Absa Group Limited

2022 Principles for
Responsible Banking Report

About our Principles for Responsible Banking report

In 2019, Absa Group became a founding signatory of the United Nations Environment Programme Finance Initiative's (UNEP FI's) Principles for Responsible Banking (PRB). The Board adopted the UN PRB as an overarching sustainability framework. The principles set the global benchmark for what it means to be a responsible organisation. The PRB helps to align banks with society's goals as expressed in the Paris Climate Agreement and the UN Sustainable Development Goals (SDGs).

We aim 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.

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 the period 1 January 2022 to 31 December 2022 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.

Oversight

The accountability of our Environmental, Social and Governance (ESG) strategy and reporting is part of the Social, Sustainability and Ethics Committee's (SSEC) mandate. The Executive Committee is responsible for aligning the Group's business strategy with the UNEP FI's PRB recommendations, ensuring the accuracy and transparency of this report and actively addressing climate-related risks and opportunities.

We comply with laws and regulations and do not engage in unlawful activities.

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, ensure the accuracy of disclosures within all of our published reports. In line with their respective mandates, specific reports are reviewed and recommended to the Board for approval by the Disclosure, SSEC, Remuneration, Directors' Affairs, Group Audit and Compliance, and Group Risk and Capital Management committees.

PricewaterhouseCoopers Inc. (PwC) conducted limited assurance on the total energy use and Absa's own carbon emission indicators as well as sustainable post-issuance verification on the application of the Absa Sustainable Finance Issuance Framework. PwC also provided limited assurance in respect of the self-assessment/assertions of our fulfillment of our commitments as a signatory to the PRB , 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. Information relating to the scope and conclusions can be found in the Group's annual financial statements and the Limited Assurance Reports, available on our Group website at www.absa.africa.

Approval of the PRB

This report represents an opportunity to provide stakeholders with material information to make an informed assessment of the Group's progress on the application of the Principles for Responsible Banking during the period under review. As in all our reporting, we have set out to provide appropriate and adequate information to support the commentary made by the Board SSEC and management.

The SSEC provides oversight of this report. It is our opinion that it presents a fair and balanced view, and we believe that it demonstrates how we create sustainable value and prosperity for our stakeholders. The report was approved on 9 May 2023.

Francis Okomo-Okello (Committee Chairman)

Arrie Rautenbach

Ihron Rensburg

Nonhlanhla Mjoli-Mncube

Rose Keanly

Sello Moloko (Board Chairman)

Swithin Munyantwali

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Our full integrated reporting suite is available at **www.absa.africa**. Comments or queries regarding these documents can be sent to **IR@absa.africa** or **ESG@absa.africa**.

The Principles for Responsible Banking were developed as a framework to guide banks in aligning their business practices with the sustainability goals of the United Nations. The objective of the PRB is to encourage banks to assume greater responsibility and transparency in their operations, enhance their risk management practices, and contribute to societal and environmental well-being. By doing so, the PRB seeks to foster a more sustainable financial system that can effectively contribute to the achievement of the United Nations' Sustainable Development Goals while minimising the adverse effects of climate change on the planet and society.

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

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
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 Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**		
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities 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.	Absa is a pan-African diversified financial services provider servicing individuals, small- and medium-sized businesses, corporates, multi-nationals, financial institutions, banks, governments and development finance institutions through five business functions. The group is listed on the Johannesburg Stock Exchange and have a secondary listing on the A2X Exchange. **Our business model** In the 2022 Integrated Report we outline our business model. It includes our purpose, strategy, values and behaviours, market presence, and our core banking activities and services. Furthermore, the key operations to create value through capital inputs and the outcomes of these are noted. **Our core banking activities, products and services** Underpinned by our purpose, strategy, values and behaviours and market presence, our fully integrated business offering is delivered through our customer-first digital solutions, ecosystems of financial services, and lifestyle and value chain offerings. • Provide payment services and a safe place to invest • Provide funds for purchase and growth • Manage business and financial risks • Provide financial and business support • Protect against risk (and insurance). Additional details of our products, services and activities are outlined in our 2022 Integrated Report and 2022 Environmental, Social and Governance (ESG) Report. **Geographic locations in which we operate** We operate in 15 countries, with banking subsidiaries in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia, as well as insurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia. We also have representative offices in Namibia, Nigeria and the United States, securities entities in the United Kingdom and the United States, and a specialised IT office in the Czech Republic.	2022 Integrated Report • Absa at a glance, page 4 • Our structure, products and services, page 6 • Absa in the African banking context, page 8 • Business model, pages 19 – 23 • A diversified franchise with deliberate, market-leading growth, pages 49 – 52 2022 ESG Report • Activities, value chain and other business relationships, pages 22 – 23 2022 Financial Results Booklet • Segment performance, page 73 • Product solutions cluster, page 78 • Everyday Banking, page 91 • Relationship Banking, page 98 • ARO RBB, page 101 • CIB, page 104

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

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 Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Our operating model

We have moved from two customer-facing business units, namely Retail and Business Banking (RBB) and Corporate and Investment Bank (CIB), to five business units. Performance[1] per market segment is provided for 2022 and 2021. We have 35 451 employees, a distribution network of 919 branches and 6 416 ATMs, and service over 11 million customers across the countries where we operate.

The five business units are as follows:

- **Everyday Banking** offers a comprehensive range of day-to-day banking products and services to a diverse spectrum of retail customers, from those needing basic banking services to those requiring sophisticated financial solutions. Everyday Banking focuses on providing a consistently superior experience across multiple channels designed to match the expectations of each customer segment, including digital and voice channels, as well as an extensive network of branch and ATM channels.
- **Relationship Banking** consists of the business units and associated products, where a named relationship exists and was formed to provide customers with a single 'warm-body' relationship manager rather than multiple touch points within the Group. The businesses within Relationship Banking include Business Banking Services, Commercial Payments and Private Wealth. Relationship Banking also includes an Equity portfolio which is being reduced in an orderly manner.
- **Absa Regional Operations (ARO)** offers a comprehensive suite of retail, business banking and insurance products and services for individuals, small to medium enterprises and commercial customers across the region. Various solutions are provided to meet customers' transactional, borrowing, savings, protection and investment needs. The focus is on delivering a superior customer experience matched closely to the needs and expectations of our customers. This is facilitated through branch, self-service, agency banking and digital channels supported by a relationship-based model with a well-defined coverage structure built on specific customer value propositions.
- **CIB** provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, and advisory products and services. Clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining our in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients achieve their ambitions in the right way and by executing this we will create shared growth for clients, employees and communities.
- **Product Solutions Cluster** offers a comprehensive suite of product solutions to the retail consumer segment. Products include mortgages, vehicle financing, both life and non-life insurance products as well as investment products and advisory services. Customers are served through an extensive distribution network which includes digital channels, branches, mortgage originators, dealerships, financial advisors and partnerships. The focus remains on providing a consistently superior experience across each of the channels tailored to the needs and expectations of each customer.

[1] More detail on our market segments and their contribution to our business can be found in the 2022 Integrated Report and our 2022 Financial Results Booklet.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
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 Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**		
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. Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these? ☒ UN Guiding Principles on Business and Human Rights ☒ International Labour Organization fundamental conventions ☒ UN Global Compact ☐ UN Declaration on the Rights of Indigenous Peoples ☐ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk – please specify which ones: ____ ☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery – please specify which ones: ____ ☐ None of the above	The Board plays an important role in guiding the Group's efforts to enhance its environmental, social, and governance (ESG) performance. One of the pillars of our overall strategy is to be an active force for good in everything we do. As part of this commitment, we have developed an ESG strategy that aims to create tangible, positive outcomes for our communities, while also differentiating us from our competitors and strengthening our business. Our ESG strategy focuses on three key areas that are critical to our stakeholders and business: financial inclusion, diversity, transformation and inclusion, and climate. We chose these areas based on a range of factors, including feedback from our stakeholders, the potential impact on our business, and our own strengths and resources. We believe that as a pan-African organisation, by prioritising financial inclusion, we can help to address some of the biggest social and economic challenges facing our communities and the African continent. Our efforts in this area include providing access to financial services and products that are affordable and appropriate for everyone, regardless of their income level or background. We recognise the importance of promoting diversity, transformation and inclusion in particular women and youth within our own organisation and in the wider community. This includes ensuring that our employees reflect the diversity of the communities we serve, as well as working to eliminate bias and discrimination, improve employee well-being in all aspects of our business. Finally, we are committed to taking action on climate change, which remains a pressing global issue. We are focused on reducing our own environmental footprint and promoting sustainable practices throughout our value chain. Additionally, we are committed to improving our reporting to provide accurate and reliable information to our stakeholders. Our ESG strategy reflects our belief that creating positive social and environmental outcomes is not only the right thing to do, but also a critical component of our long-term success as a business. By staying focused on these key areas of impact, we believe we can make a meaningful difference in the world around us, while also driving value for our stakeholders.	2022 Integrated Report • An active force for good in everything we do, pages 66 – 71 • Protecting value through sound governance, page 89 2022 ESG Report • Sustainability reporting landscape, page 6 • An active force for good in everything we do, pages 37, 54, 106 • Prioritised SDGs, page 9 • Contributing to the SDGs, page 116 Absa Net-Zero Statement – Absa Group Announces Net-Zero Targets as Part of Broader Sustainability/Sustainable Finance Goals 2022 Task Force on Climate-related Financial Disclosures (TCFD) Report • Climate change journey, page 8 – 9 • Strategy, page 14 – 25

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

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 Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Our ESG strategy alignment to SDGs

Our three ESG areas of focus are aligned to SDGs as follows:

Financial inclusion – Making inter-generational wealth creation accessible to all:

- Equitable access for underbanked communities – both individuals and SMEs, and with a particular focus on youth and women
- Ability to meet the full set of financial needs across transactional banking, credit, insurance, and wealth accumulation
- Products and services that are affordable and responsibly delivered
- Aligned to SDG 8 and 10.

Diving deeper: 2022 ESG Report FS16 Financial literacy

Diversity and inclusion – Enabling all our people to bring their true selves to work, and be a beacon of inclusion externally across the continent. This means not only unleashing our talent internally to outperform, but also supporting and enabling diversity and inclusion with our suppliers, clients, and communities we operate in:

- Disadvantaged demographics (gender, ethnicity, age, sexual orientation, disabilities etc.) are fairly represented at each level of the organisation
- High share of employees that perceive they are accepted members of the workforce. Perceptions are not skewed to specific demographics
- Aligned to SDG 5 and 10.

Diving deeper: 2022 ESG Report: ESG 2-7; ESG 406-1; ESG 2-23; ESG 404-2; ESG 405-1

Climate – Reaching net zero by 2050 and becoming Africa's leader in sustainable finance:

- Raise the bar on external engagement on our ambition and progress
- Develop sector-specific pathways with a thorough analysis of the trade-offs involved
- Aligned to SDG 7 and 13.

Diving deeper: 2022 ESG Report: ESG 305-1–305-3; ESG 302; ESG 305; 2022 TCFD Report

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

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 Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Our priority SDGs are:

- SDG 5, Gender equality, specifically targets 5.1 and 5.5
- SDG 7, Affordable and clean energy, namely targets 7.1 and 7.2
- SDG 8, Decent work and economic growth, specifically targets 8.3, 8.5, 8.6 and 8.10
- SDG 10, Reduced inequalities, specifically target 10.2
- SDG 13, Climate action, namely target 13.2
- SDG 16, Peace, justice and strong institutions.

Although the other SDGs are not prioritised, they remain important to our organisation and will also be considered where appropriate.

Board commitment to sustainability

The name of the Board Social and Ethics Committee was changed to the Social, Sustainability and Ethics Committee (SSEC) in March 2022 to reflect the heightened importance of sustainability and ESG globally and with many of our stakeholders. The change also emphasises our commitment to sustainability in the Group. During 2022, the SSEC approved an update to our **active force for good in everything we do** strategy. It also supported the adoption of a scorecard covering the role in society strategic pillars, including promoting environmental sustainability. We promote environmental sustainability by proactively managing climate change and biodiversity risks and opportunities and providing innovative sustainable finance products and solutions.

Our commitment to the Paris Climate Agreement

We are committed to reaching net-zero GHG emissions by 2050. This commitment includes Scope 1, 2 and 3 emissions and covers both financed emissions and operational emissions. The net-zero pathway planning will take priority in the coming year.

Refer to our 2022 ESG report where we outline our reporting landscape.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.		
2.1 Impact Analysis (Key Step 1) [LA] 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[1] and fulfil the following requirements/elements (a-d)[2]: (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.	The Group has a comprehensive impact analysis programme in place to identify and measure the environmental, social, and economic impacts of its portfolio. This programme covers all areas of the group's core business, including its products and services, across the geographies where it operates. However, the Group recognises some of the challenges relating to the data collation processes particularly in markets outside of South Africa. In 2023 heightened focus is going to be placed on improving this process and related data quality. The scope of the group's impact analysis includes, but is not limited to, the following areas: climate change and carbon footprint; energy efficiency and renewable energy; water and waste management; biodiversity and ecosystem services; human rights and labour practices; financial inclusion and access to finance. The group has considered all of these areas in its impact analysis to ensure that it can identify and prioritise the most significant impact areas and determine priority areas for target-setting. However, it is also important to note that the group recognises that impact analysis is an ongoing process and is committed to regularly updating its analysis to reflect changes in its business and the broader sustainability landscape. The group is also continuously seeking ways to improve its analysis and reporting and to update our analysis to ensure that it remains transparent, relevant, accurate, reliable and impactful. Areas that have not yet been included in the impact analysis are typically those that are not material to the bank's operations or are not directly relevant to its core business. The bank will continue to evaluate these areas and may include them in its impact analysis in the future if they become material or relevant.	Absa Net-Zero Statement – Absa Group Announces Net-Zero Targets as Part of Broader Sustainability/Sustainable Finance Goals 2022 TCFD Report • Strategy, pages 14 – 25 • Processes for managing climate-related risk, pages 29 – 31 • Metrics and targets, pages 33 – 37

[1] That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

[2] Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

LA - Limited assurance: PwC conducted limited assurance on 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, designated with an 'LA' marking. Refer to the Limited Assurance Report for more information.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
(b) **Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition your portfolio globally and per geographical scope i. by sectors and industries[3] 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.	We are proud of the impact we have already had across the ESG spectrum. Building on this foundation, we refreshed our ESG strategy to define how to deliver an even greater impact at scale. We identified the ESG focus topics in the markets where we operate. ESG topics and priorities vary by market, and we recognise that balancing ESG matters is essential. We believe our purpose will guide us in striking the right balance between these various factors. Having identified our three ESG focus areas, we will invest to deliver a truly ambitious agenda: financial inclusion, diversity and inclusion, and climate. We have made progress in setting climate targets. The crystallisation of our target on financial and inclusion, and diversity and inclusion form part of our next areas of development. • **Financial inclusion:** As a universal bank we are uniquely positioned to make a real difference in financial inclusion. We have set the goal to make inter-generational wealth creation accessible to all. • **Diversity and inclusion:** Internal and external stakeholders cite diversity and inclusion as a critical topic and an enabler to unleash our talent and excel. Firms that embrace diversity also make better decisions. We aspire to enable all our people to bring their true selves to work and be a beacon of inclusion across the continent, therefore empowering them to respect and serve our diverse customer base. We have set clear transformation and diversity targets and want to address inclusion more explicitly. • **Climate:** Climate is of prime importance to investors, regulators, and other external stakeholders. It also offers compelling business opportunities (e.g., in green products). Our climate strategy has five components: financed emissions targets; green business opportunities; climate risk processes, governance, and external engagement. Considering the need for a just transition, we have a net zero ambition.	2022 ESG Report • Our ESG strategy, page 8 2022 TCFD Report • Strategy, pages 14 – 25 • Metrics and targets, pages 33 – 37

[3] 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 2: Impact and target setting

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

In addition, as part of incorporating climate change risk into our business, we monitor and disclose our exposure to both sectors with high emissions and those identified as climate-sensitive. See response below for further disclosure.

We have identified the physical risk across the countries where we operate and transition risks and opportunities in high-risk sectors in our lending portfolio.

Physical risk geographical analysis

Indicative transition risks and opportunities in high-risk sectors

Sectors	Risks	Opportunities
Real estate	Low	Medium
Agriculture	Low	Medium
Manufacturing	Medium	High
Mining	High	High
Transport	Medium	Medium
Construction	Low	Low
Energy	High	High
Oil and gas	High	High
Water	Low	Low

For more details refer to the 2022 TCFD Report (Strategy), pages 14 – 25.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 2: Impact and target setting

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

In terms of our climate-related risk, we have identified the physical risk across the countries where we operate and transition risks and opportunities in high-risk sectors in our lending portfolio.

	Botswana	Kenya	Ghana	Mauritius	Mozambique	Seychelles	South Africa	Tanzania	Uganda	Zambia
Extreme temperatures	Medium	Medium	High	Medium	High	High	High	Medium	High	High
Extreme precipitation	High	High	High	High	High	High	High	High	High	High
Droughts	High	High	High	Low	High	Low	High	High	High	High
Floods	High	High	High	High	High	High	High	High	High	High
Wildfires	High	High	High	Very low	High	Very low	High	High	High	High
Storms (Tsunami or cyclones)	Low	Low	Medium	High	High	High	High	Low	Low	Low
Sea level rise	Very low	Very low	High	High	High	High	Medium	Medium	Very low	Very low
Water security	High	Medium	Medium	Low	Medium	Medium	High	Medium	Medium	Medium

Very low ● Low ● Medium ● High ●

Source: Thinkhazard tool developed by Global Facility for Disaster Reduction and Recovery (GFDRR).

Since 2009, we have undertaken environmental risk assessments for all transactions within the thresholds defined in the Equator Principles, including project finance, project-related corporate loans and project-related refinance. All Equator Principles transactions are reviewed by our Environmental Credit Risk Management team, working closely with the business and legal teams. Equator Principles projects are categorised in terms of the IFC's environmental and social categorisation process as category A, B or C based on the expected magnitude of their environmental and social impacts:

- A – Potentially significant adverse social or environmental impacts that are diverse, irreversible or unprecedented
- B – Potentially limited adverse social or environmental impacts that are few, generally site-specific, largely reversible and readily addressed through mitigation measures
- C – Minimal or no social or environmental impacts.

Reporting and self-assessment requirements | **High-level summary of bank's response** | **References/Links**

Principle 2: Impact and target setting

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

Our policies and standards reflect the requirements of the Equator Principles IV (effective 2020). Six project finance, project-related corporate loans and project-related refinance transactions were carried out during 2022.

	Project finance						Project-related corporate loans						Project-related refinance					
	2021			2022			2021			2022			2021			2022		
Equator Principles transactions	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
Sector																		
Mining and metals	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Infrastructure	–	1	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Oil and gas	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Power generation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	4	–	–	–	–	–	–	–	–	–	–	1	–	–
Region																		
Americas	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Europe, the Middle East and Africa	–	1	1	–	4	–	–	–	–	–	1	–	–	–	–	1	–	–
Asia Pacific	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Country designation																		
Designated country	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-designated country	–	1	1	–	4	–	–	–	–	–	1	–	–	–	–	1	–	–
Independent review																		
Yes	–	1	1	–	4	–	–	–	–	–	1	–	–	–	–	1	–	–
No	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	–	–
Total	–	1	1		4		–	–	–	–	1	–	–	–	–	1	–	–

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 2: Impact and target setting

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

General transactions screened for environmental and social impact	2022 A	2021 A
Sector		
Mining and metals	**33**	24
Infrastructure	**35**	14
Oil and gas	**31**	21
Power generation	**10**	3
Power generation (renewable energy)	**14**	7
Agriculture and fisheries	**10**	5
Chemicals and pharmaceuticals	**6**	0
Manufacturing	**45**	7
Services	**38**	8
Utilities and waste management	**4**	4
Transportation	**1**	–
Region		
Americas	**0**	0
Europe, the Middle East and Africa	**227**	93
Asia Pacific	**0**	0
Total	**227**	93

We use insights gained from the ongoing assessment and screening of our business activities to identify and monitor risks and opportunities.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
(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?[4] 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.	Our sustainability journey is guided by our purpose and a commitment to create a long-term value for all our stakeholders. We recognise the challenges facing our planet and our society and we are committed to playing our part to address them. Therefore, strategic and sustainability risk is an overarching principal risk in our ERMF. Which include environmental, climate change, premises environmental, indirect investment, and social sub-risks. We will continue to include double materiality in our reporting and further develop and refine the process. The scale of exposure, context and relevance's considerations are performed as part of our assessment and screening of environmental and social risks, taking into account that South Africa is the largest market where we operate. We believe that as a pan-African organisation, by prioritising financial inclusion, we can help to address some of the biggest social and economic challenges facing our communities and the African continent. Our efforts in this area include providing access to financial services and products that are affordable and appropriate for everyone, regardless of their income level or background. We recognise the importance of promoting diversity, transformation and inclusion in particular women and youth within our own organisation and in the wider community. This includes ensuring that our employees reflect the diversity of the communities we serve, as well as working to eliminate bias and discrimination, improve employee well-being in all aspects of our business. Finally, we are committed to taking action on climate change, which remains a pressing global issue. We are focused on reducing our own environmental footprint and promoting sustainable practices throughout our value chain. Additionally, we are committed to improving our reporting to provide accurate and reliable information to our stakeholders. Our ESG strategy reflects our belief that creating positive social and environmental outcomes is not only the right thing to do, but also a critical component of our long-term success as a business. By staying focused on these key areas of impact, we believe we can make a meaningful difference in the world around us, while also driving value for our stakeholders.	2022 ESG Report • Financial Services Sector Disclosure, pages 99 – 100

[4] Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
	Assessing and screening of environmental and social risks in the business As described in detail in our 2022 ESG Report, our environmental and social risks are assessed and screened Group-wide in accordance with Absa's Environmental and Social Management System (ESMS). The mechanism outlined below is aligned with the Equator Principles and will also consider industry, geography and technological risks. Mechanisms for assessing and screening these risks include: • Customer-facing employees and credit analysts review the transaction for environmental and social risks as part of the credit review and approval process, guided by our specialist Environmental credit risk management (ECRM) teams and designated environmental and social officers in the Absa Regional Operations • Credit analysts consider environmental and social risks when providing credit facilities, as environmental credit risk is embedded in the credit risk process. They document applicable material risks and mitigating actions in the credit paper • Transactions are referred to the appropriate committees for approval, as determined by our Credit Policy and business procedures, for initial support and final credit approval • Financing requests for sensitive sectors are assessed on a case-by-case basis, and the process includes various considerations as guided by our standards. We appoint independent environmental consultants to assess and mitigate the identified risks, where appropriate. A transaction will be rejected based on a holistic decision considering numerous factors, including environmental and social risks. Finance will only be provided if all requirements are met. Moreover, identified gaps regarding environmental and social risks are included in action plans and loan or facility covenant, where appropriate. Exclusion lists, which prohibit or limit funding to identified high-risk environmentally and socially sensitive sector activities are being progressively introduced and implemented in our lending operations. Coal, oil and gas climate caps have also been set and will be reviewed, at a minimum, on a three-year cycle from the date of adoption.	

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritise to pursue your target setting strategy (see 2.2)?[5] Please disclose.	Our belief that creating positive social and environmental outcomes is not only the right thing to do, but also a critical component of our long-term success as a business. By staying focused on our chosen key areas of impact as outlined above, we believe we can make a meaningful difference in the world around us, while also driving value for our stakeholders. **Managing climate change risk** Our Enterprise Risk Management Framework (ERMF) sustainability and reputation risks was elevated to a principal risk category. As part of incorporating climate change risk into our business, we monitor and disclose our exposure to both sectors with high emissions and those identified as climate sensitive. See above response for further detail on our exposure to sectors with generally high emissions as well as climate-sensitive sectors. **Portfolio managing and monitoring** As part of incorporating climate change risk into our business, we monitor and disclose our exposure to sectors with high emissions and those identified as climate sensitive. We monitor our exposure to sectors with generally high emissions quarterly.	2022 ESG Report • Financial Services Sector Disclosure, pages 99 – 100 2022 TCFD Report • Strategy, page 20

[5] To prioritise the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
(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.*	**Scale and intensity/salience of impact** We are targeting a 51% reduction in carbon emissions by 2030 measured against our baseline year of 2018, with an in-year targeted decrease of 5%. In 2022, carbon emissions decreased by 5.2% compared to 2021. Our lending in high emission sectors represent over 10% (2021: 8.4%) of our total Group loans, with manufacturing the largest at 5.2% (2021: 3.9%), followed by transport and logistics at 2.3% (2021:2.4%). In aggregate, climate-sensitive sectors, as identified by the UN Environment Programme, constitute 51% (2021: 49.7%) of our total gross loans and advances. Our main exposure to physical risk is via our sizeable real estate book, at 33.7% (2021: 35.1 and our agriculture (5.4% (2021: 5.1%)) and manufacturing (5.2% (2021: 3.9%)), portfolios. Our SSFLC for the oil sector is expected to peak at 1.41% of Group loans and advances to customers (including off-balance sheet items) in 2023. Thereafter, we target a significant reduction to 0.46% in 2030, 0.22% in 2040 and 0.04% in 2050. Coal-drawn exposure as a percentage of the Group loans and advances (including off-balance sheet items) was 0.04% in 2022. Our coal SSFLC is 0.20% in 2023. This is expected to reduce to 0.11% in 2030, with further reductions to 0.06% in 2040 and 0.03% in 2050. Since we consider gas a transition fuel, our gas sector loans are expected to exceed oil by 2027. We expect our total limits to the gas sector to increase from 2022's 0.55% to peak at 0.83% of Group loans and advances (including off-balance sheet items) in 2030. Thereafter, we target a material reduction to 0.52% in 2040 and 0.32% by 2050. Several of our large oil and gas clients are transitioning into renewable energy companies, and we will assist them during this process.	2022 ESG Report • Emissions, pages 78-79 2022 TCFD Report • Metrics and targets, pages 33 – 37

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 2: Impact and target setting

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Self-assessment summary: We have demonstrated progress towards this principle but anticipate further development in the future in the areas of most significant positive and negative impact.

We continue participating in peer learning activities and aligning with industry best practice where possible to enhance our impact measurements.

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?[6]

- 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?

We identified the ESG focus topics in the markets where we operate. ESG topics and priorities vary by market, and we recognise that balancing environmental, social and governance matters is essential. We believe our purpose will guide us in striking the right balance between these various factors. Having concluded the year-long process of aligning our purpose to the strategy and identified our three ESG focus areas, we will invest to deliver a truly ambitious agenda: financial inclusion, diversity and inclusion, and climate.

Climate change is already causing more frequent, extreme weather events. Consider the floods in Mozambique, the second hottest year in the northern hemisphere, the strongest wind recorded in the Guraiat Weather Station in history and the drought in the Horn of Africa. These events (and countless others) demonstrate that the effects of climate change are being felt in every corner of the globe. The biggest impact of climate change is no single event but more extreme weather events in regions that has already suffered from very high natural variability and high vulnerability. Just small changes in the number of extreme events are having a huge impact.

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)*

[6] You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
2.2 Target Setting (Key Step 2)[LA] Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets[7] 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[8] 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.	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 scientific targets regarding our direct environmental footprint. These targets are aligned with the Principles for Responsible Banking, on which the Group Sustainability Policy and the Group Strategic, Sustainability and Reputational Risk Framework are based. The targets are also in line with the latest climate science and are necessary to meet the Paris Climate Agreement Goals. Our ESG priorities align with Board approved United Nations Sustainable Development Goals (SDGs) and targets. To help us reduce and mitigate the adverse direct environmental impacts of our operations and enhance our environmental performance we apply our Environmental Management Standard that is aligned to the ISO 14001: 2015 environmental management system framework. We use the latest International Energy Agency and Department for Environment, Food and Rural Affairs guidelines and Eskom emission factors and apply the Greenhouse Gas Protocol to calculate our carbon footprint and the GHG protocol to determine our assumptions and inform our calculations, including those used for the operational control consolidation approach.	2022 Integrated Report • Natural capital, pages 18, 20, 22, 111 • An active force for good in everything we do, pages 66 – 71 Absa Net-Zero Statement – Absa Group Announces Net-Zero Targets as Part of Broader Sustainability/Sustainable Finance Goals 2022 ESG Report • Our ESG strategy, page 8 • Annexure 2: SDGs – page 116

[7] Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

[8] Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

[LA] Limited assurance: PwC conducted limited assurance on 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, designated with an 'LA' marking. Refer to the Limited Assurance Report for more information

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
(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 and 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.	We are committed to being carbon neutral by 2030. Furthermore, in line with our ambition to become Africa's leader in sustainable finance, and our ambition is to be net-zero by 2050. This commitment includes both financed emissions and operational emissions. While far smaller than our indirect emissions via lending, we also have a Group-wide target to reduce our operational emissions. We would like to highlight three targets category for the Group: • Carbon neutral in our operations • Sustainability-linked financing • Sensitive sector financing limit caps **Carbon neutral in our operations** The Group has set a goal to reduce its carbon footprint by 51% by 2030 compared to the 2018 baseline. To achieve this goal, the company has aligned its portfolio with the Paris Agreement and the Sustainable Development Goals, with a focus on reducing its Scope 1 and 2 emissions. Additionally, the company plans to invest in renewable energy sources. The Group has outlined a plan to reduce its energy consumption by 30%. This will be achieved through the implementation of energy efficiency measures in its buildings and the purchase of renewable energy credits. By doing so, the company aims to reduce its reliance on non-renewable energy sources and transition towards more sustainable energy sources. The Group will track its carbon emissions, energy consumption, and renewable energy purchases. This will enable the company to assess its performance and make necessary adjustments to its strategy where needed. The company aims to achieve it by 2030. By taking these steps, the Group hopes to contribute towards a sustainable future and reduce its impact on the environment while also benefiting from the cost savings associated with energy efficiency measures and renewable energy sources.	2022 ESG Report • Overview, page 8 • Environment, pages 75 – 76 • FS2, page 101 • Sustainable finance, page 102 Absa Net-Zero Statement – Absa Group Announces Net-Zero Targets as Part of Broader Sustainability/ Sustainable Finance Goals 2022 TCFD Report • Metrics and targets, pages 33 – 37

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 2: Impact and target setting

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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 Annexure. Please include the relevant indicators using the indicator code in the following table:

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.

Sustainability linked financing

Starting January 2021, CIB aims to finance or arrange R100 billion for ESG-related projects by 2025, through capital-raising and lending solutions, while Relationship Banking business units aims to finance 250MW or R2.5 billion of renewable power by 2025.

In terms of opportunities, a steep increase in renewable energy financing is expected over the next five years. From 2026, we forecast the portfolio to increase by 10% p.a. This is driven by refinancing existing projects, redeeming existing loans and actively distributing risk into the secondary market. These opportunities, however, will need the continued support of appropriate legislation.

Sensitive sector financing limit caps

As part of our ambition to achieving a net-zero carbon target for our Group, which is a key priority in our overall ESG strategy, we have taken a significant step by setting SSFLC for the oil, coal, and gas sectors as a percentage of our total gross loans and advances, inclusive of off-balance sheet items. 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. This comprehensive approach to setting SSFLC allows us to effectively manage our exposure to high-carbon sectors and align our financing activities with our sustainability objectives. By taking concrete actions to manage our climate-related risks, we aim to contribute to a sustainable and low-carbon future for our Group, our customers, and the broader community.

In addition, we are simplifying the disclosure of our SSFLC to boost transparency and improve clarity.

Our limits to the coal, oil and gas sectors are beneath our SSFLC set against a baseline in 2021.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 2: Impact and target setting

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- Refer to Annexure 1 for details of the Theory of Change approach

Indicator code	Response
A. Climate change mitigation	
A.1.1	Yes. ESG Strategy includes climate-related information.
A.2.1	Yes. Engage with our customers and suppliers. Based on certain risk factors key requirements will need to be followed – Strategic and Sustainability risk is a principal risk. The Equator Principles have key requirements that need to be followed based on the activity underway. Group Procurement – Climate factors are included in the procurement process; this is a phased approach.
A.3.1	Net Zero targets have been published in 2023. Refer to the Absa Press Release.
A.4.1	Not measured yet.
A.1.2	Net Zero targets have been published in 2023 – commitment by 2050.
A.2.2	Not measured yet.
A.3.2	Not measured yet.
A.1.3	Yes - The Business and Professional Associations Standard and The Group Stakeholder Engagement Policy.
A.2.3	In progress – in the 2022 TCFD Report Scope 3 lending has been documented.
A.3.3	In the 2022 TCFD Report – Metrics and Target section, we list the loan amounts for High Emission Sectors and Fossil Fuel sectors.
A.1.4	In progress – in the 2022 TCFD Report Scope 3 lending has been documented.
A.2.4	In the 2022 TCFD Report – Metrics and Target section, we list the loan amounts for High Emission Sectors and Fossil Fuel sectors.
A.1.5	Yes – as listed in the 2022 ESG Report page 102 we describe our Sustainable Bond Issuance and ESG Loans. Absa published its Sustainable Finance Issuance Framework, a critical tool that sets guidelines and provides a platform for originating and raising more green, social and sustainable assets. Based on this framework, we issued our inaugural sustainable bond, raising R4.6 billion across three, five and seven-year maturities. The use of proceeds will be earmarked for solar and wind renewable energy projects.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 2: Impact and target setting

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(c) **SMART targets** (including key performance indicators (KPIs)[9]): 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.

The following examples of environmental targets assessed against specified baselines have been taken from our 2022 ESG report:

Targets	Year-on-year change[1]	Change from 2018 baseline	2030 target (2018 baseline)
Energy	4.3%	33.2%	30% reduction
Carbon	5.5%	21.3%	51% reduction
Water saving	96.4m[2]	110.7m	100m litres saved
Waste diversion	4.2%[3]	11.8%	80% waste recycled
Paper	23%	83%	50% reduction
Renewable energy[4]	1%	2%	10% increase
Travel	-205.4%	38.7%	20% reduction
Green-certified spaces[5]	10.1%	19.7%	33% increase
Carbon offsets	15.4%	15.4%	100% increase

[1] Some numbers are not based on a year-on-year change, i.e. water saving and renewable energy. These are based on quantity of water saved in the financial year and on installed capacity respectively.
[2] 14.75ML and 81.35ML saved from grey water systems and leak detection, respectively.
[3] 69% of waste diverted from landfills for recycling and composting in 2022 (South Africa only) (2021: 65%; 2020: 63%)).
[4] The 1% excludes renewable energy from two new corporate sites and one retail site that had not fully come online as at 31 December 2022.
[5] % of total gross letting area (GLA).

Ambition to achieve net zero

As part of our ambition to achieve a net-zero state for our Group, which is a key priority in our overall ESG strategy, we have taken a significant step by setting sensitive sector financing limit cap (SSFLC) for the oil, coal, and gas sectors as a percentage of our total gross loans and advances, inclusive of off-balance sheet items. 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. This comprehensive approach to setting SSFLC allows us to effectively manage our exposure to high-carbon sectors and align our financing activities with our sustainability objectives. By taking concrete actions to manage our climate-related risks, we aim to contribute to a sustainable and low-carbon future for our Group, our customers, and the broader community.

References/Links:

2022 ESG Report
- Environment, pages 75 – 76

Absa Net-Zero Statement – Absa Group Announces Net-Zero Targets as Part of Broader Sustainability/Sustainable Finance Goals

2022 TCFD Report
- Metrics and targets, pages 33 – 37

[9] Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 2: Impact and target setting

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Coal: Absa supports diversifying electricity and energy supply and strives for a balanced energy mix, notably supporting clients through the energy transition. Funding of the sector will align with the Group's Coal Financing Standard, which provides a framework for addressing Absa's sustainability risks and disclosures.

Coal

	2021	2022	2023	2030	2040	2050
SSFLC[1] (%)	Baseline	0.20	0.20	0.11	0.06	0.03

Oil and gas: Given existing commitments, our limit to the oil sector is expected to peak (including off-balance sheet items) at 1.41%.

Oil

	2021	2022	2023	2030	2040	2050
SSFLC[1] (%)	Baseline	1.25	1.41	0.46	0.22	0.04

Gas

	2021	2022	2023	2030	2040	2050
SSFLC[1] (%)	Baseline	0.55	0.72	0.83	0.52	0.32

[1] Sensitive Sector Financial Limit Cap

Annual progress reports are contained in our 2022 ESG Report and 2022 TCFD Report, both of which are considered and approved for publication by the SSEC.

While on the journey to net zero, transition risks and opportunities will be closely monitored and managed. In terms of opportunities, a steep increase in renewable energy financing is expected over the next five years. From 2026, we forecast the portfolio to increase by 10% p.a. This is driven by refinancing existing projects, redeeming existing loans and actively distributing risk into the secondary market. CIB aims to finance or arrange R100 billion for ESG-related projects by 2025 through capital-raising and lending solutions, while RBB South Africa aims to finance 250MW or R2.5 billion of renewable power by 2025.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
(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.	We have identified our three ESG focus areas. We have declared our net-zero ambition in line with our goal of becoming Africa's leader in sustainable finance. We have placed a greater emphasis on sustainability within our executive and governance structures. As part of incorporating climate change risk into our business, we monitor and disclose our exposure to sectors with high emissions and those identified as climate sensitive. We identified interventions required to reduce our climate-related risks and maximise climate-related opportunities. We have made progress in many of these areas and are now crystallising our ambition and the metrics and targets to which we will hold ourselves accountable. Developing a transition plan to achieve net zero will be a priority in the coming year. Our policy decisions take a balanced view of the adverse impact we may have on the economies, their development plans, affected communities, investors, clients, other stakeholders and the environment through our business activities. Therefore, we apply an enhanced due diligence lens to financing of the sensitive sectors.	2022 TCFD Report • Introduction, page 4

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: … (CLIMATE)	… second area of most significant impact: … (FINANCIAL INCLUSION)	(If you are setting targets in more impact areas) …your third (and subsequent) area(s) of impact: … (DIVERSITY AND 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

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
2.3 Target implementation and monitoring (Key Step 2)[LA] **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.	Performance against the targets described in Principle 2.2 is monitored by the SSEC and the Group Risk and Capital Management Committee. From a management perspective, the Group Chief Executive Officer, the Financial Director, the Group Executive Committee and the Executive Risk Committee monitor the performance. Below the Group Executive Committee, a Sustainability Risk Working Group monitors and reports on how sustainability risk is implemented. Achieving net-zero emissions for the Group by 2050 is a Group ambition. Developing a transition plan to achieve this will be a priority in the coming year. We have ambitious renewable energy financing targets and expect a steep increase in the next five years. Annual reporting on our progress is contained in our 2022 ESG Report and TCFD Report, both of which are approved for publication by the SSEC. The non-financial measures for our short-term and long-term remuneration incentives carry a weighting of 20%. Within this, sustainability is included with a weighting of 10%. Customer and digital, and colleague each have a weighting of 5%. **Renewable energy financing** We have made significant progress against our target of financing or arranging R100 billion in sustainable finance by 2025. To date, we have financed or arranged R49.1 billion (2022: R30.5 billion and 2021: R18.6 billion), spanning a broad range of themes and sectors. Notable landmark transactions concluded in 2022 in support of our clients as they transition include: • Acting as a joint mandated lead arranger and lender for South Africa's first utility-scale renewable energy captive power project comprising 200MWs of solar PV • Concluding a landmark sustainable finance transaction of approximately R10.4 billion for the Harmony Gold Mining Company Limited (Harmony) in South Africa • Enabling the refinancing of Pareto's current borrowings with ESG-linked financing. Using our understanding of the local real estate financing market and the Pareto group, we raised over R9 billion in demand for the transaction • Acting as the sole sustainability coordinator in the first sustainability-linked transaction in the paper and pulp industry for Sappi. In addition, we enabled Teraco's renewable energy journey by arranging a R1.5 billion green loan. Our 2022 TCFD Report and the 2022 ESG Report provide further examples of opportunities.	2022 Integrated Report • Natural capital, pages 18, 20, 22, 111 2022 ESG Report • SSEC, pages 15 – 16 2022 TCFD Report • Governance, page 10 – 13 • Strategy, pages 14 – 25 • Metrics and targets, pages 33 – 37 2022 Remuneration Report • page 3, 9 – 11, 18

[LA] Limited assurance: PwC conducted limited assurance on 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, designated with an 'LA' marking. Refer to the Limited Assurance Report for more information

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 2: Impact and target setting

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

Carbon neutral

We recognise our contribution to a sustainable future and the extent to which our business needs to reflect that in our operating choices. As such, the Group continues its journey towards a Group-wide target to reduce operational emissions by 51.0% from 2018 levels by 2030. We are on track with this target and have achieved an overall reduction of 21.3% to date.

Annual progress reports are contained in our 2022 ESG Report (pages 78 and 79) and 2022 TCFD Report (pages 35 to 37), both of which are considered and approved for publication by the SSEC.

Progress on implementing and monitoring SSFLC

Our exposure in the coal, oil and gas sectors is materially beneath our credit-approved limits. In 2022:

- Our coal exposure was 0.04%, relative to a net-zero target of 0.20%
- Our oil exposure was 0.83%, relative to a net-zero target of 1.25%
- Our gas exposure was 0.01%, relative to a net-zero target of 0.55%.

As a Group, we endeavour to ensure that our financing does not harm vulnerable communities and that these communities can access affordable renewable energy. Consequently, the Group applies enhanced due diligence when considering projects' environmental and social impacts, ensuring it adheres to best practices.

We have made strides in delivering against our sustainability agenda. We believe that a focus on mobilising resources in this regard will contribute to an effective and just transition to a low carbon economy. We have ambitious renewable energy financing targets and expect a steep increase in the next five years.

We update our performance against all our targets annually in our 2022 integrated reporting suite. These targets, and progress against these targets, can be found in our 2022 Integrated, ESG and TCFD reports. We anticipate progress in achieving our targets in the future.

Various reports within our 2022 reporting suite provide an update on the Group's activities in relation to the PRB and the underlying principles. It also provides more information on regulation and other good practices we adhere to. Our net-zero commitment is also available in our website outlining our ambition to reach net-zero by 2050.

Furthermore, the SSEC has approved sensitive sector financial lending standards that will be incorporated into business.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 2: Impact and target setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.		
	Implementation progress Our disclosures cover a range of topics, including but not limited to, ethical and responsible business practices, diversity, access to safe and accessible financial services, environmental and social risks and opportunities in lending, climate change and broader corporate citizenship activities, such as support for institutions that promote democracies and just societies. Our Integrated Report is prepared in accordance with the IFRS Foundation's Integrated Reporting Framework (2021), and our ESG Report is in accordance with the Global Reporting Initiative Standards. Both reports reference the King Report on Corporate Governance™ for South Africa, 2016[9], which explicitly refers to the interlinkage between strategy and environmental and social performance. Our Broad-Based Black Economic Empowerment Report (South African operations) details our progress against the transformation ambitions of the South African Financial Sector Code. We released our third TCFD report on 28 April 2023. **Reporting best practices** We have conducted an assessment of our ESG suite of reports, benchmarking them against international and regional best practices. The outcome of these assessments is being addresses as short, medium and long-term activities depending on efforts required.	

[9] Copyright and trade marks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
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 (see P2).*	Our 2022 ESG Report and 2022 Integrated Report provide information, including the respective management approaches, on the key ESG topics that are important to sound and responsible relationships with our customers. At Absa Group, 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. One of our key policies is our Sustainable Finance Policy, which outlines our commitment to providing financing and advisory services to businesses that have a positive social and environmental impact. We also have a set of Environmental and Social Risk Management policies and standards which are published publicly that guide our lending practices and ensure that we only finance projects that are socially responsible and environmentally sustainable. In addition to our policies, we have implemented a range of initiatives to support our clients' transition towards sustainability. For example, we have launched a Sustainable Business Toolkit, which provides practical advice and resources to help businesses adopt sustainable practices. We also offer financing solutions that incentivise sustainable investments, such as green bonds and sustainability-linked loans. To track our progress towards our sustainability goals and to monitor our impact, we have developed a set of indicators to measure our client engagement and the impacts achieved. These indicators include the number of sustainable financing transactions we have completed, the percentage of our loan book that is focused on sustainable finance, and the number of businesses that have adopted sustainable practices as a result of our support.	2022 ESG Report • Policy commitments, pages 38 – 41 2022 TCFD Report • Strategy, pages 15 – 25

[10] A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.
[11] Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
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.		
	We are fully committed to supporting our clients and customers in their transition towards sustainable economic activities, and we will continue to implement policies and initiatives that encourage sustainable practices and enable positive social and environmental impacts. Absa strives to continuously improve its reputation and sentiment with its stakeholders. The Absa Way Code of Ethics is aligned with our purpose of empowering Africa's tomorrow, together... one story at a time. This includes disclosure on Ethics and integrity, including treating customers fairly, and mandated Financial Services Sector Disclosures. Moreover, our Product Risk Standard deals specifically with the suitability of products for the target market, transparency of product features and responsible selling and after-sales service. These topics include, but are not limited to, culture, ethics and conduct (whistleblowing, financial crime and cybersecurity), responsible banking and lending, diversity and human rights. A good example of this is the Absa Way Code of Ethics: • The Absa Way Code of Ethics details the expected behaviours when engaging with our customers, fellow employees, shareholders, government, regulators, business partners, suppliers, competitors and the broader community. • The Absa Way Code of Ethics and Group Conflict of Interest Policy is reviewed and approved annually by the SSEC. This year, we focused on benchmarking the Absa Way and Conflict of Interest Policy with local and international practices, including the Harvard Business School Global Business Standards, Codex, the UN Global Compact principles, and local and international banks. • The Absa Way handbook has also been updated and rigorously edited, which produces a simplified, more digestible, and easily communicated Code of Ethics. Moreover, our Product Risk Standard deals specifically with the suitability of products for the target market, transparency of product features and responsible selling and after-sales service.	

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 3: Clients and customers **We will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.**		
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.).	Our organisation is committed to supporting a just, orderly and equitable transition and we therefore are actively supporting our clients in their pursuit of sustainable solutions. We incentivise emission reduction by linking emission targets to pricing in syndicated oil and gas loans, encouraging and supporting our 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 PV geysers, and offering innovative products and services that empower our clients to finance green solutions and adopt sustainable practices. As an organisation we have committed to financing R100 billion in renewables energy 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 a considerable number of 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. **Support to our individual 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 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. We have introduced the Absa Eco Home Loan, South Africa's first green home loan. This innovative product is backed by the prestigious EDGE certification from the Green Building Council of South Africa (GBCSA), 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 incentivizing 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. In terms of insurance, our non-life operations are notably affected by the consequences of climate change. We have proactively integrated climate change risks considerations into our insurance business, recognising it as a critical element to be actively managed. Our efforts are aimed at not only 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. Moreover, we are collaborating with various organisations to promote sustainable energy options for our customers, such as transitioning from electric to solar PV geysers.	Group Sustainability Policy 2022 ESG Report • Financial Services Sector Disclosures, pages 99 – 110 2022 TCFD Report • Introduction, page 4 • Climate action journey, pages 8 and 9 • Strategy, pages 14 – 25 • Metrics and targets, pages 33 – 37

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 3: Clients and customers We will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.		
	Support to our large, medium and small corporate client base As part of our commitment to sustainable financing, we are not only providing green and sustainable solutions to our clients but also conduct assessments of ESG high risk clients, with a particular focus on their ESG strategy and trajectory. Our main objective in executing this strategy is to assist our clients in their transition towards sustainability. Beyond assessing ESG risks, the business completes a future looking assessment on relevant clients to understand: i) the client's ESG strategy and targets; ii) the client's major impacts on people and planet; and iii) Absa's relationship. This is assessed to determine whether their trajectory and strategy aligns with ours or whether more commitments, initiatives or investments are required to support a client on their transitioning journey to avoid stranded assets in the future. In the fossil fuel sectors, for example, Oil and Gas, we link emission targets to pricing to incentivise clients to reduce the absolute number of emissions on a project or overall basis. As a further service we support clients in their ambition to re-weight their portfolios towards gas. Oil and gas projects have active environmental and social reviews/action plans overseen by Independent Environmental and Social, and Technical Consultants to enable borrowers to transition from high to low and to zero GHG intensity, notably with pre-defined targets such as no routine flaring by 2025 and transitioning to net zero with respect to Scope 1 and 2 net entity emissions by 2030. We have partnered with a trusted service provider to offer customers convenient access to qualified contractors, enabling them to explore solutions for sustainable power generation, renewable energy, and commercial and industrial lighting. This collaboration presents a significant opportunity for our customers to pursue alternative power installations with the support of reputable contractors, aligning with our commitment to sustainability and addressing the evolving needs of our customers.	

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 3: Clients and customers **We will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.**		
	In syndicated oil and gas transactions we link emission targets to pricing to incentivise clients to reduce the absolute number of emissions on a project or overall basis. Moreover, we support clients in their ambitions to re-weight their portfolios towards gas. The Renewable Energy Independent Power Producer Procurement Programme (REIPPP) is the key driver for South Africa's transition to a low-carbon economy. This program aligns with the country's commitment to reducing carbon emissions in line with the 2015 Paris Climate Agreement, as well as the 2019 Energy Integrated Resource Plan goal to diversify energy resources and reduce reliance on coal. The renewable energy technologies supported include wind, solar PV, concentrated solar power and biomass. We have arranged financing for 33 projects (approximately 3GWs) under the first four bidding rounds of the programme, which are now in the operational phase and supply power to the grid. We are committed to continuing our support for projects under the REIPPP. Two projects were awarded preferred bidder status under the fifth bidding round and reached financial close in November 2022, where we acted as the joint mandated lead arranger and lender. The projects comprised two 140MW wind farms located in the Northern Cape, with an estimated capital cost of R7.7 billion. In the sixth bidding window under REIPPP, we are mandated on two solar PV projects with a capital value of R6 billion. Apart from the government's REIPP program, we are also actively assisting clients in entering the captive energy market. We have been involved in the first utility-scale deal, which reached financial close during 2022 (200MW project size). We expect this market to grow significantly during the next two to three years, and we are currently mandated on over 1GW.	

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
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[12]) 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.	**Stakeholder management** Our key stakeholder groups are the investment community (current and prospective shareholders; debt investors; investment analysts and credit rating agencies); customers; employees and recognised trade unions; regulators and government; and society, which includes suppliers, community organisations and the media. To deliver sustainable performance, we balance the needs of stakeholders over the short, medium and long term. Stakeholder feedback is managed through our Group Stakeholder Engagement Policy and the Business and Professional Associations Standard. Identifying and selecting stakeholders Our key stakeholder groups are the investment community (current and prospective shareholders; debt investors; investment analysts and credit rating agencies); customers; employees and recognised trade unions; regulators and government; the planet; and society, which includes suppliers, community organisations and the media. **Stakeholder engagement principles** The principles that underscore our stakeholder engagements are: • Consistent messaging to all stakeholders • Understanding the needs, interests and expectations of stakeholders and incorporating them into the Group's decision-making processes • Consistent collaboration to establish meaningful relationships with stakeholders and to align them with our goals • Transparency through continuous communications that are proactive and honest • A commitment to creating a sustainable business and to being an active force for good in society • Responsiveness to a changing business environment and our stakeholders' legitimate needs, interests and expectations.	2022 Integrated Report • Natural capital, pages 18, 20, 22, 111 • Material matters, pages 31 – 42 • Social and relationship capital, pages 20, 23, 37 – 40, 111 • Our stakeholder needs and expectations, pages 27 – 29 2022 ESG Report • An active force for good in everything we do, pages 37, 54, 106 • External initiatives, page 45 • Stakeholder engagement, page 46 • Material topics, pages 49 – 50 • Contributing to the SDGs, page 116 2022 TCFD Report • Strategy, pages 14 – 25

[12] Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organisations.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
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[LA] 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.	Our SSEC is mandated, on behalf of our Group Board, to monitor the Group's activities, having regard to any relevant legislation or prevailing codes of best practice on matters relating to social and economic development; good and responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation. The committee also provide oversight and evaluation of management's performance against the balanced scorecard on all appropriate non-financial matters. The name of the Board Social and Ethics Committee was changed to the Social, Sustainability and Ethics Committee in March 2022 to reflect the heightened importance of sustainability and ESG globally and with many of our stakeholders. The change also emphasises our commitment to sustainability across the Group. The Terms of Reference emphasise the SSEC's responsibility to monitor the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice pertaining to sustainability. During 2022, the SSEC considered and approved the sharpened focus of our ESG strategy. It also noted the adoption of our three focus areas namely financial inclusion, diversity and inclusion and climate. During 2022, the SSEC considered and approved the SSFLC to the fossil fuels sectors. More information on the SSEC Chairman is available in the 2022 Integrated report page 89. SSEC meeting details as disclosed in the AGM 2023 Notice page 19. **Group Risk and Capital Management Committee (GRCMC)** The GRCMC assists the Board in overseeing the risk, capital and liquidity management of the Group by reviewing and monitoring (i) the Group's risk profile against its set risk appetite; (ii) its capital, funding and liquidity positions, including in terms of applicable regulations; and (iii) the implementation of the Enterprise Risk Management Framework and the eight principal risks defined therein. It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital, funding and liquidity management in all relevant jurisdictions.	2022 Integrated Report • Protecting value through sound governance, pages 77 – 93 2022 ESG Report • Our ESG Governance, page 15 • The SSEC, pages 15 – 16 2022 TCFD Report • Governance, pages 11 – 13

[LA] Limited assurance: PwC conducted limited assurance on 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, designated with an 'LA' marking. Refer to the Limited Assurance Report for more information

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 5: Governance and culture We will implement our commitment to these principles through effective governance and a culture of responsible banking.		
	Remuneration Committee (RemCo) Sets and oversees the implementation of the Group's Remuneration Policy principles to deliver fair and responsible remuneration aligned with current and emerging market practice, to meet regulatory and corporate governance requirements and to align the behaviour of executives with the strategic direction of the Group. It approves the total remuneration spend, including fixed remuneration, short-term and long-term incentives, any other remuneration arrangements, and the particulars of a defined senior population. It also considers and approves the Group's remuneration disclosure policies and ensures that disclosures are accessible, understandable, accurate, complete and transparent; and that the Group remunerates fairly and responsibly in the context of overall employee remuneration, focusing also on remuneration differentials. Non-financial metrics, and which include sustainability-related metrics, are part of management's short- and long-term incentives. The non-financial element constitutes 20% (2021: 10%) of the on-target outcome in the 2022 and 2023 long-term incentives, including employee (5%), customer (5%) and sustainability (10%), which also included climate-related outcomes. The weighting of the non-financial health measure reflects the increased focus on the ESG agenda and shareholder feedback. Considerable rigour is applied in assessing the non-financial outcomes. For example, the SSEC reviews the outcomes related to employee, customer and sustainability and makes a recommendation in this regard to the Remuneration Committee. They deliberate on these recommendations and determine the final non-financial outcome.	

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 5: Governance and culture We will implement our commitment to these principles through effective governance and a culture of responsible banking.		
	Group Audit and Compliance Committee (GACC) The GACC is accountable for the annual financial statements, accounting policies and reports; and overseeing the quality and integrity of the Group's integrated reporting. It is the primary forum for engagement with internal and external audit. **Management's role** Our Group Chief Executive Officer (CEO) leads the Group Executive Committee (ExCo), which is responsible for executing the Group strategy and managing the business day-to-day. Our CEO takes accountability for climate-related risks and opportunities within the broader ambit of ESG matters. ExCo members are responsible for sustainability in their respective areas and support the CEO in executing his mandate. The Group Strategy and Sustainability function reports to our CEO. The Group Chief Strategy and Sustainability Officer is responsible for: • The development of the overall Group Strategy execution and monitoring • The development of the overall Sustainability strategy, execution and measurement framework. Our Financial Director is also responsible for other areas related to climate risk, specifically real estate management and the associated environmental impact of our operations, supplier management and the Group's Integrated and ESG reporting. **Management committees** In January 2022, a Sustainability Risk Working Group was established to act as a Principal Risk Forum to discuss, challenge, agree and create alignment and consistency on how sustainability risk is implemented, managed, measured and reported across the organisation. The Group Executive Risk Committee (ERC) the most senior executive management committee responsible for exercising the Group's Executive Committee's collective responsibility for the management of the risks and compliance.	

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 5: Governance and culture **We will implement our commitment to these principles through effective governance and a culture of responsible banking.**		
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 trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).	Guided by our re-anchored strategy, we remain committed to transforming our culture in line with the changing landscape. We aspire to be a truly purpose-led organisation. This means making a proud and positive contribution to the world around us and putting our purpose at the heart of everything we do. As such we unveiled a new purpose statement this year of 'Empowering Africa's tomorrow, together . . . one story at a time'. Accordingly, we have invested significant time and resources in embedding a shared understanding of our refreshed operating model and aligning Absa leadership with our strategy. We firmly believe that a thriving culture is reflected by the strength and commitment of our leaders. As such, our leaders have committed to continue: • Doing what's best for Absa, our people, and our stakeholders • Leading with integrity and taking accountability for our actions • Embracing diversity and inclusion • Pursuing impactful excellence • Listening and learning. **Diversity and Inclusion** We want to drive measurable, material change in our communities in a way that brings our purpose to life, differentiates us and strengthens our business. To do this, we will invest significantly in three specific ESG focus areas: financial inclusion, diversity and inclusion, and climate. We selected these areas by considering the relative importance of these matters to our stakeholders, the potential impact on our business, and our strengths and assets. **Sustainability and climate change training** Raising awareness and training employees is critical to ensure that climate-related risks and opportunities are integrated into our activities. This provides employees with the necessary knowledge to engage with customers on climate change and the transition to a less carbon-intensive economy. Past training has included presentations to our Board and employees from academics and experts on South Africa's energy sector and long-term climate forecasts for sub-Saharan Africa. Group Sustainability Risk has developed and conducted training on our ESMS for over 800 employees to date (in-person and online). In conjunction with Group Learning and Development, it launched mandatory online training on the ESMS and general awareness of climate change to selected individuals. It is also essential for us to raise awareness of climate change with our customers, business leaders, regulators and civil society. CIB met with more than 70 clients to discuss sustainability and climate change issues, advising them on transitioning their businesses away from carbon-intensive activities. In the past year, Relationship Banking met over 100 clients for the same reason. **Annual targets** Accelerating such training is a key deliverable for Group sustainability. The non-financial measures for our short-term and long-term incentives carry a weighting of 20%. Within this, sustainability is included with a weighting of 10%. Customer and digital, and colleague each have a weighting of 5%. The control environment is a potential adjusting factor.	2022 Integrated Report • Strategic overview, pages 14 – 18 • Building a competitive advantage through culture, page 62 • An active force for good in everything we do, pages 66 – 71 2022 ESG Report • Senior management commitment, page 10 • Material topics, pages 49 – 51 • Social, page 81 • Diversity and equal opportunity, page 94 • Contributing to the SDGs, page 116 2022 TCFD Report • Governance, pages 11 – 13 • Strategy, pages 15 – 25

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 5: Governance and culture We will implement our commitment to these principles through effective governance and a culture of responsible banking.		
5.3 Policies and due diligence processes Does your bank have policies in place that address environmental and social risks within your portfolio?[13] Please describe. Please describe what due diligence processes your banks 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.	Our qualitative risk appetite statement for sustainability provides a high-level perspective on the Group's most crucial risk themes impacting its aggregate risk profile. It provides guiding principles on the risks that we actively seek, risks that arise from being in business and risks that should be avoided. **Policies** To effectively manage sustainability risks we have a Group Sustainability Risk Policy that outlines our management approach, risk appetite, and governance structures. We also have financing standards for sensitive sectors in place to manage climate change, environmental, and social development risks. Summaries of our financing standards for sensitive sectors are published on our web page https://www.absa.africa/absaafrica/about-us/who-we-are/. In addition, we have sector-specific guidance notes outlining key sector and reputational risks, headline issues and considerations to inform decision-making for numerous sectors. Reliance is placed on the policies and standards set by the Group to identify and manage potential environmental and social risks in lending. **Enhanced Due Diligence** Our environmental and social risks are assessed and screened Group-wide in accordance with Absa's Environmental and Social Management System (ESMS). The system identifies, assesses, manages, and monitors the environmental and social risks and impact of loans on an ongoing basis to avoid, eliminate, offset, or reduce risk to acceptable levels. Our environmental and social risks are assessed and screened Group-wide in accordance with Absa's ESMS. Our lending practices consider environmental and social risks throughout loan origination, credit approval and annual review of screening and funding processes. The ESMS is used to enhance our understanding of environmental and social risks associated with each transaction to assist in the decision-making process before proceeding with a transaction. Our enhanced due diligence requirements also include application of the following: • **Equator Principles (EP):** We have adopted the Equator Principles framework and apply this to all qualifying transactions, countries and sectors. The EP is applied to all financial products in line with EP thresholds as agreed by EP Finance Institutions. We apply the EP to financing expansions or upgrades of an existing project that meets the qualifying criteria. • **Environmental and Social Due Diligence (ESDD):** The ESDD process provides insight on the types of potential risks and impacts associated with the transaction activity/ies. An ESDD will be undertaken for all activities that have a significant impact on the environment and people, communities, society in line with our ESMS and guidance provided in our Environmental and Social Standard.	2022 ESG Report • Our ESG strategy, page 8 • The SSEC, pages 15 – 16 2022 TCFD Report • Strategy, pages 15 – 25

[13] Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
Principle 5: Governance and culture **We will implement our commitment to these principles through effective governance and a culture of responsible banking.**		
	The detail and nature of the ESDD performed are informed by the level of risk associated with the transaction or deal, considering the financial product being provided, term, and degree of Absa participation in the transaction. • **The Absa Environmental and Social Risk Assessment (ESRA) tool:** The ESRA tool is completed for qualifying transactions and attached to credit reviews/applications. The objective of the ESRA tool is to improve efficiencies during the screening and assessment of environmental and social risks. The ESRA tool requires consideration of environmental and social risks using the IFC Environmental and Social Performance Standards, which include consideration of the client ESMS and related ecosystems, grievance mechanisms, labour practices, biodiversity aspects, climate-related risks (GHG emissions and reduction targets), social risks and legal compliance. **Identifying, managing and assessing climate-related risks** Our approach to managing sustainability risk, a sub-risk category of strategy and sustainability risk, a principal risk in the ERMF, is guided by a thorough understanding of the potential environmental and social impact that may arise from our lending activities. We are committed to promoting proper risk identification and management by utilising effective management systems, processes, and relevant standards. 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 actively manage current and emerging risks through the implementation and continued operating effectiveness of our Board-approved ERMF. Within this framework, risks associated with customer loans that could be impacted by climate change or transition risk fall under credit risk. The risk management process follows a three-step approach, namely evaluate, respond and monitor (the E-R-M process). Further information can be found in the Absa Group Limited – Pillar 3 Risk Management Report for the reporting period ended 31 December 2022.	

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

Principle 5: Governance and culture

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

Self-assessment summary:

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes
☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes
☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes
☐ In progress
☐ No

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
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 – Limited Assurance ☐ No If applicable, please include the link or description of the assurance statement.	We apply a risk-based, combined assurance approach to the Group's operations. More details are outlined on page 1 of this report.	2022 PRB Report, page 1
6.2 Reporting on other frameworks Does your bank disclose sustainability information in any of the listed below standards and frameworks? ☒ GRI ☐ SASB ☒ CDP ☐ IFRS Sustainability Disclosure Standards (to be published) ☒ TCFD ☒ Other: S&P Sustainability Index, JSE General Disclosure Guidance	Refer to our 2022 ESG report page 6 for further information on our reporting landscape.	2022 ESG Report, page 6

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links
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.**		
6.3 Outlook What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis[14], target setting[15] and governance structure for implementing the PRB)? Please describe briefly.	**Focus for 2023** We have made significant progress over the last nine months to shape our ESG strategy and outcomes through a multiphase approach. To anchor us as an organisation in our purpose and ambition, we want to drive measurable, material change in our communities in a way that brings our purpose to life, differentiates us and strengthens our business. To do this, we will invest significantly in three specific ESG focus areas: financial inclusion; diversity and inclusion; and climate. We selected these areas by considering the relative importance of these matters to our stakeholders, the potential impact on our business, and our strengths and assets. During 2023, we will commence crystallising and aligning our strategy and key focus areas. Priority actions and metrics during 2023 will be as follows: • Define metrics across ESG key focus areas • Aligned execution framework • Report and external engagement • Define the integrated risk framework • Plan the education and expert insights distribution to employees. Our ESG strategy is clear with priority actions outlined for 2023. We will finalise short, medium and long-term targets, drive actions to achieve targets, and manage risk in parallel through operating model and governance structures that have been formulated. Training across the key initiatives will be rolled out. In its third year of reporting against the PRB, the bank has made notable progress. We made substantial progress in shaping our ESG strategy and refined our areas of focus. To ensure that our sustainability efforts are integrated into our business practices, we have elevated ESG considerations in our decision-making processes and overall strategy. We have performed several analyses of our ESG reporting suite and are working towards addressing and closing the identified gaps over the short, medium and long term.	2022 ESG Report 2022 TCFD Report

[14] For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement.
[15] For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

Reporting and self-assessment requirements	High-level summary of bank's response	References/Links

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 contribution to society's goals.

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 prioritized to address in the last 12 months.

- ☐ 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
- ☐ Customer engagement
- ☐ Stakeholder engagement
- ☒ Data availability
- ☒ Data quality
- ☐ Access to resources
- ☐ Reporting
- ☐ Assurance
- ☐ Prioritising actions internally
- ☐ Other: ...

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

Annexure 1

The set of indicators has been developed using a Theory of Change approach considering the relationship between inputs, activities, outputs, short and long term outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found here, the one for financial health and inclusion here. The Theory of Change approach allows us to identify metrics and set targets which align with a bank's maturity.[16] The indicators are all connected to a bank's impact and can be considered as necessary steps towards measuring impact. It is not expected that a bank is able to report on all indicators from the beginning, which is why a set of indicators for different levels on a bank's implementation journey is provided.[17]

Impact area	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact		
	Code	Indicator	Response options and metrics	Code	Indicator	Response options and metrics	Code	Indicator	Response options and metrics	Code	Indicator	Response options and metrics
A. Climate change mitigation	**A.1.1**	**Climate strategy:** Does your bank have a climate strategy in place?	Yes/In progress/No	**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?	Yes /Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography etc.)	**A.3.1**	**Reduction of GHG emissions:** how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO_2e (or applicable metrics)[18]	**A.4.1**	**Portfolio alignment:** How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of sector, and/or % of portfolio
	A.1.2	**Paris alignment target:** Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes/In progress/No; If yes: • please specify: 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?	**A.2.2**	**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. stem from clients with a transition plan in place?	% (denominator: financed emissions in scope of the target set)	**A.3.2**	**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?	bln/mn USD or local currency, and/or % of portfolio; please specify the definition of green assets and low-carbon technologies used			

[16] It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

[17] Over time, indicators for more impact areas will be developed.

[18] If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

Impact area	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact		
	Code	**Indicator**	**Response options and metrics**	**Code**	**Indicator**	**Response options and metrics**	**Code**	**Indicator**	**Response options and metrics**	**Code**	**Indicator**	**Response options and metrics**
	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/In progress/No	**A.2.3**	**Absolute emissions:** What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or investment portfolio?	Total GHG emissions or CO_2e	**A.3.3**	**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?[19] How much does your bank invest in transition finance?[20]	bln/mn USD or local currency, and/or % of portfolio			
	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?	Yes/In progress/No; If yes: please specify which parts of the lending and investment portfolio you have analysed	**A.2.4**	**Sector-specific emission intensity** (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (depending on the sector and/or chosen metric): kg of CO_2e/kWh, CO_2e/m^2; kg of CO_2e/USD invested, or kg of CO_2e/revenue or profit						
	A.1.5	**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/In progress/No; Please specify which ones, and what financial volume and/ or % of the portfolio they account for									

[19] A list of carbon-intensive sectors can be found in the Guidelines for Climate Target Setting.

[20] Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

Impact area		1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact	
	Code	**Indicator**	**Response options and metrics**	**Code**	**Indicator**	**Response options and metrics**	**Code**	**Indicator**	**Response options and metrics**	**Code**	**Indicator**	**Response options and metrics**
B. Financial health	**B.1.1**	# of products and services in the portfolio with a focus on financial health and inclusion	How much of the product and service portfolio has a focus on financial health/ inclusion increase. This covers products with yields that protect from inflation, products and services embedded with nudges to simplify decision making, etc.	**B.2.1**	% of active customers using the online/mobile banking platform/ tools	By active we mean at least one access/ usage per month. Measure recurrent usage of digital services beyond the effective access of the channels. Used also as a proxy to measure if there are digital skills or not.	**B.3.1**	% of customers transferring money into a savings, deposit and/or investment account, at least once a quarter	Transferring money into a savings, deposit and/or investment account at least once a quarter. Disaggregate by type of product, tenure, liquidity, and prioritised groups	**B.4.1**	% of customers for which spending exceeded 90% of inflows for more than 6 months last year	Percentage. Customers that spend more than 90% their income every month are not being able to have large savings that will allow them to increase emergency funds or achieve future goals. A healthy measure is that outflows never exceed more than 90% of inflows. Transactional based
				B.2.2	% of individuals supported with dedicated and effective financial and/or digital education programs	Number of users, customers and non-customers, as well as employees, of financial and/or digital skills-building programs offered by the bank. Should be disaggregated by captive and non-captive users. Captive being those that can be deanonymized and non-captive being those that can't. Dedicated means that are specially created for a group of individuals. Effective means that its results have been evaluated periodically to yield the desired outcome of stronger financial skills	**B.3.2**	% of customers using overdraft regularly	Percentage per year and disaggregated data per vulnerable group. Overdraft can be used to handle unexpected emergencies but more than 80% in a quarter (72 out of 90 days) denote regularity and a precursor to lower financial health	**B.4.2**	% of customers that feel confident about their financial situation in the next 12 months	Percentage. One way to evaluate financial confidence is checking if the customer feels confident about their financial situation in the upcoming year. Survey based.

Impact area	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact		
	Code	Indicator	Response options and metrics	Code	Indicator	Response options and metrics	Code	Indicator	Response options and metrics	Code	Indicator	Response options and metrics
							B.3.3	% of customers experiencing 8 or more payment declines in the last 12 months	Percentage of customers experiencing 8 or more payment declines in the last 12 months. Applies to both credit and debit products when using for payments, not for withdrawals.	**B.4.3**	% of customers that would struggle to handle a major unexpected expense by raising emergency funds or cover with insurance	Percentage. Survey based using the question: "If a major unexpected expense arises, how can you cover it right now?" and give the multichoice option of insurance, emergency funds, loan, credit card, etc.
							B.3.4	% of customers who use the bank's services to create a financial action plan	Percentage. Either digital or in person, are the customers using the banks services to set up an action plan to improve their financial health?	**B.4.4**	% of customers with sufficient liquid financial assets to cover a three-month reduction/loss in income	Percentage. Objectively measures if there's financial resilience or not using transactional data to check if the customer is preapproved for a loan, has available balance in credit card or can activate overdraft, or has savings/ investments. Special attention must be put to financially vulnerable customers who may not have access to some of these liquid assets.
							B.3.5	% of individuals with OECD Financial Literacy levels higher than minimum targets	Percentage of individuals that score higher than the OECD targets (Knowledge 5/7. behaviors 7/9, attitudes 3/5). Should be measured in customers and non-customers. Specially those that receive any type of financial skills-building programs by the bank or third parties	**B.4.5**	% of customers with products connected to long-term saving and investment plans	Percentage. Track future planning amongst customers. The higher the number of these investment accounts and the volume, the better for the financial health of customers

Impact area	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact		
	Code	**Indicator**	**Response options and metrics**	**Code**	**Indicator**	**Response options and metrics**	**Code**	**Indicator**	**Response options and metrics**	**Code**	**Indicator**	**Response options and metrics**
C. Financial Inclusion	**C.1.1***	# of products and services in the portfolio with a focus on financial health and inclusion	How much of the product and service portfolio has a focus on financial health/ inclusion increase. This covers products with yields that protect from inflation, products and services embedded with nudges to simplify decision making, etc.	**C.2.1**	% of clients with effective access to a basic banking product	% of clients with effective access to a basic banking product. By effective we mean that beyond first access, there's usage afterwards. Basic banking products vary by bank. Good examples are: checking accounts, payment accounts, credit cards, saving accounts, deposit accounts, e-money accounts, etc. (see annex for list of products)	**C.3.1**	% of vulnerable customers supported with dedicated customer journey/advisory services	Percentage of prioritized customers supported with dedicated customer journey/advisory services. Measure the access and usage of advisory services and other tools available to help improve the conditions of customers towards further access to financial products and services as well as better financial decisions	**C.4.1**	% of customers with 2 or more active financial products, from different categories, with the bank	% of customers with 2 or more active financial products, from different categories, with the bank. By active we mean there's at least one usage per month. By category we mean credit/debt, savings/ deposit/payment, insurance, investment, etc. Indicator should be disaggregated by group and by product/service used
				B.3.2	% of individuals supported with dedicated and effective financial and/or digital education programs	Number of users, customers and non customers AS WELL AS EMPLOYEES, of financial and/or digital skills-building programs offered by the bank. Should be disaggregated by captive and non-captive users. Captive being those that can be deanonymized and non-captive being those that can't. Dedicated means that are specially created for a group of individuals. Effective means that it's results have been evaluated periodically to yield the desired outcome of stronger financial skills	**B.4.5**	% of individuals with OECD Financial Literacy levels higher than minimum targets	Percentage of individuals that score higher than the OECD targets (Knowledge 5/7. behaviors 7/9, attitudes 3/5). Should be measured in customers and non-customers. Specially those that receive any type of financial skills-building programs by the bank or third parties			

Impact area	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact		
	Code	Indicator	Response options and metrics	Code	Indicator	Response options and metrics	Code	Indicator	Response options and metrics	Code	Indicator	Response options and metrics
				C.3.2	% of new customers from prioritized groups	% of new customers from prioritized groups. New to the bank. Disaggregate also by previously unbanked.	**B.4.1**	% of customers transferring money into a savings, deposit and/or investment account, at least once a quarter	Transferring money into a savings, deposit and/or investment account at least once a quarter. Disaggregate by type of product, tenure, liquidity, and prioritized groups			
							B.3.1	% of active customers using the online/mobile banking platform/ tools	By active we mean at least one access/ usage per month. Measure recurrent usage of digital services beyond the effective access of the channels. Used also as a proxy to measure if there are digital skills or not.			

Abbreviations

B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CIB	Corporate and Investment Bank
CPF	Commercial Property Finance
ECRM	Environmental Credit Risk Management
ERMF	Enterprise Risk Management Framework
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
ESRA	Environmental and Social Risk Assessment
ExCo	Executive Committee
GFDRR	Global Facility for Disaster Reduction and Recovery
GHG	Greenhouse Gas
IDRC	Development Research Centre
PRB	Principles for Responsible Banking
PwC	PricewaterhouseCoopers Inc.
PCAF	Partnership for Carbon Accounting Financials
PV	Photovoltaic
RBB	Retail and Business Banking
REIPPP	Renewable Independent Power Producer Programme
SBTi	Science-based Targets initiative
SDG	Sustainable Development Goals
SSEC	Social, Sustainability and Ethics Committee
TCFD	Task Force for Climate-related Financial Disclosure
UNEP FI	United Nations Environment Programme Finance Initiative

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