Absa Group Limited

Principles for Responsible Banking Report 2023

About our Principles for Responsible Banking Report

Absa Group Limited became a founding signatory of the United Nations Environment Programme Finance Initiative's Principles for Responsible Banking in 2019. The principles set the global benchmark for what it means to be a responsible organisation and helps to align banks with society's goals as expressed in the Paris Climate Agreement and the United Nations Sustainable Development Goals.

We aim to provide 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.

To avoid repetition, this report refers to other published Absa reports and must be read in conjunction with these reports.

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

Currency and measurement

All amounts in this report are in South African rands unless otherwise noted. The measurements used in this report are metric, except where otherwise noted.

Assurance

We apply a risk-based, combined assurance approach to the Group's operations. Internal controls, management assurance, compliance and internal audit reviews, supported by the services of independent external service providers, to 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, Remuneration, Directors' Affairs, Group Audit and Compliance, and Group Risk and Capital Management committees.

Deloitte provided limited assurance in respect of the self-assessment/assertions of our fulfilment of our commitments as a signatory to the Principles for Responsible Banking, specifically relating to Principle 2.1 Impact Analysis, 2.2 Target setting, 2.3 Target implementation and monitoring and 5.1 Governance Structure for implementation of the principles.

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*.

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 disclosures.

The SSEC approved the report on 19 March 2024.

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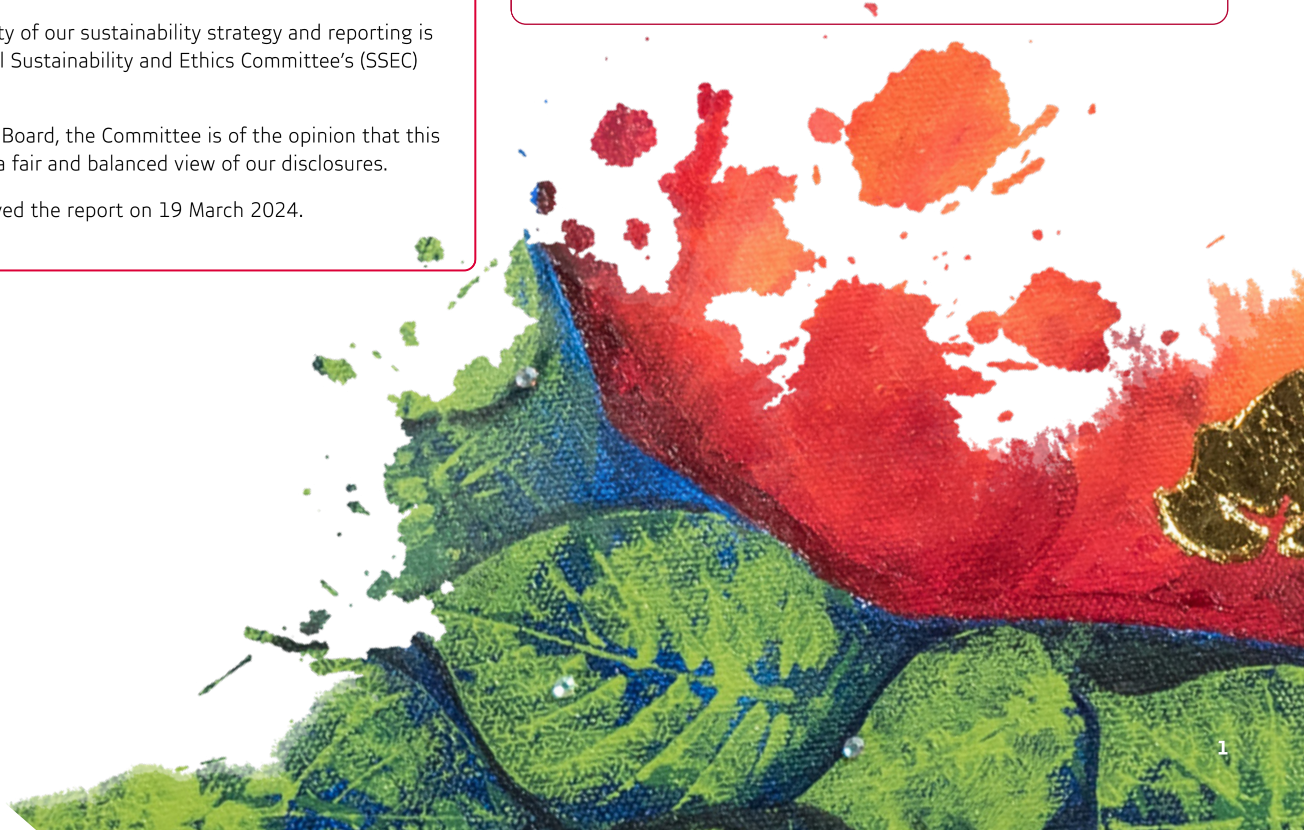

We are committed to empowering sustainable finance in Africa - our home, guided by our purpose to be an active force for good in everything we do. In 2023, we have significantly advanced our sustainability initiatives, setting ambitious targets for reducing our carbon footprint in line with the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement. Our robust governance, aligned with global sustainability standards, and active stakeholder engagement underline our commitment to responsible banking and the just transition towards a low-carbon economy. As we advance, we remain focused on fostering positive environmental and social transformations across the African continent towards a sustainable future.

A summary is provided on the progress we have made, or the approach we have taken, for each of the Principles for Responsible Banking six principles and a list of references is provided for further information to support our position.

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the United Nations SDGs, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing, e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Absa Group business model

We are a universal pan-African financial services institution, diversifying its services across various sectors including retail, wealth, business, and corporate divisions. With its headquarters in Johannesburg, South Africa, the Group has established its prominence in the African financial landscape through its vast array of services which include but are not limited to digital solutions, payment services, credit facilities, risk management, and insurance.

Market presence and financial standing

The bank's financial robustness is underscored by its gross loans and advances, which totalled R1 321 billion as at 31 December 2023. Catering to a substantial customer base, we serve 12.2 million clients, and boasts a digital customer count of 3.8 million. The Group's extensive operational network comprises 1 010 outlets and maintains a vast array of 6 410 ATMs across various regions.

Product and service offering

The bank provides a comprehensive range of products tailored to meet the diverse needs of its customers. These products span across banking services, loans, mortgages, credit cards, and insurance, specifically designed for personal, business, and corporate clients. The focus is on delivering all-encompassing financial solutions and support tailored to various customer needs and sectors.

Loan and advance contributions by segment (2023)

The distribution of loans and advances to customers by segment for the year 2023 is as follows:

- Everyday Banking: 19.25%
- Product Solutions Cluster: 31.15%
- Relationship Banking: 16.52%
- Absa Regional Offices Retail and Business Banking (Africa Regions): 17.16%
- Corporate and Investment Banking: 15.92%

Employee demographics

The workforce compliment of the group was 37 107 employees at end of December 2023 (South Africa: 27 085; Absa Regional Operations: 9 825; International: 197).

Links and references

Integrated Report 2023

- Absa at a glance
- Our structure, products and services
- Absa in the African banking context
- Our business model

Financial Results Booklet 2023

- Segment performance
  - Product solutions cluster
  - Everyday Banking
  - Relationship Banking
  - ARO RBB
  - CIB

1.2 Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank? ☒ **Yes** ☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Response	Links and references

We have identified sustainability as a strategic priority within our corporate strategy, focusing on financial inclusion, diversity and inclusion, and climate. We are aligning our strategy with the SDGs, the Paris Climate Agreement, and relevant national frameworks. This involves promoting accessibility to financial services, advancing diversity, and aiming for net zero greenhouse gas emissions by 2050. We are also committed to reducing financed emissions in climate-sensitive sectors and have pledged to support sustainable financing and renewable energy projects, underscoring our dedication to environmental and social sustainability.
 	
We, along with our Board, recognise the imperative of the SDGs as a universal call to action, compelling all countries and businesses to foster sustainable development globally. These goals serve as an essential guide, enabling us to pinpoint areas where we can exert the most substantial societal impact, both positively and negatively. In response, we have intentionally prioritised six SDGs which are closely aligned with our significant ESG concerns. This strategic alignment demonstrates our commitment to being a responsible corporate citizen, actively participating as a force for good in the global community. By integrating these priorities into our operational framework, we pledge to contribute meaningfully to global sustainability efforts and reinforce our role in promoting positive environmental and social outcomes.
 	
To support the implementation of our strategy, the Group holds memberships in initiatives such as:
• United Nations Environment Programme Finance Initiative (UNEP FI)
• The Equator Principles
• Chapter Zero
• National Business Initiative
• UN Global Compact (Africa Business Leaders Coalition).
 	
Our sustainability strategy is reinforced by robust governance and a commitment to responsible corporate citizenship, laying a solid foundation for our efforts to generate and maintain sustainable value for our stakeholders while simultaneously reducing value erosion.
	Sustainability Report 2023
	• Our Group strategy:
	  ◦ How our sustainability framework delivers our Group strategy
	  ◦ Our sustainability framework
	  ◦ Integrating sustainability into Group strategy
	
	Climate Report 2023
	• Climate Strategy

Principle 2: Impact and target setting

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

2.1 Impact Analysis (Key Step 1)

(a) **Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a–d):

Response	Links and references
We have established three key strategy pillars for our ambitious agenda: financial inclusion, diversity and inclusion, and climate. The choice of our strategic pillars considered the Group's core business areas, products/services and all geographies where we operate, involving: • Foundational review • Alignment of our strategic pillars to our Purpose • Articulation of our sustainability strategy and ambition • Translation of strategy into actions and outcomes. These pillars were selected based on their materiality to our organisation, considering: • The relative importance and priority of a topic to our stakeholders, including investors, clients, and employees • Potential business impact, considering risks and opportunities such as climate change and green financing • Our unique strengths and areas where we can make a difference. Our assessment included: • Regulatory and legislative considerations • Stakeholder engagement and feedback • Benchmarking against global best practices • Analysis of social challenges. We conducted a double materiality assessment to define material matters, including: • Climate change and just transition • Transformation, diversity and inclusion • Financial inclusion and socioeconomic stability • Responsible supply chains. Our approach ensures alignment with our group strategy and risk framework, guiding our sustainability efforts toward impactful outcomes.	**ESG Report 2022** • ESG strategy **Sustainability Report 2023** • Our Group strategy • Our sustainability framework • Our material matters

(b) **Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope i. by sectors and industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or ii. by products and services and by types of customers for consumer and retail banking portfolios. If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response	Links and references

Yes, we have considered the composition of our portfolio in the analysis. The portfolio analysis indicates that sectors believed to have elevated climate-related risks include high-emission and climate-sensitive sectors. The bank monitors and reports drawn exposures to these sectors, which will become more detailed as our approach to climate change risk management evolves, aligning with the TCFD's recommendations.
 	
For 2023, the high-emission sectors, which represent over 15% of the total Group loans and advances, include Transport and Logistics (9.7%), Manufacturing (2.9%), Mining and Quarrying (1.7%), Water (0.001%), and Electricity (0.013%). The climate-sensitive sectors, excluding the substantial real estate loan book, constitute 19.2% of total loans and advances, with significant components being the transport and logistics portfolio (9.7%) and the diversified agriculture portfolio (3.6%).
 	
The portfolio also considers fossil fuels exposures, showing overall exposure to coal, oil, and gas, including loans or drawn exposure and total limits for these sectors. Notably, the drawn exposure to electricity utilities was nil as at 31 December 2023.
 	
These analyses demonstrate our comprehensive approach to understanding our exposure across different sectors and geographies, focusing on areas with high emissions and climate sensitivities, aligning with our sustainability and risk management strategies.
	Integrated Report 2023
	• Absa at a glance
	
	Climate Report 2023
	• Metrics and targets
	
	Financial Results Booklet 2023
	• Segment performance
	  ◦ Product solutions cluster
	  ◦ Everyday Banking
	  ◦ Relationship Banking
	  ◦ ARO RBB
	  ◦ CIB

(c) **Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. This step aims to put your bank's portfolio impacts into the context of society's needs.

Response	Links and references
Main challenges and priorities 1. Climate change and environmental degradation Many of the regions where we operate are particularly vulnerable to climate change. Challenges include water scarcity, energy access, and agricultural vulnerability due to changing weather patterns. Environmental degradation, including deforestation and loss of biodiversity, further exacerbates these challenges. 2. Social inequality and financial Inclusion Significant portions of populations in our operating regions face barriers to financial services, contributing to broader social and economic inequalities. Priorities include enhancing financial inclusion, supporting small and medium-sized enterprises, and promoting gender equality. 3. Energy transition and sustainable infrastructure The need for sustainable infrastructure and a transition to renewable energy sources is critical in fostering economic growth and mitigating climate change impacts. This includes investments in green energy projects and sustainable transportation solutions.	**ESG Report 2022** • Statement on sustainable development strategy **Sustainability Report 2023** • Financial Inclusion • Diversity and Inclusion • Climate **Climate Report 2023** • Resilience of our strategy

(c) **Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. This step aims to put your bank's portfolio impacts into the context of society's needs.

Response	Links and references
Stakeholder engagement We actively engage with a diverse range of stakeholders, including local communities and NGOs, government bodies and regulators, industry experts and academia, as well as clients and customers. These engagements facilitate a deep understanding of the grassroot challenges and priorities, especially in areas impacted by climate change and financial exclusion. Collaborations with government agencies ensure our initiatives are in harmony with national development goals, while partnerships with academic institutions bring innovative solutions for sustainable development to the forefront. Through ongoing dialogue with our clients, ranging from individual consumers to large corporates, we tailor our offerings to support their unique sustainability journeys, providing them with green financing options and advisory services to manage environmental and social risks effectively. **Strategic integration** Our strategic response to these challenges involves integrating sustainability considerations into our core business operations and decision-making processes. Our efforts include: • Developing green financing products and services to support renewable energy projects and sustainable infrastructure • Launching initiatives to enhance financial inclusion, such as digital banking solutions and financial literacy programmes targeted at underserved communities • Implementing internal sustainability targets, such as reducing our carbon footprint and promoting diversity and inclusion within our workforce and supply chain. By aligning our business strategies with the SDGs, we aim to contribute positively to addressing the urgent challenges facing Africa. Our ongoing commitment to stakeholder engagement and impact analysis ensures that our actions remain relevant and impactful in promoting sustainable development across the regions we serve.	

(d) **For these (min. two prioritised impact areas): Performance measurement:** Has your bank identified which sectors and industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context. In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health and inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annexure. If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this. The outcome of this step will then also provide the baseline (including indicators) you can use for setting targets in two areas of most significant impact.

Response

To address performance measurement in prioritised impact areas, we have identified sectors, and types of clients that have significant positive or negative impacts. This involved assessing performance through indicators related to significant impact areas relevant to our context. For more detailed insights into how Absa assessed these performances and impact areas, along with the applicable indicators, refer to the Sustainability Report 2023 and the Climate Report 2023. These documents detail the bank's approach to assessing the intensity of impact from its activities and services, providing a baseline for setting targets in areas of significant impact.

Climate

Goal: Net Zero by 2050

Performance Measurement: Carbon emissions reduction

Coal reduction pathway: 25% reduction in coal-financed emissions by 2030, in line with the decline in Africa coal production in the Announced Pledges Scenario.

Oil and gas pathway: 9% reduction in physical intensity, in line with global oil and gas CO_2 emissions in the Announced Pledges Scenario.

Diversity and inclusion

Goal: High share of employees feel they are accepted members of the workforce

Performance Measurement: Tracking Employee Experience Survey

Our Employee Experience Survey has steadily improved over the past four years, reaching an overall score of 71.5, reflecting the positive outcome of our collective effort to transform our organisational culture and build an Absa we can all be proud of. Key outcomes include:

- **Employee sentiment:** 74.9% of employees are delighted or satisfied with their experience at Absa (up from 69% in 2022)
- **Job satisfaction:** The mean score improved to 7.76 out of 10, indicating strong satisfaction (2022: 7.42)
- **Employer Advocacy eNPS:** Likelihood of recommending Absa as a bank of choice increased from +24% in 2022 to +36.1% in 2023.

Links and references

Sustainability Report 2023

- Our Group strategy
- Our sustainability framework
- Our sustainability governance
- Diversity and inclusion, Building an inclusive culture

Climate Report 2023

- Risk management
- Metrics and targets

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[1]

Scope:	☒ **Yes**	☐ In progress	☐ No
Portfolio composition:	☒ **Yes**	☐ In progress	☐ No
Context:	☒ **Yes**	☐ In progress	☐ No
Performance measurement:	☒ **Yes**	☐ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Financial Inclusion, Climate and Diversity and Inclusion

How recent is the data used for and disclosed in the impact analysis?

☐ Up to 6 months prior to publication
☐ Up to 12 months prior to publication
☒ **Up to 18 months prior to publication**
☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

Carbon emissions data – The year 2022 is our base year for coal, oil and gas reduction pathways. We use company reported emissions and third-party data to calculate emissions. Our reduction glidepath is therefore influenced by clients' emissions data quality and any improvements thereto.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of the most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

(a) **Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response	Links and references
Financed emissions We utilised the Partnership for Carbon Accounting Financials methodology to account for financed emissions. This involved assessing greenhouse gases emissions from each company in our fossil fuels portfolio and calculating "attribution factors" for each client. Our glidepath is aligned with the International Energy Agency Announced Pledges Scenario. **Own carbon reduction** To mitigate the adverse direct environmental impacts of our operations and enhance our environmental performance we use the following: • Greenhouse Gas Protocol to calculate our carbon footprint and to determine our assumptions and inform our calculations, including those used for the operational control consolidation approach. • 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.	**Climate Report 2023** • Setting emission reduction targets • Climate Strategy • Our own carbon emissions • Portfolio analysis of climate-sensitive sectors **Net zero statement** *https://www.absa.africa/media-centre/media-statements/2023/absa-group-announces-net-zero-targets-as-part-of-broader-sustainability-sustainable-finance-goals/*

(b) **Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritised climate mitigation and/or financial health and inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change		

Impact area	Indicator code	Response
Financial health and inclusion		

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

A. Climate change mitigation

Indicator code	Response	
A.1.1 **Climate strategy**: Does your bank have a climate strategy in place? ☒ **Yes** ☐ No	Our sustainability strategy includes climate-related information.	**Climate Report 2023** • Metrics and targets **Sustainability Report** • Sustainable finance issuance and green financing initiatives
A.2.1 **Client engagement process:** Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)? ☒ **Yes** ☐ No	Our commitment to reduce emissions targets for our lending portfolio in the fossil fuels industries requires us to support our large, medium and small corporate clients to align with our net zero intent. 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 are required to have active environmental and social reviews/action plans overseen by independent environmental and social, and technical consultants. We 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.	

A. Climate change mitigation

Indicator code	Response
A.3.1 **Financial volume of green assets/low-carbon technologies:** How much does your bank lend to/invest in green assets/loans and low-carbon activities and technologies?	Our exposure to renewable energy finance is R28 billion as at 31 December 2023 (2022: R23.7 billion). Our renewable energy exposure is 74% larger than total drawn fossil fuels exposures in 2023.

	Rbn			**Total limits (%)**	
Renewable energy financing	**2023**	2022	Change	**2023**	2022
Drawn exposure	**28**	23	5	**1.93%**	2.00%

Indicator code	Response
A.4.1 **Reduction of GHG emissions:** How much have the GHG emissions financed been reduced?	2023 is out first reporting year on fossil fuels carbon emissions. Mortgages and CPF have been tracked since 2021:

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

Indicator code	Response
A.1.2 **Paris alignment target:** Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when? – Emissions baseline/base year: What is the emissions baseline/base year for your target? **Climate scenario used:** What climate scenario(s) aligned with the Paris climate goals has your bank used?	Net zero targets were published in 2023 – commitment by 2050. **Coal pathway:** 25% reduction from 2022 baseline to 2030, in-line with the decline in Africa coal production in the Announced Pledges Scenario **Base year financed emissions absolute:** 1 896 677 tCO_2e **Oil and gas pathway:** 9% reduction from 2022 baseline to 2030, in line with global oil and gas CO_2 emissions in the Announced Pledges Scenario **Base year financed emissions physical intensity:** 79 gCO_2e/MJ
A.2.2 Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or investment portfolio?	**Coal**: 1.9 Mt CO_2e **Real estate (mortgages)**: 2.39 Mt CO_2e **Commercial real estate (Commercial Property):** 1.47 Mt CO_2e 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.

A.3.2
Financial volume lent to/invested in carbon intensive sectors and activities and transition finance: How much does your bank lend to/invest in carbon-intensive sectors and activities? How much does your bank invest in transition finance?

We provide different viewpoints, reporting on high-emission sectors, climate-sensitive sectors and our exposure to fossil fuels:

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	26	2.3
Manufacturing	42	2.9	59	5.2
Mining and quarrying	25	1.7	23	2.0
Water	0.2	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	27	2.3
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

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.

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 R28.2 billion (2022: R23.2 billion). 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**	7.00	**0.5%**	0.5%
Drawn exposure	**1.0**	0.10	**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.

A.1.3 **Policy and process for client relationships:** Has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model? ☒ **Yes** ☐ No	The Business and Professional Associations Standard; The Group Stakeholder Engagement Policy; Fossil Fuel Standards and Sustainability Finance Issuance Framework.	
A.2.3 **Sector-specific emission intensity (per clients' physical outputs or per financial performance):** What is the emission intensity within the relevant sector?	Oil and gas physical intensity Base year 2022: 79 gCO_2e/MJ	
A.1.4 **Portfolio analysis:** Has your bank analysed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	In 2023 we analysed oil and gas, coal, real estate and commercial real estate sectors in terms of financed emissions. Moving forward, our goal is to expand our calculations to progressively include more sensitive sectors. We report on our lending portfolio using high-emission sectors, climate-sensitive sectors, exposure to fossil fuels and sustainable finance.	
A.2.4 **Proportion of financed emissions covered by a decarbonisation target:** What proportion of your bank's financed emissions is covered by a decarbonisation target, i.e. stems from clients with a transition plan in place?	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. At the end of the year total limit to the three sectors amounted to 1.94% (2022: 1.69%) of our total limits and exposure amounted to 1.11% (2022: 0.88%) of total exposure.	
A1.5 **Business opportunities and financial products:** Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)? ☒ **Yes** ☐ No	During the 2023 financial year we issued a green Tier 2 bond totaling R2.2 billion and introduced green deposits to the market. The green deposits encompass two distinctive offerings: the Absa Fixed Deposit and the Absa Access Deposit Note. The proceeds from the Tier 2 bonds were specifically earmarked for wind and solar projects within Corporate and Investment Banking, while the green deposit proceeds were directed towards the commercial asset finance of solar projects across Relationship Banking and Corporate and Investment Banking. In line with our ongoing commitment to support net zero targets and our comprehensive sustainability strategy, we successfully secured a R4.5 billion green loan from the International Finance Corporation. This loan is dedicated to promoting green building developments in South Africa over a five-year term. Notably, this transaction received support from grant funding under the Mortgage Accelerator Green Construction programme from the United Kingdom Government, resulting in cash back incentives for Absa home loan clients and commercial property finance clients. Since the start of 2021 we have raised R17.0 billion of green and social loans.	

(c) **SMART targets** (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

(d) **Action plan:** Which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Response

Financial Inclusion and Diversity Inclusion

We have identified metrics for these areas of most significant impact and have disclosed signature initiatives to support our action. The year 2024 will be used to monitor our KPIs before external disclosure.

Climate

Fossil Fuels reduction pathway

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

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

We regularly monitor our drawn exposure to sectors with generally high emissions.

Sustainable Finance

R100 billion in sustainable financing, which includes renewable energy, by 2025 (base year: 2021).

Annual target is used as a KPI. We achieved R31 billion in 2023 (2022: R30.5 billion).

Own carbon reduction

51% from 2018 levels by 2030.

Links and references

Climate Report 2023

- Metrics and targets
- Our net zero financed emissions
- Our own carbon emissions

Sustainability Report

- Financial inclusion initiatives
- Diversity and inclusion initiatives
- Climate initiatives
- Governance initiatives

Reduction pathways

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 glide paths change, we will periodically enhance our methodology and targets.

Climate Report 2023

- Metrics and targets
- Carbon offsetting
- Our net zero financed emissions approach

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (please name it) Net Zero pathways to 2050	... second area of most significant impact: ... (please name it) Diversity and Inclusion	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it) Financial Inclusion
Alignment	☒ **Yes** ☐ In progress ☐ No	☒ **Yes** ☐ In progress ☐ No	☒ **Yes** ☐ In progress ☐ No
Baseline	☒ **Yes** ☐ In progress ☐ No	☒ **Yes** ☐ In progress ☐ No	☒ **Yes** ☐ In progress ☐ No
SMART targets	☒ **Yes** ☐ In progress ☐ No	☐ Yes ☒ **In progress** ☐ No	☐ Yes ☒ **In progress** ☐ No
Action plan	☒ **Yes** ☐ In progress ☐ No	☐ Yes ☒ **In progress** ☐ No	☐ Yes ☒ **In progress** ☐ No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response	Links and references
Sustainable Finance Since 2021, our efforts have mobilised R80.2 billion in sustainable financing against R100 billion by 2025, affirming our dedication to sustainable development. In 2023 we furthered our achievement by R31.0 billion compared to R30.5 billion in 2022. **Own carbon reduction** 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: 4.4 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 0.141$tCO_2e/m^2/a$ in 2023. Diesel has a lower emission factor per unit of electricity (kWh) of power than Eskom electricity.	**Climate Report 2023** • Metrics and targets **Sustainability Report 2023** • Sustainable finance issuance and green financing initiatives

Principle 3: Clients and customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

☒ **Yes** ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ **Yes** ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank.

Response	Links and references
Our Sustainability Report 2023 and Integrated Report 2023 provide information on the key sustainability topics for sound and responsible relationships with our clients. We are committed to supporting sustainable economic activities and encouraging sustainable practices among our clients. To achieve this, we have developed a comprehensive set of policies, standards and actions to support our clients' transition towards sustainability and to help them achieve their sustainability goals. We have communicated our climate change commitments to our clients. We have made the decision not to finance new coal-fired power plants, however we remain open to supporting the refurbishment of existing coal-fired power stations to ensure a just transition and that no one is left behind. Our values help to shape our culture and guide how we behave and how we want our employees, customers and stakeholders to feel about interacting with us. The Absa Way Code of Ethics outlines our values and expected behaviours when engaging with our fellow employees, customers, shareholders, governments, regulators, business partners, suppliers, competitors and the broader community. Several mechanisms govern employee conduct, including, but not limited to, the Absa Way Code of Ethics, Absa Values, Employment Relations Policy, Conduct Risk Framework, Fraud Risk Policy and Outside Business Affiliation Standard.	**Integrated Report 2023** • An ethical bank **Climate Report 2023** • Sustainability risk policy **Sustainable Finance Issuance Framework** *https://www.absa.africa/wp-content/uploads/2023/12/Absa-Sustainable-Finance-Issuance-Framework-December-202356.pdf*

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

We have strategically positioned ourselves to drive positive change and address the environmental and social challenges, particularly those posed by climate change, across the African continent. We have identified several strategic business opportunities that not only aim to mitigate negative impacts but also enhance positive outcomes through our banking practices.

Strategic initiatives and sustainable financing

1. We are committed to achieving net zero by developing sector-specific pathways, focusing on socio-economic impacts while aiding our clients in reducing their carbon footprints. This initiative aligns with our broader objective to foster a low-carbon economy.
2. Recognising the pivotal role of agriculture in Africa, we aim to adopt climate-resilient practices and foster sustainable agricultural practices. This effort targets both poverty alleviation and enhanced climate resilience.
3. We actively promote sustainable financing, including renewable energy and green products, to address energy poverty and support environmentally responsible solutions. Our efforts are tailored towards facilitating a just transition in Africa, enhancing both social equity and economic development.

Sustainable finance issuance

During the reporting period, we secured R13.3 billion through green and social bonds and loans. Of this, R4.5 billion was allocated specifically to wind and solar projects, emphasising our commitment to renewable energy sources. Additionally, we have facilitated sustainability-linked loans that prioritise climate and social endeavours, further solidifying our position in sustainable finance.

The issuance of a green Tier 2 bond totalling R2.2 billion and the introduction of green deposits into the market reflect our innovative approach to integrating sustainability into our financial products. The proceeds from these instruments are directed towards supporting renewable energy projects, thereby contributing to our net zero targets and enhancing our environmental impact.

Furthermore, our partnership with the International Finance Corporation resulted in a R4.5 billion green loan aimed at promoting green building developments in South Africa, showcasing our dedication to green infrastructure and building developments.

Recognition and awards

Our strategic initiatives and commitment to sustainable banking have been recognised internationally, evidenced by our accolade at COP28 and being named the 2024 Winner of ESG Loan House of the Year by Bonds, Loans and ESG Capital Markets Africa.

Looking forward

We remain dedicated to leading sustainable finance in Africa, with a strategic focus on reducing our environmental impact, supporting the transition to a low-carbon economy, and promoting social equity. Our commitment is reflected in our comprehensive sustainability strategy, which aligns with global frameworks like the Equator Principles, the UN Principles for Responsible Banking, and our membership in the UN Global Compact.

Our strategic business opportunities in sustainability reflect our holistic approach to addressing the unique environmental and social challenges in Africa. Our initiatives not only aim at mitigating negative impacts but also significantly contribute to positive developmental outcomes, particularly in climate action, sustainable agriculture, and renewable energy, aligning with various SDGs.

Links and references

Sustainability Report 2023

- Our strategy
- Our products and services
- Driving fair and responsible remuneration
- Financial inclusion
- Diversity and inclusion
- Climate

Climate Report 2023

- Our commitment to renewable energy

Sustainable Finance Issuance Framework

https://www.absa.africa/wp-content/uploads/2023/12/Absa-Sustainable-Finance-Issuance-Framework-December-202356.pdf

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

☒ **Yes** ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response	Links and references
We engage with various stakeholders as part of our impact analysis and target-setting process. This includes clients, investors, regulatory bodies, NGOs, and communities. Engagement methods range from consultations, partnerships, and collaborations, aiming to gather insights and feedback that inform the bank's sustainability actions. These interactions help us understand stakeholder perspectives on important issues, identify priorities, and shape our sustainability commitments and action plans.	**Sustainability Report 2023** • Our stakeholders **Climate Report 2023** • How we engaged our stakeholders

Principle 5: Governance and culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structures for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ **Yes** ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about:

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as remuneration practices linked to sustainability targets.

Response

We have established robust governance structures, policies, and procedures to manage significant positive and negative impacts and to support the effective implementation of the Principles for Responsible Banking. Below is how these elements are structured within the organisation:

Governance structures

Our framework reflects a commitment to sustainability and ethical business practices, overseen by various committees and supported by executive teams. Key governance bodies include:

- Social Sustainability and Ethics Committee: This committee is responsible for overseeing our sustainability strategy, including target approval and monitoring.
- Group Risk and Capital Management Committee: Addresses financial and operational risks, including those associated with environmental and social factors.
- Remuneration Committee: Ensures that remuneration practices are aligned with sustainability targets and overall company performance.
- Executive Committees: These include the Group Executive Committee, Executive Risk Committee, Remuneration Panel Review, and Treasury Committee, supporting the main governance bodies in executing the sustainability strategy.
- Strategy and Sustainability Function: Works across the organisation to define framework for sustainability and ensures effective integration into our core strategy and supports embedment into operations.

Committee responsibility and oversight

The Social Sustainability and Ethics Committee is at the core of our sustainability governance. It ensures the integrity and excellence of our sustainability mandate in alignment with King IV and the Companies Act. The Independent Chairman leads the Board and has the responsibility for ensuring the effectiveness and integrity of the Board and its committees. The committee's work includes:

- Evaluating our sustainability framework against international best practices.
- Refining strategic purposes, values and behaviours to align with stakeholder aspirations.
- Prioritising strategic pillars: Financial Inclusion, Diversity and Inclusion, and Climate.
- Fostering a diverse and inclusive organisational culture.
- Ensuring that the organisation is aligning its portfolio to the Paris Agreement net zero pathway.
- Placing entrepreneurial support at the forefront of the Group's societal contributions.

Monitoring and remedial action

The committee adheres to high governance standards, actively evaluating and refining sustainability initiatives. It ensures that the company's strategies are aligned with stakeholder expectations and international best practices. In cases where targets or milestones are not achieved, or unexpected negative impacts are detected, the committee is responsible for guiding remedial actions and ensuring accountability.

Remuneration practices

Remuneration practices within the company are linked to sustainability targets, with executive remuneration being partially dependent on the achievement of these targets. This alignment ensures that leadership is incentivised to uphold sustainability objectives and integrate them into the bank's broader business goals.

Links and references

Integrated Report 2023

- SSEC

Climate Report 2023

- Governance
- Transparency and accountability

Remuneration Report 2023

- 2023 short-term incentive outcomes
- Our 2024 long-term incentives

5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability training for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response	Links and references
We are deeply committed to fostering a culture of responsible banking among our employees, which is integral to our mission of creating sustainable economic opportunities and advancing financial inclusion. Our approach is rooted in comprehensive training, rigorous compliance, and a strong commitment to diversity and inclusion. **Training and awareness** We ensure that all employees undergo annual mandatory compliance training courses covering critical areas such as combating financial crime, anti-bribery, anti-corruption, anti-money laundering, and sanctions modules. These training courses equip our employees to handle situations with real or perceived conflicts of interest and respond appropriately to unethical behaviour or suspected financial crimes. In 2023, a notable 98.8% of our employees successfully completed anti-bribery and anti-corruption awareness training, underlining our collective commitment to financial integrity and ethical conduct. We also provide targeted training for senior management and Board members, reinforcing the top-down commitment to our anti-bribery and anti-corruption framework. **Compliance with laws and regulations** Our commitment to responsible banking is underscored by our strict adherence to all applicable laws and regulations. This commitment ensures that we maintain a high standard of legal and ethical compliance across all levels of the organisation. **Sustainability strategic pillars** At the heart of our approach are our sustainability strategic pillars, which include Financial Inclusion, Diversity and Inclusion, and Climate. These pillars guide our efforts to create economic opportunities, foster an inclusive and diverse workplace, and contribute positively to our communities and the environment. Initiatives such as driving fair and responsible remuneration, sustainable procurement, and people development are testament to our dedication to embedding responsible banking practices into every aspect of our operations. **Inclusion and empowerment** We are committed to embracing diversity and building an inclusive culture where every employee feels valued, heard, and empowered. This commitment extends beyond mere compliance and is about creating an environment where our employees can thrive and contribute to the bank's success and the well-being of the communities we serve.	**Integrated Report 2023** • An active force for good in everything we do **Sustainability Report 2023** • Sustainability skills development and capacity building and training **Climate Report 2023** • Sustainability and climate change training and awareness

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe. Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response	Links and references
We are committed to managing environmental and social risks as part of our responsible banking commitment. Our approach is guided by our Environmental and Social Management System and aligns with the Equator Principles, reflecting our dedication to sustainability and responsible banking practices. **Environmental and Social Risk assessment** • Our group-wide environmental and social risks are assessed and screened in line with our Environmental and Social Management System. • The process involves customer-facing employees and credit analysts reviewing individual transactions for environmental and social risks as part of the credit review and approval processes. This is done with guidance from our environmental credit risk management teams and designated environmental and social officers across Absa Regional Operations. • Our credit analysts embed environmental and social risk considerations into the credit process, documenting material risks and proposing mitigating actions in credit documentation. • Transactions, especially those concerning sensitive sectors, are scrutinised on a case-by-case basis according to our sensitive sector lending standards and assessed against a range of considerations. **Mitigation and action plans** • Independent environmental consultants are engaged to assess and help mitigate identified risks appropriately. • Decisions on financing are holistic, considering various factors, including environmental and social risks, ensuring all requirements are met before proceeding. • Any identified gaps regarding environmental and social risks are incorporated into action plans and included in facility agreements, ensuring that mitigative measures are formally agreed upon and implemented. **Tools and Standards** • We have developed and updated the Environmental and Social Risk Assessment tool to enhance efficiency in screening and assessing risks. This tool was automated and integrated into our credit systems in 2023. • The tool requires a comprehensive review of environmental and social risks, based on the International Finance Corporation Performance Standards. This includes considerations around the client's Environmental and Social Management System, grievance mechanisms, labour practices, biodiversity, climate-related risks, social risks, and legal compliance. **Training and Integration** • Over 559 employees across Corporate and Investment Banking in South Africa and Absa Regional Operations who actively engage with clients on environmental matters received training on the Environmental and Social Risk Assessment tool in 2023, demonstrating our commitment to empowering our staff with the necessary skills to manage these risks effectively.	**Climate Report 2023** • Sustainability risk policy

Principle 6: Transparency and accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☒ **Partially** ☐ No

If applicable, please include the link or description of the assurance statement.

Response	Links and references
Independent Assurance Practitioner's Limited Assurance Report	**Sustainability Report 2023** **Climate Report 2023**

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

Response	Links and references
☒ **GRI** ☐ SASB ☒ **CDP** ☐ IFRS Sustainability Disclosure Standards (to be published) ☒ **TCFD** ☐ Other:	**Sustainability Report 2023**

6.3 Outlook

What are the next steps your bank will undertake in the next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

Response	Links and references
In 2024, we will continue to deliver on our core sustainability initiatives aligned to our strategic pillars. These include: • Progressing United Nations SDGs in line with our sustainability agenda • Integrating and embedding sustainability into our operational processes • Continue setting net zero pathways • Focusing on improving data availability and quality.	**Sustainability Report 2023** • Integrating sustainability into Group strategy

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritised to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- ☐ Embedding PRB oversight into governance
- ☐ Gaining or maintaining momentum in the bank
- ☐ Getting started: where to start and what to focus on in the beginning
- ☐ Conducting an impact analysis
- ☐ Assessing negative environmental and social impacts
- ☐ Choosing the right performance measurement methodology/ies
- ☐ Setting targets
- ☒ **Other: Sustainability capability and skills**
- ☐ Customer engagement
- ☐ Stakeholder engagement
- ☒ **Data availability**
- ☒ **Data quality**
- ☐ Access to resources
- ☐ Reporting
- ☐ Assurance
- ☐ Prioritising actions internally

If desired, you can elaborate on challenges and how you are tackling these:

Developing a sustainability capability and fostering a shared understanding of this rapidly evolving concept are imperative for our organisation's enduring success. This investment not only ensures regulatory compliance but also sparks innovation and drives long-term value creation. Given the scarcity of skills that integrate sustainability with financial industry expertise, a consistent investment in employee training is necessary to facilitate their upskilling.

We commenced with a comprehensive sustainability data programme to enhance data availability and quality. This will enable us to accurately measure, analyse, and report on our ESG performance, enabling informed decision making and fostering transparency and accountability.

Independent Assurance Practitioner's Limited Assurance Report

To the Directors of Absa Group Limited

Report on Selected Key Principles for Responsible Banking

We have undertaken a limited assurance engagement on selected key principles for responsible banking (PRBs), as described below, and presented in the Principles for Responsible Banking 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 principles for responsible banking, marked with an "LA" on the relevant pages in the Report. The selected principles for responsible banking described below have been prepared in accordance with the Bank's criteria for reporting supported by the UN Principles for Responsible Banking ("reporting criteria"). The reporting criteria is available on: *www.absa.africa*.

Principle for Responsible Banking	Unit of measurement	Boundary	Page number
Principle 2: Impact and target setting, 2.1. Impact Analysis	Qualitative	Group	4 – 8
Principle 2: Impact and target setting, 2.2. Target Setting	Qualitative	Group	8 – 15
Principle 2: Impact and target setting, 2.3. Target implementation and monitoring	Qualitative	Group	16
Principle 5: Governance and culture, 5.1. Governance structures for Implementation of the Principles	Qualitative	Group	20

Directors' responsibilities

The Directors are responsible for the selection, preparation and presentation of the selected principles for responsible banking in accordance with the Bank's 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 principles for responsible banking and for ensuring that those criteria are publicly available to the Report users.

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 principles for responsible banking 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, 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 principles for responsible banking are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of Absa's use of its reporting criteria as the basis of preparation for the selected principles for responsible banking, assessing the risks of material misstatement of the selected principles for responsible banking whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected principles for responsible banking. 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 principles for responsible banking;
- 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 principles for responsible banking 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 principles for responsible banking 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 principles for responsible banking 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

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 principles for responsible banking 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
Registered Auditors
Per Jayne Mammatt
Chartered Accountant (SA)
Registered Auditor
Partner

28 March 2024

5 Magwa Crescent
Waterfall City, Waterfall
Private Bag x6, Gallo Manor, 2052
South Africa

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

Contact information

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Head: Financial Control Functions

John Annandale

Queries

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Media	groupmedia@absa.africa
Absa Group shares	web.queries@computershare.co.za groupsec@absa.africa
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Transfer secretary

Computershare Investor Services (Pty) Ltd
+27 11 370 5000 | computershare.com

Sponsors

Lead independent sponsor

J.P. Morgan Equities South Africa (Pty) Ltd
+27 11 507 0300 | jpmorgan.com/ZA/en/about-us

Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)
+27 11 895 6843 | equitysponsor@absacapital.com

Auditors

PricewaterhouseCoopers Inc.
+27 11 797 4000 | pwc.co.za

KPMG Inc.
+27 11 647 7111 | home.kpmg/za/en/home