, biodiversity management, greenhouse gas emissions) and social impacts (including impacts on human rights, child labour, forced labour, employee health and safety, labour and working conditions, communities, indigenous people and cultural heritage).

  Our customer relationship manager, legal, transaction support, and environmental credit risk teams engage with clients during the transaction life cycle to ensure environmental and social risks are appropriately mitigated and that financing opportunities that support the green finance economy are identified, for example, renewable energy opportunities.

  The environmental credit risk function reviews the reports to ensure that environmental and social risks are satisfactorily managed. When required, we engage with our clients on environmental issues of concern or address cases where unsatisfactory progress has been noted to agree on an appropriate resolution or action plan. Where appropriate action is not taken, support for the finance application may be cancelled or revoked after following due process.

Impact assessment in Absa Regional Operations

Three of our operating markets, Kenya, Mauritius and Tanzania, are implementing climate risk management in line with regulatory requirements in their jurisdictions. Absa Kenya has published its first climate report on compliance to meet local regulatory requirements.

Our Absa Regional Operations countries also form part of the Basel Climate Risk project to ensure alignment and consistency in our management of climate risk.

We conducted a study focusing on identifying and assessing climate-related risks related to our Absa Regional Operations. It covered the following components:

- Quantifying Scope 3 greenhouse gas emissions for our loan book
- Assessing physical and transition climate change risk exposure
- Identifying potential adaptation options for reducing climate change risk and exposure
- Identifying potential opportunities for investing in the transition to a low carbon future
- Mapping of physical climate change risks for our own assets and loan book data
- Incorporating climate change risk into the Enterprise Risk Management Framework
- Developing an interactive tool for highlighting physical climate change risks, with a focus on the agriculture and real estate sectors.

The report covered the Scope 3 emissions as well as the identification, assessment and management of transition risks associated with the Absa Regional Operations' lending portfolio.

The countries in which we operate are processing the results from the assessment to enable better decisions in the future.

Upcoming regulations

> "The Group monitors the evolving climate reporting landscape."

Sound governance and compliance with legal and regulatory frameworks create a stable financial services system that guides the way we do business. We support the creation of an environment that facilitates sustainable growth for all. We do this by working with regulators and providing input into policymaking and the development of regulations.

We continually monitor and consider existing and emerging regulatory requirements across the core geographies in which we operate. From a sustainability perspective, we focus on the needs of stakeholders, while taking cognisance of the regulations, standards and guidelines currently under development, such as the voluntary Johannesburg Stock Exchange Sustainability and Climate Guidelines.

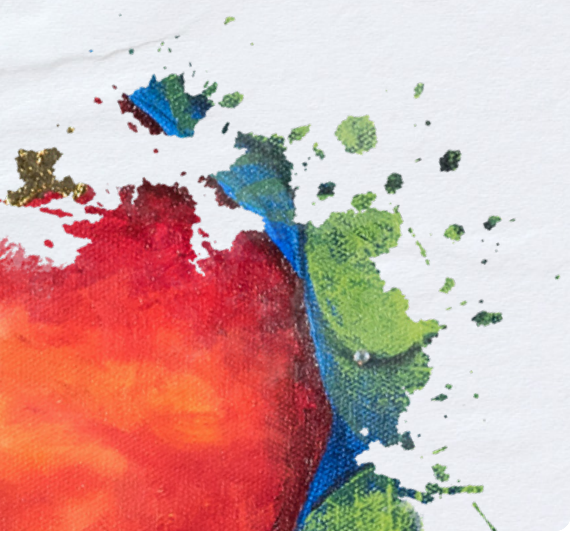
- **Guidance from the South African Prudential Authority on climate risk**
  In August 2023, the South African Prudential Authority released four proposed Climate Risk guidance notes for comment by banks and insurers on climate-related disclosures and risk practices. The guidance contained critical recommendations on governance, strategy, risk management and metrics and targets relating to climate-related risk in alignment with recommendations of the TCFD and the International Sustainability Standards Board Climate Disclosure guideline. The guidance notes set out the key role players and their respective responsibilities to manage and integrate climate-related risks and disclosures.
- **Transition from the TCFD to International Financial Reporting Standards S2**
  Following the publication of International Financial Reporting Standards S1 and S2, and at the Financial Stability Board's request, the TCFD is now being subsumed into the International Sustainability Standards Board. We recognise the transition from the TCFD to International Financial Reporting Standards S2 and will explore aligning with S2 in future climate disclosures.
- **The Carbon Border Adjustment Mechanism**
  The carbon tariff entered its administrative transition phase on 1 October 2023. Full implementation will be from 1 January 2026 and will apply to imports of cement, iron and steel, electricity, aluminium, hydrogen, and fertilisers. From an Absa operating markets perspective, South Africa (iron, steel and aluminium exports) and Mozambique (aluminium exports) will be impacted.
- **The South African Climate Change Bill**
  The bill was passed by the National Assembly on 24 October 2023 and now awaits National Council of Provinces concurrence and Presidential signature. Once approved, it will establish, for the first time, a comprehensive South African legal framework for the regulation of the country's climate change response. The Bill makes provision for the allocation of sectoral emissions targets. These targets present a risk to carbon-intensive sectors increasing the urgency for transitioning. If not properly managed it may lead to larger reductions in output and profits for carbon-intensive clients.
- **The Basel Committee on Banking Supervision**
  The committee launched a consultation on the Pillar 3 disclosure framework for climate-related financial risks in November 2023. The consultation forms part of the holistic approach of Basel Committee on Banking Supervision to address climate-related financial risks to the global banking system.

We also consider climate-related requirements such as prudential regulation, conduct regulation, government climate regulations, policies and commitments, taxation and tariff policies.

Metrics and targets

Metrics and targets

> "We continue to refine our understanding of climate-related risks and opportunities, ensuring that our business operations, strategic outlook, and financial planning are resilient and adaptive to climate variances across short, medium, and long-term horizons."



As part of our commitment to sustainability and climate action, it is essential to contextualise our strategic framework within quantifiable objectives that align with our overarching climate commitments. As we progress on our sustainability journey, with climate change recognised as a critical priority, our focus shifts towards the operationalisation of our strategic pillars through concrete, measurable targets.

In line with our articulated purpose and core values, we are now setting specific, measurable targets that align with our long-term commitment to achieving net zero emissions by 2050. This section delineates the medium-term targets for reducing our operational emissions and the emissions associated with our financed activities. These targets are designed to contribute to global efforts to cap temperature rise below 2 degrees celsius striving towards 1.5 degrees celsius above pre-industrial levels, thus adhering to the Paris Agreement objectives.

Understanding the critical nature of the current decade in climate action, we are outlining our approach to peak emissions by 2030, setting a clear path for rapid reduction thereafter. The targets included herein are derived from a comprehensive analysis of the finite global carbon budget and underscore the urgency of immediate actions within our operational and financial spheres.

Additionally, this section reflects our commitment to the Announced Pledges Scenario, which is tailored to address the unique development and transitional needs of the continent, aligning with the continent's Nationally Determined Contributions. We adopt an iterative approach to our climate strategy, which allows for adjustments based on evolving climate data, scientific advancements, and methodological updates.

We continue to refine our understanding of climate-related risks and opportunities, ensuring that our business operations, strategic outlook, and financial planning are resilient and adaptive to climate variances across short, medium, and long-term horizons. This continuous assessment informs our target setting and metrics, ensuring we, along with our clients and communities, are well equipped to navigate the challenges and opportunities presented by climate change.

Finally, we commit to transparency and accountability by outlining specific targets and indicators that will guide our progress and measure our impact in the fight against climate change, demonstrating our unwavering commitment to a sustainable and resilient future.

Promoting sustainability decarbonisation efforts	Lead the transition to green solutions	Enhance climate risk and governance processes	Engage our stakeholders
• Balancing environmental care, social equity, economic growth and reducing emissions.	• Empower our clients to finance green solutions and adopt sustainable practices.	• Actively manage current and emerging climate-related risks through our Enterprise Risk Management Framework, and improve Board skillset and oversight.	• Engage with stakeholders on climate-related topics with a systemic and integrated approach to improve awareness and overall relationships.
Objectives			
• Proceed with the extension of our sector specific baselining for all product lines • Commence documenting and setting sector specific reductions pathways.	• Continue expanding our share of the market for green product offerings. • Mobilise a cumulative R100 billion in sustainable finance (including renewable energy) by end 2025.	• Keep abreast of new Prudential Authority requirements and utilize them to enhance our processes and governance • Align with applicable standards to ensure best practice and strengthen our climate risk management	• Continuously engage our external stakeholders on our ambitions and progress on climate related initiatives • Enhance client understanding and awareness of the climate related products and services we offer

To measure our progress to delivering on our climate strategy, we have disclosed metrics and targets on four key areas detailed on the following pages:

Portfolio analysis of climate-sensitive sectors | Fossil fuels and financed emissions | Renewable energy financing | Our own carbon footprint

Portfolio analysis of climate-sensitive sectors

The sectors below are those we believe contain elevated climate-related risks, although a range of vulnerabilities exists within each sector. Our monitoring and reporting of drawn exposures to these sectors will improve and become more granular as our approach to climate risk management evolves, aligning further with the TCFD's recommendations. We provide different viewpoints, reporting on high-emission sectors, climate-sensitive sectors and our exposure to fossil fuels. The tables that follow show our actual gross loans and advances at a Group level as of 31 December 2023. Updated 2022 exposures for the transport and logistics, water, and electricity sectors have been provided following data refinement. We are continuously refining disclosure relating to high-emission and climate-sensitive sectors as data enhancements are implemented.

High-emission sectors

We monitor our drawn exposure to sectors with generally high emissions every quarter. These sectors represent approximately 14% of our total Group loans, with transport and logistics the largest at 9.7%.

Sector	Drawn exposure 2023 Rbn	% of total	Drawn exposure 2022 Rbn	% of total
Transport and logistics[1]	**140**	**9.7**	134	11.6
Manufacturing	**42**	**2.9**	59	5.2
Mining and quarrying	**25**	**1.7**	23	2.0
Water	**0.0**	**0.0**	3	0.2
Electricity[2]	**0.2**	**0.0**	2	0.2
Total	**207.2**	**14.3**	221	19.2

Climate-sensitive sectors

On aggregate, priority sectors below constitute 46.6% of our total gross loans and advances. However, excluding our sizeable real estate loan book, which is primarily retail home loans, the sectors represent 19.2% of our total loans, with the transport and logistics portfolio which includes the vehicle and asset finance portfolio at 9.7%, and our well-diversified agriculture portfolio at 3.6% as the most significant components.

Sector	Drawn exposure 2023 Rbn	% of total	Drawn exposure 2022 Rbn	% of total
Real estate	**398**	**27.4**	389	33.7
Transport and logistics[1]	**140**	**9.7**	134	11.6
Agriculture	**52**	**3.6**	63	5.4
Manufacturing	**42**	**2.9**	59	5.2
Mining and quarrying	**25**	**1.7**	23	2.0
Construction	**9**	**0.6**	11	1.0
Water	**0.0**	**0.0**	3	0.2
Electricity[2]	**0.2**	**0.0**	2	0.2
Total	**666.2**	**45.9**	684	59.3

[1] Transport and logistics portfolio now includes vehicle and asset finance

[2] Excluding Renewables

Fossil fuels

We reflect our overall exposure to coal, oil and gas, including loans or drawn exposure and total limits for these sectors. The overall limits granted for fossil fuels financing increased by 22% to R28.2bn (2022: R23.2bn). This was largely a function of a 24% increase in the oil and gas facilities, while coal financing remained unchanged.

	Rbn		Total limits (%)	
Coal	**2023**	2022	**2023**	2022
Limit	**2.1**	2.1	**0.1%**	0.2%
Drawn exposure	**0.5**	0.5	**0.0%**	0.0%

	Rbn		Total limits (%)	
Oil	**2023**	2022	**2023**	2022
Limit	**18.6**	15.4	**1.3%**	1.1%
Drawn exposure	**14.6**	11.3	**1.0%**	0.8%

	Rbn		Total limits (%)	
Gas	**2023**	2022	**2023**	2022
Limit	**7.5**	7.0	**0.5%**	0.5%
Drawn exposure	**1.0**	0.1	**0.1%**	0.0%

Explanatory note on fossil fuels lending

- We continue to support clients in the fossil fuels sector with strong environmental, social and governance ambitions and aspirations, and with full recognition that lending must be anchored in our chosen emissions reduction glidepath.
- While the emissions intensity of our oil and gas portfolio is linked to the cumulative investment in this portfolio, the links are not linear nor proportional. In fact, increased lending to this sector could result in a reduction in our emissions intensity, through our clients implementing strategic decarbonisation initiatives.
- The primary drivers of the increase in oil and gas financing limits were the effects of a deterioration in the ZAR/USD exchange rate over the past year and higher client limits.

Our net zero financed emissions approach

We are strategically evaluating and addressing greenhouse gas emissions associated with our commercial lending activities, aiming to align our portfolio with net zero emissions. In pursuit of this goal, we are diligently compiling high-quality data for disclosures and plan continuous improvement in our financed emissions database as portfolio companies disclose their greenhouse gas emissions.

During 2023 we further defined our approach and methodology for quantifying emissions linked to our financing activities. These emissions are crucial to understand as they constitute a significant portion of the bank's total greenhouse gas emissions.

Our targets are based on global scenarios which align with the development imperatives of Africa while targeting a declining emissions trajectory. During 2023 we developed initial emission reduction targets for our lending portfolio in the fossil fuels industries, including coal, oil and gas.

We plan to expand methodologies for other sectors in future for consistent application. We emphasise ongoing support for clients in transitioning to a low-carbon economy and a commitment to adjusting targets based on evolving climate science and decarbonisation scenarios, recognising the need for additional Africa-specific energy transition scenarios. Overall, our approach reflects a strategic commitment to transparency, sustainability, and proactive measures to contribute to global decarbonisation efforts.

Our journey towards achieving net zero is a long-term endeavour that will span several decades, and we are currently in the initial stages of this process. There are several uncertainties that we need to navigate along the way, and we anticipate that our progress towards achieving net zero will not follow a straight and predefined path. As we transition our fossil fuels portfolio, we anticipate year-to-year variability in absolute emissions and physical intensity (for example, as projects become fully operational).

Our objective is to achieve our glidepath targets in 2030, while monitoring and evaluating our year-on-year performance. We are dedicated to ensuring transparency in the progress we make, and this Climate Report 2023 is a testament to our commitment towards this goal.

Setting emission reduction targets

We have established emission reduction targets for 2030, prioritising the most carbon-intensive sectors: coal, oil, and gas.

New emission reduction targets methodology

- We announced financing limits for the coal, oil, and natural gas sector in 2022
- In 2023, we transitioned to emissions-based targets and annual assessments of our financed emissions
- We have developed glidepath reduction targets for coal, oil and gas sectors, which will replace our previous percent financing targets
- We will extend this methodology to encompass additional sectors in future.

Standards used for emissions calculations

- We utilised the Partnership for Carbon Accounting Financials methodology to account for financed emissions
- This involves assessing greenhouse gases emissions from each company in our fossil fuels portfolio and calculating "attribution factors" for each client.

Announced Pledges Scenario and commitment to our clients

- Aligned with the Announced Pledges Scenario, we anticipate a peak in fossil fuels demand before 2030, with a reduction in coal and a significant increase in renewables by 2050
- We have established near-term glidepath reduction targets for high carbon sectors, prioritising Africa's development goals and focusing on a just transition
- Our commitment includes ongoing support for clients in transitioning to a low-carbon economy, with targets evolving based on science and regional energy transition scenarios
- This strategic approach underscores our commitment to transparency, sustainability, and proactive contribution to global decarbonisation efforts.

Coal financed emissions reduction pathway

- We have adopted a balanced approach to the coal value chain, recognising the imperative to transition to cleaner energy sources, while acknowledging South Africa's ongoing energy crisis
- While we have made the decision not to finance new coal-fired power plants, we remain open to supporting the refurbishment of existing coal-fired power stations
- We have set an absolute emissions reduction target for the coal mining sector within its lending portfolio, as outlined in our coal financed emissions reduction pathway disclosure.

Oil and gas financed emissions reduction pathway

- Gas plays a pivotal role as a transition fuel
- We will amplify our support for liquefied natural gas energy projects that meet stringent environmental, social and governance criteria
- We have established an intensity-based target for our oil and gas portfolio, designed to encourage the adoption of cleaner energy sources and a reduction in methane emissions.

Estimating our indirect or financed emissions

Our carbon emissions are dominated by the indirect emissions associated with our loans and investments. We continue to enhance our effort to strengthen our understanding of the magnitude of these emissions by utilising the Partnership for Carbon Accounting Financials methodology. This requires a determination of the greenhouse gas emissions from each company within our fossil fuels portfolio, and a calculation of the 'attribution factors' for each client.

The following asset classes are included in our financed emissions calculations: coal, oil and gas, commercial real estate (Commercial Property Finance) and real estate (mortgages).

The table below reflects our financed emissions on-balance sheet exposure in commercial real estate (Commercial Property Finance) and real estate (mortgages), as of 31 December 2023. Note that we have excluded trading loan book exposures from this calculation. For the purpose of this assessment, off-balance sheet exposure values include the aggregation of loan commitments (including all contractual unused limits of facilities and other commitments to extend credit), guarantees, and letters of credit over the short, medium, and long term.

	Financed emissions ($MtCO_2e$)		Baseline 2021 ($MtCO_2e$)
Sector	**2023**	2022	2021
Real estate (mortgages)	**2.4**[LA]	3.0[LA]	2.4
Commercial real estate (Commercial Property Finance)	**1.5**[LA]	2.0[LA]	1.8

In our 2022 TCFD Report, we disclosed the financed emissions for our agriculture lending portfolio and the apportioned share of carbon emissions for some of our sectors. However, this exercise could not be re-performed in 2023 due to challenges related to data availability and quality, along with the need to finalise baseline and target setting for fossil fuels carbon emissions, which has led to the non-disclosure of this information this year.

Moving forward, our goal is to expand our calculations to progressively include more sensitive sectors. Moreover, we will refine our emissions estimates as clients enhance their reporting of greenhouse gas emissions.

Approach to setting financed emissions targets

In developing our near-term glidepath reduction targets we prioritised carbon-intensive industries such as coal mining and oil and gas production, which are intricately linked with the development imperatives of the African continent. As a bank we are conscious of the energy crisis in South Africa and the need for basic access to electricity and energy in Africa. We have therefore considered the South African Nationally Determined Contribution, the South Africa Just Energy Transition Investment Plan (JET-IP), and regional energy needs in our target setting.

Overall, our approach reflects a strategic commitment to transparency, sustainability, and proactive measures to contribute to global decarbonisation efforts.

"Our near-term glidepath reduction targets prioritised carbon-intensive sectors."

Coal reduction pathway

Coal pathway	
Financing scope	Companies primarily involved mining of coal (both metallurgical and thermal coal).
Activity scope	Scope 1 and 2, and Scope 3 Category 11 (use of sold products), combined for a single net zero target.
Metric(s)	Absolute reduction in financed emissions: tCO_2e
Time horizon	Initial target year of 2030 with tracking and evaluation and public disclosure on our progress.
Benchmark scenario	International Energy Agency Announced Pledges Scenario: 25% reduction in coal financed emissions by 2030, in-line with the decline in Africa coal production in the Announced Pledges Scenario.
Base year	2022
Emissions data	Company reported emissions, calculated emissions based on reported coal production.
Attribution factor	Attribution factors calculated based on our limits, consistent with Partnership for Carbon Accounting Financials methodology.

Coal financed emissions reduction pathway

Sector	Base year	Financed emissions Absolute reduction	2030 Target
Coal	**2022**	1 896 677 tCO_2e	25% reduction from 2022 baseline to 2030

Oil and gas reduction pathway

Oil and gas pathway	
Financing scope	Companies primarily involved in upstream oil and natural gas production, and certain midstream activities (where double counting can be avoided).
Activity scope	Scope 1 and 2, and Scope 3 Category 11 (use of sold products), combined for a single glidepath target.
Metric(s)	Physical intensity: gCO_2e/MJ
Time horizon	Initial target year of 2030 with yearly tracking and evaluation and public disclosure on our progress.
Benchmark scenario	International Energy Agency Announced Pledges Scenario: 9% reduction in physical intensity, in line with global oil and gas CO_2 emissions in the Announced Pledges Scenario.
Base year	2022
Emissions data	Company reported emissions, third-party data provider, calculated emissions based on reported oil and gas production.
Attribution factor	Attribution factors calculated based on our limits, consistent with Partnership for Carbon Accounting Financials methodology.

Oil and gas financed emissions reduction pathway

Sector	Base year	Financed emissions Physical intensity	2030 Target
Oil and gas	**2022**	79 gCO_2e/MJ	9% reduction from 2022 baseline to 2030

Considering the close interrelation between oil and gas, the client composition of both portfolios as well as international best practice, we have combined both oil and gas into one metric and will report on these on a combined basis.

Due to the step-wise nature of oil and gas transactions, as well as our existing commitments of certain projects that have yet to become fully operational, we expect that the physical intensity of our portfolio may diverge from a straight-line reduction path to 2030. In addition, our reduction glidepath might be influenced by clients' emissions data quality and any improvements thereto.

How we will drive the achievement of our financed emissions targets

We will continue to apply a combination of levers to drive the achievement of our financed emissions reduction targets.

Empowering clients to realise their sustainability ambitions

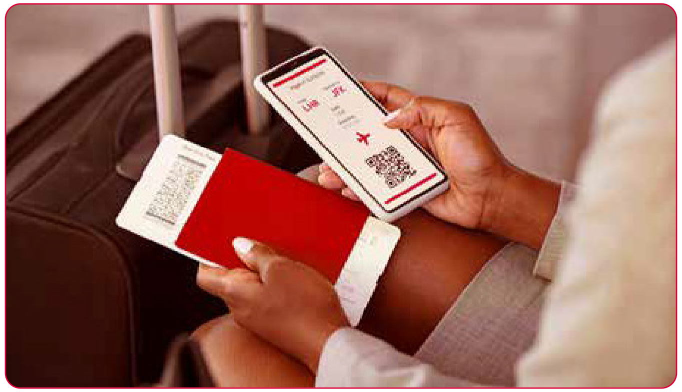
We are broadening our capabilities and adopting a whole-of-franchise approach. During 2022, we launched a new Green Deposit offering for our corporate clients within our Corporate and Investment Banking and Transactional Banking Business Unit. This offering was well received in the market and c.R670 million was taken up during 2023. Within Global Markets, we have established a dedicated carbon offset trading proposition. We executed our first trade in December 2023 to purchase offsets for our own emissions.

Engagement with our clients

We continue to engage with clients to deepen our understanding of their sustainability aspirations and transition plans. We are doing this to form a balanced view about their intent and ability to meet those aspirations as well as our role in supporting them.

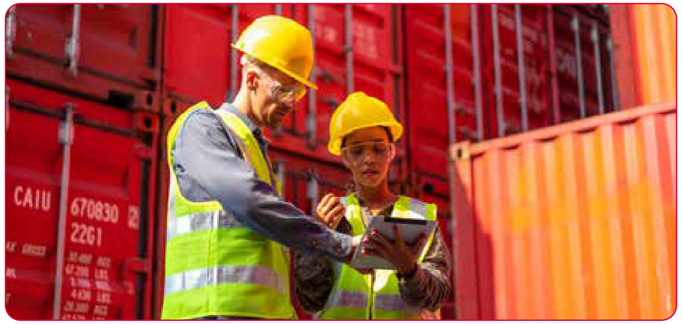
Adding new sustainable clients to our portfolio

As part of our journey to net zero, we will be looking to engage with and promote companies that are at the forefront of solving the technical challenges of a low carbon economy.



Areas of future development

The progression of industry standards and frameworks, along with changes to regulations and policies, is dynamic. We anticipate that these changes will require adjustments to our approach over time. Furthermore, as the quality, granularity, and coverage of emissions data improve, and as scenarios for emissions glidepaths change, we will periodically enhance our methodology and targets.



> "We engage with clients to deepen our understanding of their sustainability aspirations and transition plans."

> Our renewable energy financing hits R28 billion, surpassing fossil fuels by 74%.

Our commitment to renewable energy

Since 2021, in corporate and investment banking our efforts have mobilised R80.2 billion in sustainable financing including renewables, affirming our dedication to sustainable development. This includes R31.0 billion in 2023 (2022: R30.5 billion), showcasing consistent growth and dedication in this vital sector.

We are an active supporter of the South African government's Renewable Energy Independent Power Producers' Procurement Programme. Since the start of the programme, we have mobilised/arranged a total of R119.6 billion to support 43 different projects, resulting in the development of 4 025MW of clean energy infrastructure. In 2023, we accelerated this support and further cemented our place as one of Africa's leading renewable energy financiers.

In South Africa, regulatory changes, coupled with the growing need for stable and cheaper energy supply, has resulted in significant investment and development of captive power plants. In 2023, we provided financing and corporate banking services to several captive power and Renewable Energy Independent Power Producers' Procurement Programme projects, including:

- Acting as mandated lead arranger and lender for three Red Rocket renewable energy projects valued at approximately R12 billion, which will add 364MW of capacity to the grid
- Providing financing to Total Energies and its partners for a major hybrid renewables project, consisting of a 216MW solar plant and a 500MWh battery storage system
- Providing financing to a R2.5 billion 100MW solar photovoltaic plant, operated and owned by the SOLA Group, with the energy being supplied to African Rainbow Minerals Platinum
- Providing financing for a 97.5MW solar photovoltaic facility, developed by Mainstream Renewable Power, that will deliver renewable energy to Sasol and Air Liquide
- Providing financing for a R2.8 billion 150MW solar photovoltaic project developed by SOLA Group. The project initially secured three multinational anchor offtakers, with a significant portion of the project's energy reserved for flexible, short-term power purchase agreements which will enable a wide range of customers across South Africa to have access to clean and affordable energy.

	Rbn		Total limits (%)	
Renewable energy financing	**2023**	2022	**2023**	2022
Drawn exposure	**28.0**	23.0	**1.9%**	2.0%

In the retail sector this year, we have made significant strides in green energy, financing solar projects for 318 customers, amounting to R1.1 billion, a substantial increase from the 159 projects financed at R606 million in 2022.

Since 2021, our total investment in renewable energy has reached R2.1 billion, nearing our five-year target of R2.5 billion. Remarkably, we have achieved 86% of this goal in just three years, underscoring our steadfast commitment to sustainable development.

Our own carbon emissions

As a financial institution we have a direct impact on the environment, including through energy use, waste generation and water consumption, all of which contribute to resource use and carbon emissions. Our corporate real estate team evaluates and manages these risks and opportunities in collaboration with relevant business units, such as procurement, information technology, travel and building management.

We aim for continuous improvement in mitigating our direct environmental impacts by reducing and diversifying our use of natural resources and preventing pollution. These commitments are embodied in our environmental action plan, with medium- to long-term targets regarding our direct environmental footprint. In 2023 our performance exceeded our targets in seven of our nine environmental performance metrics. We did not meet our targets in the two remaining metrics, renewable energy and recycled materials.

We continue to drive the environmental agenda with environmental initiatives to meet our targets, such as installation of solar photovoltaic panels, efficient lighting, green-certified buildings/spaces, and water-saving projects. We had no significant environmental related incidents or breaches during the reporting period.

Indicator	Year-on-year change	Change from 2018 baseline	2030 target (2018 baseline)
Energy	(3%)	31%	30% reduction
Carbon (greenhouse gas)	15%	33%	51% reduction
Water saving[1]	148 ML	259 ML	100m litres saved
Waste recycling[2]	1%	13%	80% waste recycled
Paper	56%	82%	50% reduction
Renewable energy usage	1%	1%	10% increase
Travel	(35%)	17%	20% reduction
Green-certified spaces	12%	112%	33% increase
Carbon offsets	15%	15%	100% increase

[1] 19 million litres were saved from grey water systems, 121 million litres from leak detection and 8 million litres from smart toilets in 2023.

[2] Waste diverted from landfills for recycling and reuse in 2023 (South Africa only).

70 % of total gross letting area (GLA)

Energy

We operate a large network of branches and ATMs, which consume energy for lighting, heating and cooling, amongst others. We also maintain energy intensive data centres and corporate sites.

We have calculated the total energy consumed from renewable energy, fuel for back-up power generation (diesel and natural gas) and electricity from the national grid. We obtain 17% of our electricity data from smart meters installed across our portfolio, while the remaining 83% of the data, including from our Absa Regional Operations, is estimated.

Energy type	2023	2022	2021	2020	2019	2018 (Base year)
Renewable	**3 960 003[LA]**	1 833 851[LA]	1 687 208[LA]	1 857 332	1 958 756	1 995 524
Solar photovoltaic (kWh)	**3 763 394**	1 638 504	1 494 069	1 791 801	1 958 756	1 995 524
Gigajoule (GJ)	**(13 548)**	(5 899)	5 379)	(6 450)	(7052)	(7 184)
Wind (PPA)	**196 609**	195 347	193 139	65 531		0
Gigajoule (GJ)	**(708)**	703	695	236	0	0
Non-renewable	**218 609 776[LA]**	214 129 164[LA]	223 972 412[LA]	222 735 993	277 878 952	321 137 577
Gas (kWh)	**36 383 299**	34 423 152	35 405 866	34 369 589	74 553 565	79 722 023
Gigajoule (GJ)	**(130 980)**	(123 923)	(127 461)	(123 731)	(268 393)	(286 999)
Diesel (kWh)	**43 434 402**	22 175 521	8 529 873	6 669 681	5 437 686	3 496 319
Gigajoule (GJ)	**(156 364)**	(79 878)	(30 708)	(24 011)	(19 576)	(12 587)
Grid electricity (kWh)	**138 792 075**	157 530 491	180 036 673	181 696 723	197 887 701	237 919 235
Gigajoule (GJ)	**(499 651)**	(567 110)	(648 132)	(654 108)	(712 396)	(856 509)
Total (kWh)	**222 569 779[LA]**	215 963 015[LA]	225 659 620[LA]	224 593 325	279 837 708	323 133 101
Gigajoule (GJ)	**(801 251)**	(777 513)	(812 375)	(808 536)	(1 007 416)	(1 163 279)
Energy intensity (kWh/m^2)	**234**	293	285	261	313	345

Note: All the energy consumption figures have been restated to align with the financial year period.

Gigajoule conversions are based on IPCC Default Calorific Values.

m^2 for South Africa retail branches and corporate sites

[LA] Limited assurance: Deloitte conducted limited assurance on the total energy use and carbon emission indicators. The assurance report is available on page 46.

We have made significant progress in reducing our energy consumption since 2018, when we set a target of 30% decrease by 2030. As of today, we have achieved an overall 31% reduction, surpassing our goal ahead of time. However, we faced some challenges in 2023, when our energy consumption increased due to the unstable power supply in South Africa. To ensure business resilience and continuity, we had to rely on diesel backup generators, which increased our fuel demand, maintenance costs, and environmental impact. To address this issue, we have accelerated the installation of solar photovoltaic solutions, which will increase the share of renewable energy in our portfolio and reduce our dependence on fossil fuels.

Considering the energy crisis in South Africa, we are actively identifying opportunities to reduce our dependence on diesel and accelerate our transition to cleaner energy sources. We are engaging in green power purchase agreements, negotiating green power tariffs with our landlords, and investing in solar photovoltaic plants, including battery power walls, for our buildings.

Energy performance certificates

In December 2020, the South African government introduced a new regulation requiring existing buildings with a net floor area exceeding 2 000 m^2 to obtain and display an energy performance certificate. The initial deadline date was extended to 7 December 2025. As at the end of February 2023 we had received 19 energy performance certificates for freehold sites. Four retail leasehold branches have also been certified by us with the remaining 16 falling within the landlords' responsibility for certification.

We have embarked on a voluntary certification programme for buildings within the 1 000 to 2 000m^2 net floor area. A total of 12 retail branches have been identified for voluntary certification. Out of the 12 retail branches, six certificates have been received, three sites were descoped due to portfolio movement and lease expiration, one site is awaiting certification and two sites are due for site verification, expected to be completed by the end of February 2024.

Energy reduction initiatives

Electricity smart metering

Our approach to energy management is to measure and understand our energy consumption. We do so by investing in reliable measuring and monitoring tools that enable us to understand and develop strategies or projects to reduce and manage our energy consumption at a facility level. In 2023, we increased our electricity smart metering and building management system coverage to 93% (629 973m^2) for our South African operations at a cost of R2.9 million.

Efficient lighting rollout

Energy efficiency is at the heart of our building operations; therefore, we continue to invest efforts in all our direct operations as one of the areas to accelerate progress towards attaining our energy and greenhouse gas emission reduction targets. We have embarked on a medium- to long-term journey to phase out all inefficient lighting in our premises. The approach has been to replace old fluorescent light fittings with energy efficient LED lighting.

This year we invested R25 million to replace LED lighting in 47 retail sites and two corporate sites with a saving of 715 318.16kWh/a, and 7 144.18tCO_2e per annum. We aim to install energy-efficient lighting at an additional 50% of the Group's sites in 2024.

Energy efficiency in data centres

There is continuous focus on improving the energy efficiency of in-house data centres and capturing cost-savings from optimisation programmes. Where possible we will continue to drive energy efficiency within our operations.

Renewable energy

The current target is to increase our renewable energy usage by 10% by 2030 from 2018. We have solar photovoltaic plants installed at six of our corporate branches and 26 retail branches, with additional installations underway in 23 retail sites. Three retail branches utilise wind energy sourced through a power purchase agreement with PowerX, contributing 0.1% (0.2 GWh) to our total energy consumption. We are also accelerating the installation of battery walls in our retail network.

To build on our efforts to increase our renewable energy usage we will:

- Increasing the number of solar photovoltaic installations in our facilities for on-site power generation
- Engage with energy traders to identify opportunities for them to wheel power to other sites around the country.

Emissions

Our 2030 intermediate target is to reduce our emissions by 51% against our 2018 baseline. Our long-term ambition is to achieve net zero greenhouse gas emissions by 2050, encompassing both operational and financed Scope 1, 2, and 3 emissions.

For South Africa, we apply Eskom Factors, and for Absa Regional Operations, we use the International Energy Agency. For the United Kingdom office, we apply UK DEFRA guidelines. We calculate and report our greenhouse gas emissions using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. We calculate emissions for all relevant Kyoto Protocol gases, where these are material. The total greenhouse gas emissions in tonnes of carbon dioxide equivalent (tCO_2e) were calculated for the three emission scopes as defined by the Greenhouse Gas Protocol.

Our target for 2023 was to reduce our carbon emissions by 5% in Scope 1, 2 and 3. However, we were able to achieve an 11% reduction in carbon emissions in 2023, which surpassed our in-year target. This reduction was mainly due to a decrease in our reliance on grid electricity given the persistent loadshedding in South Africa. So far, we have accomplished an overall 33% reduction in carbon emissions, exceeding the cumulative target of 19% by 2023. Our total operational carbon emissions (Scope 1 and 2) are 3.8 tCO_2e/a (2022: 4.37 tCO_2e/a) and our intensity ratio, measured as greenhouse gas emissions per square metre reduced from 0.156 $tCO_2e/m_2/a$ in 2022 to 0.14$tCO_2e/m_2/a$ in 2023.

We do not emit biogenic CO_2 emissions in Scope 1 or 3. We do not measure emissions of ozone-depleting substances and nitrogen oxides, sulphur oxides and other air emissions, as these are not significant.

Greenhouse gas emissions ($tonnes\ CO_2e$)	2023	2022	2021	2020	2019	2018 (Base year)
Scope 1	**21 859[LA]**	15 885[LA]	12 276[LA]	12 258	20 835	22 003
Gas	**7 370**	6 973	7 171	6 961	15 100	16 101
Company cars	**2 834**	2 962	2 816	3 507	4 276	4 969
Diesel	**11 655**	5950	2289	1 790	1 459	933
Scope 2	**112 516[LA]**	138 157	159 708[LA]	160 682	105 747	169 581
Real estate (national grid electricity)[1]	**112 516**	138 157	159 708	160 682	105 747	169 581
Scope 3	**17 375[LA]**	23 447[LA]	16 205[LA]	17 481	27 775	34 329
Flights	**12 449**	8365	487	1 583	8 610	10 534
Transmission and distribution[2]	**2 653**	13 756	14 769	14 391	14 827	18 124
Private cars	**2 173**	1 259	923	1 424	4 226	5 526
Car hire	**100**	67	25	83	112	145
Total	**151 750[LA]**	177 489[LA]	188 237[LA]	190 421	154 357	225 913

[1] The observed reduction in emissions from 2018 to 2019 was a result of the inability to model emissions from some of the sites, and so the 2019 data is not a true reflection of our emissions from our real estate portfolio.

[2] The reduction in emissions from 2022 to 2023 can be primarily attributed to a change in methodology. In 2023, we used the Eskom emission factor, whereas the International Energy Agency emission factor had been used previously.

[LA] Limited assurance: Deloitte conducted limited assurance on the total energy use and greenhouse gas emission indicators. Refer to the Limited Assurance Report on page 46 for more information.

Carbon offsetting

In 2023, we purchased voluntary carbon credits in addition to other initiatives we are undertaking as a Group to reduce greenhouse gas emissions. The voluntary carbon credits purchased resulted in us offsetting approximately 13.9% of the 2023 Scope 1 and 2 greenhouse gas emissions. As we operate across Africa, we purchased 20 500 voluntary carbon credits across different projects and regions in Africa that are aligned to our priortised United Nation's SDGs.

Project name	Country	Project type	SDGs	Credits purchased (tCO_2e)
Recipe for Change 'Wonderbag'	South Africa	Avoidance	1, 8, 12, 13, 15	6 000
Micro-Energy Credits	Uganda	Avoidance	1, 7, 13	3 000
Reforestation of Degraded Grasslands in Uchindile and Mapanda	Tanzania	Removal	1, 2, 3, 4, 5, 6, 8, 13, 15	10 500
Promoting Improved Cooking Practices	Nigeria	Avoidance	1, 7, 13	1 000

Voluntary carbon credits related to the Reforestation of Degraded Grasslands in Uchindile and Mapanda (Tanzania), which is a removal project that received an additional certification under the Verified Carbon Standard Climate, Community and Biodiversity programme.

Our tax liability is linked to the gas and diesel fuels consumed in our property portfolio for back-up power generation. In 2023 we paid carbon tax in the amount of R300 610 to the South African Revenue Service in respect of the 2022 carbon tax liability in line with the prescribed carbon tax filing and payment requirements (2022: R383 626 was paid to the South African Revenue Service in respect of the 2021 carbon tax liability). In 2023 our emissions accounted for 7 354 CO_2e from these sources, which represents a carbon tax liability of R321 062.

Water and effluents

Our water uses include drinking, cooking, cleaning, irrigation, air-conditioning, showers, and toilets. We access water from municipal water supplies and, in select circumstances, from boreholes and rainwater harvesting. We release non-hazardous discharged water from toilets and kitchens into the municipal sewerage system.

We aim to reduce our potable water consumption by 100 million litres by 2030, with an in-year target of 10 million litres. Three of our corporate offices in South Africa and Botswana have greywater recycling plants, including rainwater harvesting, which is used for flushing. In the reporting year, 148 million litres[LA] were saved (greywater, smart toilets and leak detection initiatives).

Water supply

Water scarcity is a significant threat to our business since our premises fall within areas where water stress remains a risk. We have introduced internal measures, such as back-up water systems, to ensure that our buildings have access to water.

In 2023, we supplied 31 900 litres of potable drinking water and 145 000 litres of greywater tanks for flushing toilets to selected sites across all provinces.

As an extension of our internal water crisis management campaign, we continue to educate and raise awareness among our employees and communities regarding responsible water usage.

In our South African property portfolio, potable water is quality tested according to SANS 241 every quarter. We also adhere to the Department of Forestry, Fisheries and Environment regulations regarding the ecology and biodiversity of our campuses. This includes controlling invasive species to protect our indigenous fauna and flora, which consume less water than identified alien species.

Water consumption (kilo litres)	2023	2022	2021
Total water consumption	**265 172**[LA]	194 622	190 080
Recycled water (greywater)	**19 042**	14 788	4 843
Leaks detected	**120 790**	81 352	11 180
Water intensity ratio (kl/m^2)	**0.28**	0.20	0.18
Water intensity ratio (kl/FTE)	**7.4**	5.9	5.4

m^2 for South Africa retail branches and corporate sites

Water smart metering

We have improved our smart metering installation coverage to 53% (compared to 51% in 2022), enabling us to commence a three-year comparison of our water usage. While a significant portion of our water consumption is still estimated, we have committed to a long-term plan to expand our smart meter installations. Furthermore, we are implementing improved leak detection measures which has led to an improvement in the accuracy of our measurement and reporting.

Promoting sustainable buildings through green building certification

As a financial institution with a substantial real estate portfolio, our direct environmental impacts primarily stem from how we operate and manage our buildings. We are committed to occupying certified, resource-efficient green buildings, which offer various advantages. These include decreased greenhouse gas emissions, energy and waste reduction, water conservation, the use of safer materials, and reduced exposure to toxins. As part of our environmental action plan, we aim to achieve a 33% increase in our certified spaces across the Group by 2030, with a minimum four-star rating certification as the standard. At the end of 2023, 10 of the buildings we occupy had been green certified. Buildings represent 34.2% of our gross leasable area including Existing Building Performance certification and one building for Interiors certification. We have been members of the Green Building Council of South Africa, since 2012 and the Kenyan Green Building Council since 2020.

This year we successfully:

- Achieved 5-Star Green Star rating for the Auckland Park Call Centre (24 144m^2)
- Submitted 10 retail sites (16 439m^2) for Existing Building Performance certification
- Registered two corporate sites for Existing Building Performance certification and one for interiors certification to be submitted by end of February 2024
- Registered nine retail branches for Existing Building Performance certification to be submitted by end of February 2024.

To further our efforts, we are:

- Expanding green certification within our South African retail spaces from selected sites that are eligible for Excellence in Design for Greater Efficiencies certification, Interior Fit-out certification and Existing Building Performance certification in 2024
- Continuing to explore possibilities for the accreditation of our Zambian, Botswana, and additional Kenyan facilities.

Materials

Our goal to reduce office paper use by 50% by 2030, was surpassed, achieving a 82% reduction in paper use compared to 2018. The in-year targeted decrease of 4% was surpassed by 51%.

Although digitisation efforts have contributed to this reduction, some processes still necessitate paper usage, such as printing contracts, statements, and other customer documents. We ensure the responsible disposal of office paper waste through recycling.

195 tonnes

of Forest Stewardship Council-certified paper utilised in South Africa

(2022: 438 tonnes)

Waste

Our goal for 2030 is to divert 80% of the waste generated within our facilities from landfill. Our integrated waste management strategy is a holistic and integrated course of action that incorporates waste avoidance; waste minimisation through reduction; recycling or reuse; waste collection and transportation; waste treatment; and waste disposal, as a last resort.

As an office-based financial services provider, we generate minimal hazardous waste or packaging material and have partnered with accredited waste partners to manage waste in all our facilities. We measure and manage waste within our operational boundary and prioritise waste services based on volumes of waste generated, the number of employees, and the buildings' size. In instances where a significant amount of waste was generated, our service provider deployed an onsite sorter to minimise the amount of waste to landfill. Cleaning staff undertook basic waste separation for sites where waste volumes were too small to warrant a permanent waste sorter. All equipment to facilitate the process of correct recycling and separation of waste was supplied.

Waste management (tonnes)	2023	2022	2021	2020	2019	2018
Recycled	**468**	424	455	811	1 470	1 649
Waste to landfill	**204**	193	250	478	1 337	1 245
Total waste	**672**[LA]	617	705	1 289	2 807	2 894
Recycled (%)	**70**	69	65	63	52	57
Recycling target (%)	**75**	75	70	70	65	

Waste reduction initiatives

We recycled 70% of our total waste generated, which was lower than our 75% target for 2023. This was a result of employees purchasing food that is packaged in non-recyclable materials from external food vendors. The amount of waste sent to landfill sites decreased from the 2018 baseline of 1 245 tonnes to 204 tonnes in 2023.

Ongoing employee awareness and education campaigns continue to contribute to a reduction in waste generation across our facilities. Waste separation rates for recycling and composting (organic waste recycling) remain high across our sites. Composters have been installed in 10 corporate sites. Food and biodegradable waste for composting is distributed to the landscaping teams at our Pretoria Campus, while excess compost is donated to the City of Johannesburg's Parks and Zoos Department for their landscaping and farming initiatives.

Conclusion

Our commitment to being agents of positive change within our communities is unwavering, driven by a deep-seated conviction to uphold our values and purpose, we will continue to prioritise sustainable practices, foster innovation, focus on a just transition and collaborate across sectors to safeguard the future of our planet.

Methodologies and terms

Attribution factor: Is calculated by dividing the total share in the company outstanding by the 'total debt + equity' of the company. This attribution factor is then multiplied by the emissions of the borrower or investee. For the fossil fuels reduction pathways, attribution factors were calculated based on our limits, consistent with Partnership for Carbon Accounting Financials methodology.

Carbon offsetting project types: Carbon avoidance is the prevention of future carbon emissions being released into the atmosphere. Carbon removal is the elimination of existing carbon emissions, by absorption, after it has entered the atmosphere.

Climate-related risk: Is an exposure to potential loss events from physical or transition risks caused by or related to climate change.

Coal: Our coal portfolio uses a combination of reported emissions and physical activity data of the portfolio companies' production to calculate the financed emissions. This approach has enabled us to calculate our emissions with a PCAF score of 1.1 (Scope 1, 2 and 3).

Environmental or nature-related risk: Is an exposure to potential loss related to environmental degradation.

Oil and gas: We acquired the financed emissions data for our oil and gas portfolio from a third-party data supplier. The emissions were estimated based on production data, resulting in a PCAF score of 3.0 for Scope 1, 2, and 3 emissions. We will use company reported emissions in the future as companies in the portfolio begin to report their emissions.

Physical risks: Are threats to assets and communities caused by extreme weather events and long-term climate changes.

Scenario analysis: A method used to assess the potential impacts of different future scenarios on an organisation's operations, finances, or other aspects. It involves developing and analysing a range of plausible future scenarios, each representing a different set of conditions or assumptions, to understand how these scenarios may affect the organisation and its objectives. This analysis helps organisations identify risks and opportunities associated with different future states and develop strategies to mitigate risks and capitalise on opportunities (TCFD, 2017).

Scope 1 emissions: Refers to direct greenhouse gas emissions from sources that a company owns or controls. For us this includes emissions from the use of diesel fuelled generators, company cars and natural gas in our South African operations.

Scope 2 emissions: Are those associated with purchased electricity and include all building-related emissions (excluding ATMs, land and parking), including those related to energy consumption from the national electricity grid. For real estate-related CO_2 emissions, 100% of the reported emissions derive from data provided by onsite representatives, invoices, meter readings and, where no actual data is available, from system-generated estimates. We use the location–based method for all Scope 2 emissions calculations, according to the Greenhouse Gas Protocol's Scope 2 Guidance.

Scope 3 emissions: Are linked to upstream and downstream activities. These include business air travel and vehicles used in South Africa only, including private and hired cars. We account for Scope 3 transmission and distribution loss-related emissions for all buildings across the portfolio.

Social risks: Are mostly those which materialise due to poor standards of respecting elementary rights, inclusiveness, ineffective labour relations and unfair, not transparent or malus customer practices. Social risks materialise mostly through damages in reputation, inefficient or even disrupting operations or loss of critical labour force, and finally through financial claims and liabilities due to improper practices.

Stress testing: In the context of climate risk management, stress testing involves assessing the resilience of financial institutions, companies, or portfolios to various climate-related scenarios. This process helps identify potential vulnerabilities and evaluate the potential impact of climate-related risks on financial performance, asset values, and overall business operations. Stress tests typically involve modeling different climate scenarios, such as changes in temperature, extreme weather events, or transition risks associated with shifts to a low-carbon economy, and evaluating the implications for financial stability and long-term sustainability.

Transition risks: Refer to risks associated with transitioning to a low carbon economy.

We have used the following approaches:

- **Commercial Real Estate** (Commercial Property Finance) and **Real Estate** (mortgages): Estimated building energy consumption per floor area based on building type and location-specific statistical data and the floor area (Option 2b). In our calculations, we considered emissions per financed property, using client property area.
- **Coal:** The calculated financed absolute or total emissions of the coal portfolio are used.
- **Oil and gas:** The calculated financed emission intensity of the oil and gas portfolio are used.

Independent Assurance Practitioner's Limited Assurance Report

To the Directors of Absa Group Limited

Report on Selected Key Performance Indicators

We have undertaken a limited assurance engagement on selected key performance indicators (KPIs), as described below, and presented in the Climate Report 2023 of Absa Group Limited ("Absa") for the year ended 31 December 2023 (the Report). This engagement was conducted by a multidisciplinary team including environmental and assurance specialists with relevant experience in sustainability reporting.

Subject matter

We have been engaged to provide a limited assurance conclusion in our report on the following selected KPIs, marked with an "LA" on the relevant pages in the Report. The selected KPIs described below have been prepared in accordance with the Bank's criteria for reporting supported by the Global Reporting Initiative (GRI) standards ("reporting criteria"). The reporting criteria is available on *www.absa.africa*.

Key performance indictors	Unit of measurement	Boundary	Page number
Total non-renewable energy use	kilowatt-hour (kWh)	• Group: electricity • South African operations: natural gas and diesel	40
Total renewable energy use	kilowatt-hour (kWh)	South African operations	40
Total energy use	kilowatt-hour (kWh)	• Group: electricity • South African operations: natural gas, diesel, solar photovoltaic and wind	40
Scope 1 greenhouse gas emissions	tonnes CO_2e	South African operations	42
Scope 2 greenhouse gas emissions	tonnes CO_2e	Group	42
Scope 3 greenhouse gas emissions	tonnes CO_2e	• Group: local and international flights, transmission and distribution from grid electricity • South African operations: car hire, employee kilometre claims	42
Total greenhouse gas emissions	tonnes CO_2e	• Group: electricity, local and international flights, transmission and distribution from grid electricity • South African operations: natural gas, diesel, fuel used for company-owned/ fleet vehicles, car hire, employee kilometre claims	42
Total water consumption	litres	South African operations	43
Recycled water (greywater)	litres	South African operations	43
Water savings	litres	South African operations	43
Total waste	tonnes	South African operations	44
Scope 3 financed emissions: commercial property finance (CPF), real estate (December 2022)	$MtCO_2e$	Group	36
Scope 3 financed emissions: commercial property finance (CPF), real estate (December 2023)	$MtCO_2e$	Group	36
Scope 3 financed emissions: mortgages, real estate (December 2022)	$MtCO_2e$	Group	36
Scope 3 financed emissions: mortgages, real estate (December 2023)	$MtCO_2e$	Group	36
Scope 3 financed emissions: oil and gas, fossil fuels (December 2022)	gCO_2e/MJ	Group	37
Scope 3 financed emissions: coal, fossil fuels (December 2022)	tCO_2e	Group	37

Directors' responsibilities

The Directors are responsible for the selection, preparation and presentation of the selected KPIs in accordance with the Bank's criteria for reporting supported by the Global Reporting Initiative (GRI) standards ("reporting criteria"). This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error. The Directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected KPIs and for ensuring that those criteria are publicly available to the Report users.

Inherent Limitations

The Greenhouse Gas (GHG) emission quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Deloitte applies the International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and, in respect of greenhouse gas emissions, in accordance with the International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. These Standards requires that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of Absa's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected KPIs;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated whether the selected KPIs presented in the Report are consistent with our overall knowledge and experience of sustainability management and performance at Absa.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Absa's selected KPIs have been prepared, in all material respects, in accordance with the accompanying Absa's reporting criteria.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected KPIs as set out in the Subject Matter paragraph above for the year ended 31 December 2023 are not prepared, in all material respects, in accordance with the reporting criteria.

Other matters

Our report includes the provision of limited assurance on the following KPIs:

- Total water consumption
- Recycled water (greywater)
- Water savings
- Total waste
- Scope 3 financed emissions: commercial property finance (CPF), real estate (December 2022)
- Scope 3 financed emissions: commercial property finance (CPF), real estate (December 2023)
- Scope 3 financed emissions: mortgages, real estate (December 2022)
- Scope 3 financed emissions: mortgages, real estate (December 2023)
- Scope 3 financed emissions: oil and gas, fossil fuels (December 2022)
- Scope 3 financed emissions: coal, fossil fuels (December 2022)

No assurance provider was previously required to provide assurance on these selected KPIs.

The maintenance and integrity of Absa's website is the responsibility of Absa's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on Absa 's website.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected KPIs to the Directors of Absa in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Absa, for our work, for this report, or for the conclusion we have reached.

Deloitte & Touche

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28 March 2024

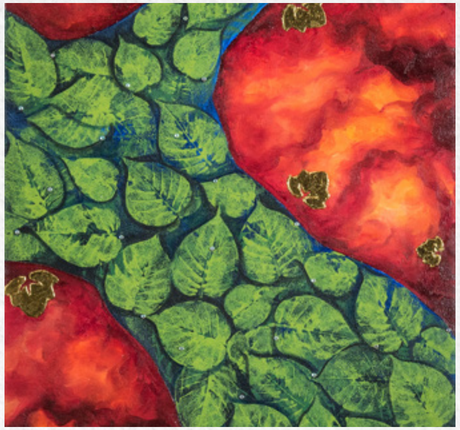
Raji Bamidele

2019 Absa L'Atelier
Ambassador Nigeria

Scan to view the artist full portfolio

Raji Bamidele is a self-taught multifaceted artist (born in 1994). Through his art, Bamidele, delves into the interplay of natural laws, mythology, philosophical beliefs, and scientific principles while calling into question the existence of time and being. His focus is on the resilience of the human spirit and the concept of dualism, which forms the core of the world that he envisions. He invites viewers to contemplate their place within the grand tapestry of existence.

Featured Artwork: Of Forms and forming II



www.absa.africa

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